

ANNUAL REPORT

2017-2018



ABOUT THIS REPORT

This annual report provides information about the Department of Employment, Small Business and Training financial and corporate performance for 2017–18. The annual report plays an important role in fulfilling the department's commitment to accountability and transparency. It has been prepared in accordance with the *Financial Accountability Act 2009*.

Interpreter services



The Department of Employment, Small Business and Training is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty understanding the annual report, you can contact us on 131 450 and we will arrange an interpreter to effectively communicate the report to you.

Providing feedback

We continually strive to meet best practice reporting standards and value the views of our readers.

We invite you to provide feedback on this report by completing a survey on the *Get Involved* website <http://www.qld.gov.au/annualreportfeedback>

Copies of this publication can be obtained at <https://desbt.qld.gov.au/> by phoning 13 74 68, emailing corporate.stratgov@desbt.qld.gov.au or by contacting Corporate Strategic Governance, PO Box 15033, City East Qld 4002.

ISSN 2209-7902

© The State of Queensland (Department of Employment, Small Business and Training) 2018.

Published by the Department of Employment, Small Business and Training, September, 2018, 53 Albert Street, Brisbane Qld 4000.

Licence

This annual report is licensed by the State of Queensland (Department of Employment, Small Business and Training) under a Creative Commons Attribution (CC BY) 4.0 Australia licence.



CC BY Licence Summary Statement

In essence, you are free to copy, communicate and adapt this annual report, as long as you attribute the work to the State of Queensland (Department of Employment, Small Business and Training).

To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>

Attribution

Content from this annual report should be attributed as:

The State of Queensland (Department of Employment, Small Business and Training) Annual Report 2017–2018.

CONTENTS

Letter of compliance.....	3
Message from the Director-General.....	4
About our Annual Report	6
Our department	7
Our contribution to government objectives for the community	8
Who we are	9
Our service performance	16
Training and Skills.....	16
Employment	30
Small Business	36
Our financial performance	43
Our governance.....	47
Organisational structure.....	47
Executive management	48
Governance framework.....	50
Governance and accountability	51
Governance – human resources.....	54
Financial statements	57
Compliance checklist	112

LETTER OF COMPLIANCE

19 September 2018

The Honourable Shannon Fentiman MP
Minister for Employment and Small Business and
Minister for Training and Skills Development
PO Box 15483
City East Qld 4002

Dear Minister Fentiman

The Department of Employment, Small Business and Training is a newly established state government department arising from the merger of the following functions:

- Employment Policies and Programs from Queensland Treasury
- International Vocational Education and Training, Vocational Education and Training, and Skills and Workforce from the former Department of Education and Training
- Small Business from the former Department of Tourism, Major Events, Small Business and the Commonwealth Games.

This report outlines the non-financial performance, activities and achievements of the new Department of Employment, Small Business and Training for the entire 2017–18 financial year. That is, it reflects the structure, operations and performance of the department as it exists. However, the financial performance only covers the period from 1 January to 30 June 2018.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found at page 112 of this annual report.

Yours sincerely



Peter McKay
A/Director-General
Department of Employment, Small Business and Training

MESSAGE FROM THE DIRECTOR- GENERAL

I am pleased to present the 2017–18 Annual Report for the Department of Employment, Small Business and Training.

The creation of our department in December 2017 recognises the important relationship between employment outcomes, strong small businesses and a skilled workforce to the wellbeing of Queenslanders and their communities.

Director-General's foreword

Our services and initiatives play a key role in the Queensland Government's objectives for *Our Future State: Advancing Queensland's Priorities* particularly through our commitment to create jobs in a strong economy.

Our achievements include a strong investment in training so that Queenslanders have the skills that industry and employers need for the economy of the future. Through a \$768.9 million commitment in the *Annual VET Investment Plan* we have supported Queenslanders to gain the qualifications they need to enter and stay in the workforce. This has secured opportunities for those wanting to upgrade or diversify their skills through training, ensuring they are competitive in the ever-changing job market and leading to the creation of more jobs.

Through the Plan, we are guiding and supporting a training sector that meets current demands, plans for future growth and can respond to emerging needs, and via the *User Choice, Certificate 3 Guarantee and Higher Level Skills* programs, we are supporting Queenslanders to undertake training that leads to a real job or to further their career ambitions. Our ongoing work will address the way the future of work is being impacted and influenced by factors including disruptive technologies and emerging industries, preparing Queenslanders for changes that are already happening.

Responding to these changes will include:

- Supporting our current and future Year 12 graduates to successfully transition into the workforce by offering free training in high priority areas under the Free tafe initiative;
- Partnering with selected regions to identify current and emerging jobs and design tailored solutions to ensure a supply of skilled local people to meet this demand through the Regional Skills Investment Strategy; and
- Providing eligible Queenslanders who have substantial industry experience the opportunity to complete a priority trade qualification via the Trade Skills Assessment and Gap Training Program.

The \$420 million *Skilling Queenslanders for Work* initiative, also part of the plan, aims to support up to 54,000 Queenslanders into work through training and skills development over a six year commitment. In 2017–18, \$72.43 million has been invested to provide nationally recognised training, skills development and job opportunities to 12,434 disadvantaged Queenslanders.

The *Back to Work Regional Employment* package is a \$369 million package that provides businesses with financial support to employ jobseekers and boost regions facing challenging economic times. It is designed to give businesses the confidence to hire unemployed jobseekers, provide an economic boost to Queensland businesses and support disadvantaged jobseekers into employment. As at 30 June 2018, over \$117 million in *Employer Support Payments* were made to more than 7000 employers employing more than 14,000 jobseekers in Queensland.

The number of small businesses in Queensland increased by 11,000 in 2016/17 and the state now has more than 426,000 small businesses (based on available data). An allocation of \$22.7 million over three years to the *Advancing Small Business Queensland Strategy 2016-2020* from the \$650 million Advance Queensland initiative has been provided to small businesses. This includes a suite of grants and support programs to assist small businesses in growing, increasing their workforce and accessing advice to support their business potential.

We have achieved a lot in the first financial year of our new department. In the year ahead, we will be working towards integrating the services and programs of our department. Aligning like-work areas will allow us to provide a seamless service to our stakeholders, particularly to those in regional locations, and while the future of work is still evolving, we will reposition the department to best prepare job seekers and workers for the roles and opportunities the economy presents now and in the years ahead.

I also want to recognise the commitment of our department staff. It is through their enthusiasm and wiliness to embrace change that we can ensure an agile and diverse organisation that delivers increased value to our customers.

I look forward to continuing our efforts to ensure that all Queenslanders have the skills and opportunities to participate and prosper in the economy.

Mary-Anne Curtis
Director-General

ABOUT OUR ANNUAL REPORT

The Department of Employment, Small Business and Training (DESBT) Annual Report 2017–18 is an integral part of our corporate governance framework. It is a key tool in ensuring we are accountable to stakeholders, the Queensland Parliament and the community about our objectives.

This report details our achievements, performance and financial position for the 2017–18 financial year. It aligns with the former departments' *Strategic Plans 2017–21*, those being the Department of Education and Training, Queensland Treasury and the Department of Tourism, Major Events, Small Business and Commonwealth Games (DTESB), as well as the DESBT Service Delivery Statements (SDS). It also provides information on our future direction, people management and corporate governance.

View our report online

This report and the information on DESBT government bodies is available online:
<http://desbt.qld.gov.au/annual-report>

For enquiries about this annual report, contact the Director, Strategy and Governance, Corporate Services on +61 7 3719 7898 or corporate.stratgov@desbt.qld.gov.au

More information on the Queensland Government Open Data website

Several annual reporting requirements for this year are addressed by publishing information on the Queensland Government Open Data website. These are:

- consultancies
- overseas travel
- Queensland Language Services Policy.

For further information, please visit <https://data.qld.gov.au>.

OUR DEPARTMENT

Our vision

All Queenslanders to have the skills and opportunities to participate and prosper in the economy.

Our purpose

To increase economic participation by providing the trusted advice and support that enables both sustainable small business opportunities and a skilled workforce now and into the future.

Our services and initiatives play a key role in the Queensland Government's objectives for the community *Our future state: advancing Queensland's priorities*. This is achieved by supporting small business to start, grow and employ and by providing individuals with training and employment opportunities aligned with Queensland's employment, skilling and economic priorities.

Related annual reports

Non-financial performance information

This report covers the department's non-financial performance for the entire 2017–18 reporting period.

Financial performance information

The following table outlines where the financial statements for the incoming functions are located and the periods of reporting that are covered.

Financial statements 2017–18	
DESBT <i>(Reporting period 1/01/18 to 30/06/18)</i>	Related annual report <i>(Reporting period 01/07/2017 to 31/12/2017)</i>
Employment Policies and Programs	Queensland Treasury
Small Business	Department of Innovation, Tourism Industry Development and the Commonwealth Games
International Vocational Education and Training, Vocational Education and Training, and Skills and Workforce	Department of Education

OUR CONTRIBUTION TO GOVERNMENT OBJECTIVES FOR THE COMMUNITY

The department is responsible for supporting the Minister for Employment and Small Business and Minister for Training and Skills Development. In supporting our minister, the department is managing this transition while maintaining high-quality services and focusing on implementing the government's objectives for the community and its government commitments.

The Queensland Government's objectives for the community are set out in *Our future state*. <https://www.ourfuture.qld.gov.au/gov-objectives.aspx>

Our future state is a clear plan to advance Queensland into the future. With over 5 million people now calling Queensland home, we're focused on taking on our greatest challenges now.

The department will contribute to the government's objectives:

- Create jobs in a strong economy
- Be a responsive government.



WHO WE ARE

Machinery of government changes came into effect on 12 December 2017 which saw the Department of Employment, Small Business and Training established as a new state government department arising from the incoming functions listed below.

Function	Former department
Employment Policies and Programs	Queensland Treasury
Small Business	Department of Tourism, Major Events, Small Business and the Commonwealth Games
International Vocational Education and Training, Vocational Education and Training, and Skills and Workforce	Department of Education and Training

As a result of these changes, the department launched a new strategic plan on 1 July 2018 and our 2018–19 annual report will reflect this.

The department's service area structure for 2017–18 as at 30 June 2018 is as follows:

Service area	Objective	Description
Employment	To increase Queenslanders' participation in the labour market.	This service area focuses on increasing employment opportunities for Queenslanders, in particular disadvantaged cohorts. This area undertakes 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.
Small Business Services	To ensure small businesses can seamlessly interact with government and are better supported to manage and grow their business.	This service area 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, including: <ul style="list-style-type: none"> 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 engaging other business-focused government agencies to facilitate the delivery of online services for small business via Business Queensland online at www.business.qld.gov.au proactively employing strategies to streamline regulation to make it easier to do business.
Training and Skills	Queenslanders skilled to participate in the economy and the broader community.	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 played a key role in delivering on a number of the government's commitments and has been working collaboratively with the government and stakeholders to implement the government's commitments.

This included the delivery of six government commitments as summarised below.

1. Work Ready Queensland: Extend the Government's *Back to Work* regional program including *Youth Boost*, until 2020, with payment to continue until 2021, to continue to support regional Queenslanders into work.
2. Up to \$5 million to introduce a special *Back to Work Boost* for six months for mature-aged jobseekers aged 55 and over.
3. Convening a working group of industry stakeholders and departmental officials within 100 days to further consider a proposal for alternative training pathways for electrical apprentices.
4. Queensland Made: Labour's Plan to Protect and Create Manufacturing Jobs: Assisting workers to develop new skills to find secure employment in the manufacturing sector through the *Queensland Workers Transition Scheme* and *Regional Skills and Employment Adjustment Strategy*.
5. Work Ready Queensland: Skilling Queenslanders for Work – Boost the *Skilling Queenslanders for Work* program by an additional \$180 million over three years.
6. Pathway to Training, Skills and Jobs – Investing up to \$85 million over three years in the redevelopment, refurbishment and expansion of six identified high-need TAFE facilities.

MEET SOME OF OUR PEOPLE



Since July 2016, the *Back to Work* program has been supporting Queensland employers in their choice to hire unemployed jobseekers.

There are nine *Back to Work* teams of Employer Officers and Jobseeker Officers based around Queensland working directly with employers and jobseekers to support them in their employment journey.

The teams have represented the *Back to Work* program at many events from job fairs to network meetings but the bulk of their work is in the individual relationships they build with the thousands of employers and jobseekers who have engaged with the *Back to Work* program.

CASE STUDY: TRAINING

“TRAINING AND SKILLS WELCOMES NEW TRAINEES CZARINA AND LINA.”

Czarina Buenaventura and Lina Tuaputa have joined the department through the *Trainee Employment Program's* first intake, after completing a *Skilling Queenslanders for Work* project that built up their skills and experience.

Czarina has joined Training and Skills Pathways and Lina is now part of the Training Executive Correspondence Unit. Both are studying the Certificate III in Business Administration and are aiming to make these traineeships the first step of their public service careers.

Czarina and her family migrated to Australia last year and Lina had completed an 18-month mission working on humanitarian and social projects in Seoul, Korea, when their search for work began.

They joined YWCA Queensland's Y Events and Fundraising Project, which supported the Institute of Managers and Leaders' Great Debate and the Go Purple for Purpose campaign during Queensland Women's Week. The participants' efforts raised funds and awareness for YWCA's activities to assist disadvantaged women.



image: **Czarina Buenaventura and Lina Tuaputa
with Honourable Shannon Fentiman,
Minister for Employment and Small Business
and Minister for Training and Skills Development**

OUR OPERATING ENVIRONMENT

The department has a number of statutory obligations with which to comply. As well as administering various Acts of Parliament, there are statutory obligations imposed on the agency such as compliance with the *Right to Information Act 2009* (Qld) and the *Information Privacy Act 2009* (Qld).

The department performs a broad range of operations with a particular focus on 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's operations also include a range of significant initiatives as part of the government's commitments. The department's income and controlled expenses are reported in the Chief Finance Officer and financial statements sections of this report.

Our values

The department promotes the Queensland public service values. A workforce of engaged, connected individuals who are motivated to deliver better outcomes for Queenslanders is critical to our success.



Customers first

- Know your customer
- Deliver what matters
- Make decisions with empathy



Ideas into action

- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries



Unleash potential

- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback



Be courageous

- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency



Empower people

- Lead, empower and trust
- Play to everyone's strengths
- Develop yourself and those around you

OUR LEGISLATION

The responsibilities of ministers and their portfolios are set out in Administrative Arrangements Orders. For each Minister, they detail the principal responsibilities, the Acts they administer, and the departments, agencies and office holders responsible for them.

The Administrative Arrangements Order is published in the Queensland Government Gazette and online at <https://www.qld.gov.au/about/how-government-works/government-responsibilities>

Our functions and powers are derived from administering the Acts of Parliament in accordance with *Administrative Arrangements Order (No. 4) 2017*.

Principle ministerial responsibilities	Acts administered
Minister for Employment, Small Business and Training	
<ul style="list-style-type: none"> • Employment Policies and Programs • International Vocational Education and Training • Lead Development of Small Business Policy and Strategy Across Government • Skills and Workforce Development • Small Business Advocacy • Small Business Capability and Resilience • Small Business Regulatory Reform • Vocational Education and Training including Technical and Further Education • Protected Area Management on Moreton Island and North Stradbroke Island 	<p><i>Further Education and Training Act 2014</i></p> <p><i>Jobs Queensland Act 2015</i></p> <p><i>TAFE Queensland Act 2013</i></p> <p><i>Vocational Education and Training (Commonwealth Powers) Act 2012</i></p> <p><i>North Stradbroke Island Protection and Sustainability Act 2011</i> (the Department of Environment and Science is the relevant administrative unit for this Act)</p>

Public Sector Ethics Act 1994

All departmental employees are required to comply with the public sector ethics principle (the principles) set out in the *Public Sector Ethics Act 1994*. This is achieved through department-wide implementation of the Code of Conduct for the Queensland Public Service.

OUR SERVICE PERFORMANCE

Training and Skills

*Skilling Queenslanders
for Work (SQW)*

Assisted
12,434
disadvantaged
Queenslanders

Invested
\$4.25
million for
340 full-time traineeship
opportunities and
12 months employment
with 61 local councils
and one statutory
authority

As at
30 June 2018
30,874
Queenslanders assisted
under SQW
with 16,664
securing a job

Highest VET
participation rate
(27.2 per cent) of all
jurisdictions
877,200

Vocational education
and training (VET)

Training
participation

11.9%
increase in
Indigenous Australian
trainee commencements
and 9% increase in
completions

9%
increase
in trainee
commencements

Table 1. Training and Skills service standards

Service standards	Notes	2017–18 Target/Est.	2017–18 Actual
<i>Effectiveness measures</i>			
Proportion of all attempted competencies successfully completed		93%	92.6%
Proportion of Queenslanders with higher qualifications	1, 2, 3	60%	60%
Proportion of VET graduates in employment or further study	1, 3, 4	87%	82.9%
Number of completions:	5		
Apprenticeships	6	11,500	8900
Traineeships	7	11,000	12,500
School-based Apprenticeships and Traineeships (SATs)		5000	4900
Proportion of graduates satisfied with the overall quality of their training	1, 4	89%	88.2%
Proportion of employers satisfied with graduates of:	1,8		
Nationally accredited training		85%	80.7%
Apprenticeships and traineeships		83%	80.5%
<i>Efficiency measure</i>			
Average cost per competency successfully completed	9	\$600	\$595

Notes:

- Confidence intervals for estimates derived from sample survey responses need to be considered when interpreting relative performance.
- Sourced from the Australian Bureau of Statistics' *Survey of Education and Work*, Australia, May 2016 data cube: Table 1.12 Non-school qualification at Certificate III level or above, persons aged 20 - 64 years, 2016.
- While the department actively influences this measure (including through the *Higher Level Skills* program and providing funding for other higher level qualifications based on industry advice), it is affected by a range of factors including the economy, higher education providers, the Australian Government and the vocational education and training (VET) sector.
- Sourced from the annual *National Centre for Vocational Education Research (NCVER) Student Outcomes Survey*. The last survey was conducted in 2016 and relates to students who graduated in 2015.
- Departmental data shows that overall vocational student numbers have increased since 2014–15 suggesting alternate Australian Government and state-funded programs, including the Queensland Government subsidised *Certificate 3 Guarantee* program, are being chosen by students. Apprenticeship and traineeship measures include School-based Apprenticeships and Traineeships.
- The target reflects the national trend of reductions in apprenticeships following a decrease in Australian Government incentives and a reduction in the number of opportunities in the job market.
- Traineeships have been supplemented more recently through the *Skilling Queenslanders for Work* program which is a \$240 million commitment over four years and incorporates traineeship programs.
- Employer satisfaction estimates are obtained from the biennial national survey, *Employers' Use and Views of the VET System*, which was last conducted by NCVER in 2015. The 2015–16 Estimated Actual is statistically equivalent to the 2015–16 Target/Estimate.
- This figure is calculated by dividing the Training and Skills service area budget by the number of successful VET competencies (individual study units) directly funded by the department.

EVERY QUEENSLANDER PREPARED FOR THE FUTURE

Support Queenslanders to skill and re-skill for the changing world

Through planned investment of \$768.9 million under the 2017–18 *Annual VET Investment Plan*, the government continued to support Queenslanders to develop skills to access available jobs, develop their careers and be competitive in a changing job market.

Key features of the plan leveraged our ongoing market strengths and included demand-driven training arrangements underpinned by a network of pre-qualified suppliers (PQS) and published subsidy levels for all subsidised qualifications and skill sets aligned to industry identified skills needs.

By providing access to quality, supportive and affordable vocational education and training (VET) through a range of programs and initiatives, the government has continued to build the skills that help shape the lives of Queenslanders, and lay the foundations for a prosperous economic future.

Engage with community and key agencies to identify skilling needs, inform training investment and direct resources

Ongoing engagement with industry and a formal network of industry advisors remained critical to the identification and prioritisation of the skilling needs for Queensland industry, employers and individuals.

In partnership with VET Industry Advisory Organisations, we gathered industry advice on a range of issues underpinning operational effectiveness and suitability of current VET investment programs in Queensland.

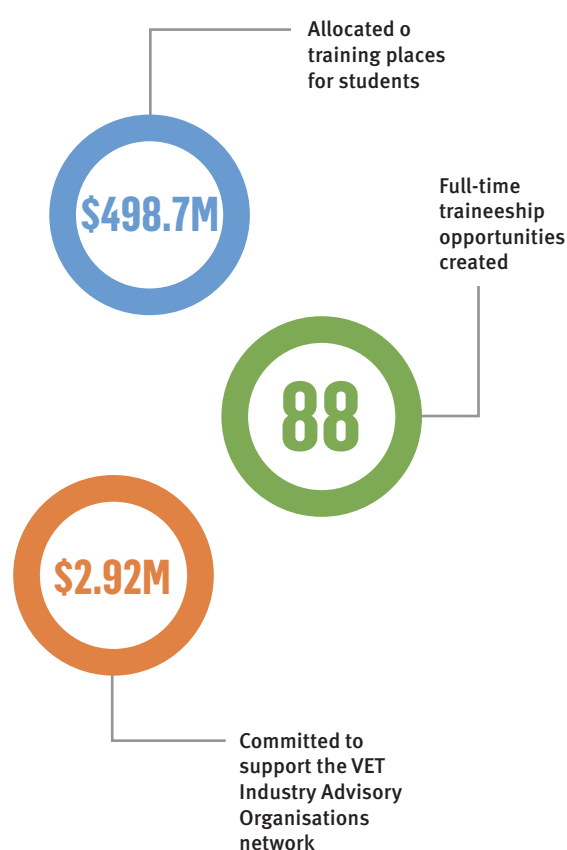
To inform VET investment planning, Jobs Queensland continued to provide independent strategic advice on anticipated skills demand, future workforce planning and development, and the apprenticeship and traineeship system in Queensland.

The Skilling Queenslanders for Work (SQW) initiative is a \$420 million investment over six years to support up to 54,000 disadvantaged Queenslanders into work. Training that improves an individual's skill level, employment prospects and social inclusion is a priority under the initiative. To ensure that skilling needs are identified and supported through the initiative, Regional Priority Jobs Committees and the Local Government Association of Queensland continue to play a critical role in ensuring funding is aligned to local employment opportunities.

In partnership with VET Industry Advisory Organisations, we gathered industry advice on a range of issues underpinning operational effectiveness and suitability of current VET investment programs in Queensland

Key achievements in 2017–2018

- Allocated \$498.7 million of the 2017–18 VET Investment Plan to training places for students, supporting pathways to employment or career progression under the key investment programs: *User Choice, Certificate 3 Guarantee and Higher Level Skills*. An additional \$209.7 million of funding was provided in public provider grants supported public training providers to deliver quality training to students in the contestable training market.
- Assisted private sector employers through \$1.88 million in funding to employ 188 former SQW participants as trainees or apprentices.
- Invested over \$64 million for 352 community-driven projects to develop skills and provide training and job opportunities to approximately 12,000 vulnerable Queenslanders.
- Created 88 full-time traineeship opportunities and 12 months of employment with community-based organisations through a \$1.76 million investment.
- Invested \$4.25 million for 340 full-time traineeship opportunities and 12 months of employment with 61 local councils and one statutory authority.
- Commenced planning for the delivery of the \$85 million *Advancing our Training Infrastructure* initiative to refresh and renew priority TAFE sites across Queensland.
- Introduced the *Regional Skills Investment Strategy* – a \$9 million, four-year initiative that supports selected regions to identify current and emerging jobs and design tailored training solutions to ensure a supply of skilled local people to meet skills demand.
- Committed \$2.92 million to support the VET Industry Advisory Organisations network, to ensure the Government’s investment in VET is meeting industry’s immediate skilling needs. This work complemented the role of Jobs Queensland in advising Government on anticipated and future skills demands.
- Provided more than \$3.25 million to Queensland group training organisations to increase employment opportunities for apprentices through the *Queensland Group Training* program.
- Increased the core training requirement on all major government and government owned corporation building and or civil construction projects with a contract sum of over \$100 million (including GST) from 10 per cent to 15 per cent of the total labour hours to be undertaken by apprentices and or trainees and other workforce training.



CASE STUDY: WORK SKILLS TRAINEESHIPS

**“GLADSTONE
WORK SKILLS
TRAINEESHIPS
PROVE SUCCESSFUL.”**

With funding of \$647,500 from *Skilling Queenslanders for Work's* first funding round for 2017–18, a Gladstone-based organisation has assisted 36 local job seekers to gain new skills and hands on experience, which has already seen 34 participants (94 per cent) either find new jobs or take on further training. The five-month paid Work Skills Traineeships delivered Certificate I-level training in business, construction or conservation and land management and an opportunity to gain experience completing real tasks related to their training in operating work environments. A range of other support also ensured each participant was prepared for the next step on their career path.



image: Scott Gibbs, Gladstone Engineering Alliance

Respond to environmental and economic issues by directing training investment to support industry and community recovery

In 2017–18, the level of VET investment for different industry sectors continued to be influenced by a range of factors including government priorities; professional, regulatory or industrial relations requirements; established recruitment preferences of industry; and the relevance of training pathways to occupations in the sector.

Additionally, through targeted regional community-based interventions, the government continued to support communities to self-determine their industry focus and collaborate to identify local training solutions.

The *SQW Community Recovery* program assisted with the clean-up and rebuild program across Queensland as a result of widespread damage and severe flooding from ex-Tropical Cyclone Debbie. The program provided community benefit and delivered a visible and lasting impact on social and public infrastructure within local communities.

Key achievements in 2017–2018

- Introduced the *Regional Skills Adjustment Strategy* – a \$10 million two-year initiative for TAFE Queensland to increase training opportunities in specific regions and industry sectors facing economic uncertainty.
- Partnered with industry to support the growth of skills required for employment and career development in priority industries for Queensland such as:
 - *National Disability Insurance Scheme (NDIS) Training and Skills Support Strategy* – a 3-year industry-led strategy to address high regional employment demand and support the development of a skilled workforce capable of delivering services to meet the needs of NDIS participants, and
 - Tourism – a \$40 million commitment in coordinating key training and skills actions relating to the government’s *Advancing Tourism 2016-20* plan and the *Queensland Tourism Workforce Plan 2017-20*, developed by Jobs Queensland.
- Invested \$2.36 million in six projects that helped communities to clean-up and rebuild following ex-Tropical Cyclone Debbie. These funded projects provided 115 job opportunities in affected communities.



CASE STUDY: NATIONAL DISABILITY INSURANCE SCHEME

“BUNDABERG JOB SEEKERS TRAINED FOR NDIS CAREERS.”

With the National Disability Insurance Scheme rolling out across Queensland, Bundaberg’s growing community services sector has already snapped up the first participants to complete a local *Skilling Queenslanders for Work* project.

When the group first joined the project, they each undertook a skills assessment to develop an individual training and support plan to assist their studies towards earning a Certificate III in Individual Support. The community group that delivered their training and other support also organised local businesses to host each participant to complete their required vocational placement.

Now eight of the nine exited participants have gone on to find new jobs, which is a positive sign for future intakes of the \$81,000 project which aims to assist a total of 45 people.



image: Amanda and Anna, Impact Community Services

Evolve capability in data analytics to forecast and model training and skilling priorities

Data analytics has provided an evidence base to inform the government's training and skills development investment decisions, evaluate performance outcomes, and improve our understanding of the training and skills market. Forecasting and modelling complemented and supported our engagement with industry and communities to identify skilling needs, inform training investment and direct resources.

Key achievements in 2017–2018

- Completed an analysis of course costs for qualifications subsidised by the Queensland Government to inform future planning.
- Completed and implemented an annual forecast of training commencements to inform budget planning and management for training and skills delivery.
- Implemented an Investment Support Forecast to assist in understanding and recasting the anticipated VET expenditure across the forward estimates period.

Performance of the Queensland VET sector

Queensland is leading the nation in new apprenticeship and traineeship commencements. Across 2017-18 Queensland saw growth in apprenticeship and traineeships, with 23,900 new apprenticeships, an increase of 5.6 per cent compared to 2016-17 and 16,900 new traineeships, an increase of 9.0 per cent. This growth was especially pronounced in commencements by Indigenous trainees, which increased by 11.9 per cent to 2400 and continued a pattern of increases since 2014-15.

Despite overall publicly-funded VET participation in Queensland being stable in 2017-18 compared to the previous year, the number of Indigenous VET students increased by 7.2 per cent to 19,700, the highest number of Indigenous students in the last five years. Correspondingly, 8100 VET qualifications were achieved by Indigenous students in 2017-18, again the highest number in recent years and a 9.0 per cent increase compared to 2016-17.

A reported 88.2 per cent of surveyed VET graduates in Queensland said they were satisfied with the quality of their government-funded training in 2017, the highest rate in recent years and 2.9 percentage point increase relative to 2016. The proportion of these graduates who also reported they were in work or further study was 82.9 a small increase since 2016, and though the corresponding rate for Indigenous graduates was lower at 72.5 per cent this outcome gap, 10.4 percentage points, has narrowed significantly since the 19.6 percentage difference reported in 2015.

Engage consumers to better inform them about their skilling and training options

During 2017–18 the department continued its commitment to helping Queenslanders make informed decisions about the skilling and training options to support them to participate and prosper in the economy.

Key achievements in 2017–2018

- Provided in-market support for regional Queensland consumers and training providers via the state-wide network of the department's regional offices.
- Continued to provide state-wide online and call centre assistance to support Queenslanders with vocational education and training enquiries.
- Consulted with VET consumers, employers and influencers to develop a *VET Consumer Strategy*, a roadmap to work and engage with consumers to promote the importance of VET.

Set clear expectations for providers through the Queensland Vocational Education and Training Quality Framework

Through the Queensland VET Quality Framework, the department has consolidated Queensland's comprehensive and systematic approach to achieving quality from state-funded VET and formed a mutual reference point and basis for continuous improvement.

Key achievements in 2017–2018

- Continued to strengthen oversight of pre-qualified suppliers (PQS) entry requirements and performance, undertaking market performance reviews on an ongoing basis and assigning dedicated Contract Managers to further support quality outcomes.
- In partnership with the Queensland Training Ombudsman and the Australian Skills Quality Authority, investigated complaints about training delivered in Queensland.
- Further enhanced the risk-based approach to auditing and built audit capacity and capability, resulting in more efficient audit processes.
- Provided updated Statement of Expectations to TAFE Queensland and Central Queensland University to reinforce the Queensland Government's focus on creating jobs in a strong economy.

“APPRENTICE OF THE YEAR ON PATH TO SUCCESS.”

Gemma Hartwig’s earliest recollections are of tinkering away on machinery at the family farm in Dalby. With her uncle, grandfather and great grandfather all working in mechanical trades, becoming a diesel fitter wasn’t just a career choice, it was in her blood.

Ms Hartwig secured an apprenticeship with a local company and was able to finish school and fast track her career.

“The school-based apprenticeship allowed me to do something I really loved and begin a qualification all while I finished school. I learnt a lot of really great skills in teamwork, communication and leadership. Being a female in a male-dominated profession has given me the opportunity to make a difference.

“I am starting my own business called ‘She Can’ which offers advice and support to women who are thinking about, or who have already, become an apprentice in a male-dominated profession. I would have found a service like this really valuable when I was doing my apprenticeship.”

Gemma’s passion for her trade has already netted her some significant wins, including the School-based Apprentice of the Year Award at the 2014 Queensland Training Awards and scooping the coveted Australian Apprentice of the Year Award at the 2017 Australian Training Awards.



image: Gemma Hartwig, Australian Apprentice of the Year 2017

EMPLOYMENT



Table 2. Employment service standards

Service standards	Notes	2017–18 Target/Est.	2017–18 Actual
<i>Effectiveness measure</i>			
Overall customer satisfaction with employment programs	1	75%	89.7%
<i>Efficiency measure</i>			
Average cost per hour of advice and support output	2	\$97.03	\$103.12

Notes:

1. This service standard measures overall customer satisfaction considering quality, timeliness, staff knowledge, access and outcome. It is derived from an annual survey of departmental customers including chief finance officers.
2. This service standard measures the average cost per hour for the provision of advice to agencies with the goal of ensuring that, over time, changes in the cost per hour to serve customers does not exceed the Queensland Government wages policy.

The Employment area of the department provides policy advice on employment matters, and delivers key employment programs, such as the *Back to Work* program.

The *Back to Work* program is a \$369 million initiative designed to give Queensland employers the confidence to hire disadvantaged jobseekers across Queensland, such as the long-term unemployed, young people, older Queenslanders, Queenslanders with disability, and Aboriginal and Torres Strait Islander peoples.

The program is available as either *Back to Work Regional* or *Back to Work South East Queensland*, dependent on where the eligible employment opportunity is located.

During 2017–18, Employer Support payments of up to \$15,000 and *Youth Boost* payments of up to \$20,000 were available throughout the whole financial year.

Mature Aged Worker Boost payments of up to \$20,000 were available for eligible employers between 1 January 2018 and 30 June 2018.

Back to Work Regional

The *Back to Work Regional* program commenced on 1 July 2016 and was initially a two-year program, available to eligible employers until 30 June 2018.

During the 2017–18 financial year the Queensland Government announced a \$155 million continuation of the *Back to Work Regional* program for a further two years until 30 June 2020.

This takes the total funding commitment for the *Back to Work Regional* program to \$305 million including the program extension until 2020.

Back to Work South East Queensland

The *Back to Work South East Queensland* program commenced as a 12-month program on 1 July 2017 with applications open until 30 June 2018.

Total funding for the 2017–18 *Back to Work South East Queensland* program was \$38.5 million.

The continuation of the *Back to Work South East Queensland* program was announced as part of the Queensland Government's 2018-19 State Budget with an additional \$20.5 million available from 1 July 2018, in areas continuing to experience significant labour market challenges.

An additional \$20.5 million was made available from 1 July 2018, in areas of South East Queensland continuing to experience significant labour market challenges.

This takes the total funding commitment for the *Back to Work South East Queensland* program to \$59 million including the funding to continue the program until 2020 in eligible South East Queensland Local Government Areas.

Key achievements in 2017–18

As at 30 June 2018, a total of \$117.4 million had been paid to Queensland employers supporting:

- 7093 employers
- 14,318 employees.

This includes:

- 9340 young people aged between 15 and 24 years
- 1479 mature aged worked aged 45 years and over
- 3393 apprentices and trainees.

CASE STUDY: BACK TO WORK PROGRAM

**“KERRY WAS
GIVEN THE
OPPORTUNITY
TO STILL WORK
IN THE HAIR
AND BEAUTY
INDUSTRY.”**

Carolyn Densmore runs The Hair Studio in Cairns, a successful hair salon. Kerry was a qualified hairdresser but lost her sight later in life and was unable to continue in her chosen profession.

Through *Back to Work*, Kerry has found employment at The Hair Studio. While she can't cut and dye hair, she is able to undertake reception and other duties around the salon, giving her the opportunity to still work in the hair and beauty industry.



image: Kerry Taunton, The Hair Studio Cairns

CASE STUDY: BACK TO WORK PROGRAM

**“PAUL WAS ABLE
TO EXPAND HIS
BUSINESS AND
OFFER TO TEACH
SCOTT A TRADE.”**

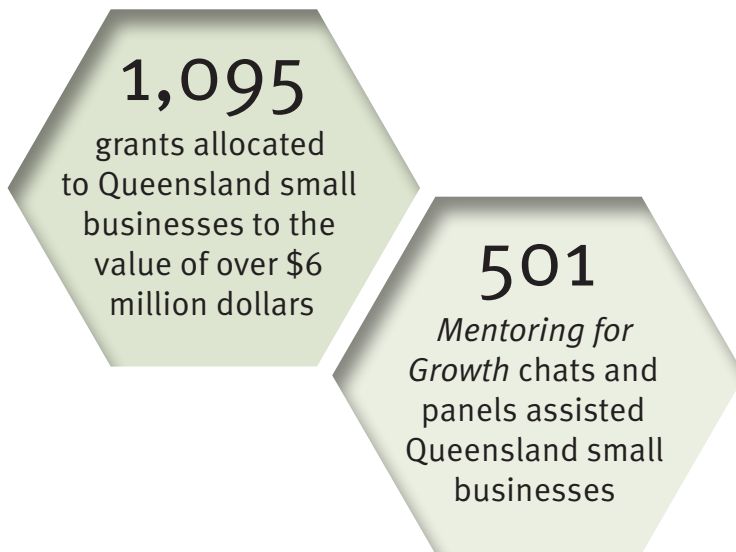
Killarney Autoworks is the only mechanical repair business in Killarney. The workload was getting heavier so when Paul heard about the *Back to Work* program he thought it might support him in employing an apprentice. Scott had been struggling to find ongoing employment locally and had previously approached Paul about the possibility of an apprenticeship.

The support of the *Back to Work Youth Boost* payment allowed Paul to expand his business and offer Scott broader experience in learning a trade. Scott has been learning all aspects of the business including invoicing and ordering in addition to mechanical repairs.



image: Paul Fox and Scott Milward, Killarney Autoworks

S M A L L B U S I N E S S



Advocating for small business by creating an environment where small businesses start and flourish

The Office of Small Business, through the *Advancing Small Business Queensland Strategy 2016–20* (the Strategy), is creating an environment for Queensland to be the place for small business to start, grow and employ. This includes being a stronger advocate for small business, simplifying service delivery and connecting small business to opportunities. The Strategy has three key themes - advocate, enable and empower.

Table 3. Small Business service standards

Service standards	Notes	2017–18 Target/Est.	2017–18 Actual
<i>Effectiveness measures</i>			
Customer Impact Index The level of customer value derived from using Business Queensland online which incorporates customer awareness, experience and satisfaction	1, 2	>65%	63%
Percentage of new or existing businesses reporting increased capability (including digital) as a direct result of participation in small business grant programs	3, 4	>75%	99.9%
Percentage of businesses assisted by small business programs that report after 12 months a minimum 10 per cent increase in employment, turnover or profitability	3, 5	90%	82%
<i>Efficiency measure</i>			
Average cost to DESBT to provide online services per customer visit to Business Queensland	6, 7, 8	\$0.60-\$0.70	\$0.44

Notes:

1. The Customer Impact Index (CII) incorporates three elements - customer awareness, customer experience and customer satisfaction. This approach determines customer value by assessing the customer's perception of the usefulness and importance of the benefits received from the services which go beyond an estimate of time and effort saved. The assessment of the three elements better enables the targeting of service improvement areas based on direct customer feedback. It incorporates both qualitative data captured through direct customer complaints and complements feedback mechanisms, surveys, customer focus groups/observations and data from various quantitative data sources. Due to excessive cost and complexity to administer, this measure has been discontinued and replaced with a new effectiveness measure on the Customer Effort Score that captures "Average score out of 5 by customers for how easy it is to use the Business Queensland website".
2. The 2017–18 Target/Estimate is an overall average for the CII. It is calculated by an aggregation of customer feedback results across the three indices - customer awareness, customer experience and customer satisfaction. The target has been maintained at >60 per cent based on the 2015-16 actual result which is reported here against the 2016-17 Estimated Actual.
3. Innovation and technology are primary sources of competitive advantage for businesses in nearly all industries and environments. These elements also drive efficiency and higher productivity. The department gauges the success of its small business grant programs by the reported increase in capability (including digital), profitability, turnover and employment.
4. This measure assesses the effectiveness of a broad range of small business grant programs outlined in the *Advancing Small Business Queensland Strategy 2016–20* to increase the capability of small businesses in using digital technologies and implementing innovative solutions to improve their business. This measure has been discontinued due to a change in methodology. Small businesses were being surveyed 12 months after their participation in programs which is a less accurate account of the effectiveness of the programs. The new measure is a percentage of businesses assisted by small business programs that report a projected increase in either employment, turnover or profitability.
5. This measure incorporates the Small Business grants and *Mentoring for Growth* programs under the *Advancing Small Business Queensland Strategy 2016–20*. The Actuals for 2017–18 include the *Mentoring for Growth* and *Small Business Digital* grants round one. The other grants programs are still being rolled out and are not due to commence providing 12-month post participation reports until the 2018–19 financial year.
6. Average cost to DESBT to provide online services per customer visit is the average cost to the department to provide the online service to each customer, and is defined by using a customer session (which is a group of interactions undertaken on a website). This may include viewing a number of different web pages, completing an online application form or making a payment.
7. The variance is due largely to increases in the number of visitor sessions to the Business Queensland website. Visitor sessions have increased by over 1.3 million sessions above the target baseline. Efficiencies gained through a restructure of the divisions in 2016 also contributed to improved performance.
8. The Target/Estimate for 2017–18 has been adjusted to reflect the trend of lower average costs to provide online services per customer visit.

CASE STUDY: SMALL BUSINESS

**“WITH ADVICE
AND SUPPORT
JUAN WAS ABLE
TO GROW HIS
BUSINESS.”**

Juan Walker’s Indigenous tourism business in Far North Queensland is offering Australian and international visitors an authentic and unique tour experience.

Starting small, Juan self-funded the beginnings of Walkabout Cultural Adventures. He now offers cultural and sightseeing tours, with options for private and tailor-made tours to provide flexibility for visitors. Carefully managing business growth, Juan has developed strong international business relationships with tour wholesalers. His passion comes from sharing his Aboriginal culture, which has proved the foundation for his great reviews, word-of-mouth bookings and business growth. Juan’s goal is to further develop his business and employ other Aboriginal people in his community.

Walkabout Cultural Adventures has been recognised as an outstanding Aboriginal business, selected for Tourism Australia’s Signature Experience collective, *Discover Aboriginal Experiences*.



image: Juan Walker, Walkabout Cultural Adventures

CASE STUDY: SMALL BUSINESS

**“DANIEL HAS
GROWN HIS
SOCIAL MEDIA
AND ONLINE
PRESENCE WITH
GREAT REVIEWS.”**

The Walker family faced a difficult future in 2014 after prolonged drought forced them to completely destock their property. With tourism the region's second biggest industry, Daniel decided to jump on board to ensure the property's viability through tours and unique visitor experiences.

Daniel spent the 2014 'off-season' researching and preparing for tourists with the Camden Park Station officially opened to visitors in 2015.

It offers visitors the opportunity to experience a working property as well as other historic and natural attractions on the property. With over 3000 visitors to the station in 2017, the business was awarded an Outback Mates Award at the Outback Queensland Tourism Awards. With help from a *Small Business Digital Grant*, their social media and online presence has grown with great reviews.



image: Daniel Walker, Camden Park Station

Supporting small business owners in driving innovation and growth

Advocacy for small business is delivered through the Queensland Small Business Champion, the Queensland Small Business Advisory Council and the Better Regulation Taskforce.

The Office of Small Business supports Queensland small business owners to develop skills and access the networks needed to drive innovation, stronger business, growth and employment. The range of programs delivered by the Office of Small Business includes mentoring and grants programs, the annual *Queensland Small Business Week* celebration and the *Advancing Women in Business* and *Advancing Indigenous Business* programs.

The Business Queensland website, www.business.qld.gov.au connects business owners to these opportunities and provides a single source of information for small businesses.

OUR FINANCIAL PERFORMANCE

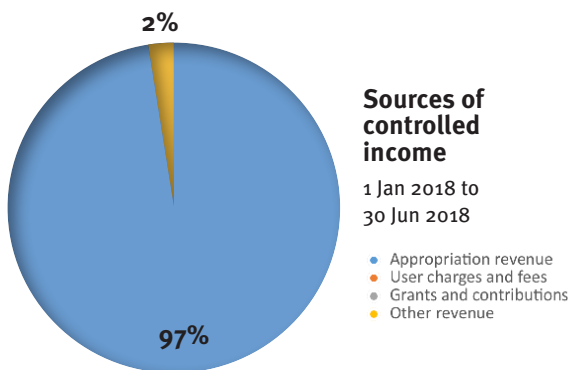
Financial summary

This summary provides an overview of the Department of Employment, Small Business and Training's (DESBT's) financial performance for the period 1 January 2018 to 30 June 2018. Pursuant to *section 80 (2) of the Financial Accountability Act 2009* for financial statements purposes the transfer following the machinery of government (MoG) changes in December 2017, is deemed to have occurred on 1 January 2018. As a newly established department there are no comparative year amounts available.

A more detailed view can be found in the financial statements included with this report. The department reported a net surplus for the year of \$1.0 million, reflecting greater than expected revenue for hire of facilities.

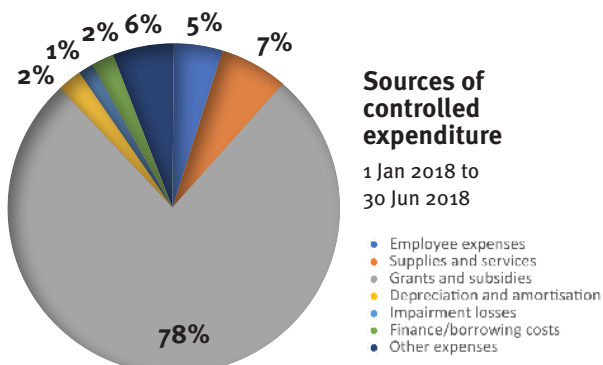
Income

Appropriation funding provided from government was DESBT's main source of revenue, totalling \$563.1 million. Other sources of revenue included \$2.4 million from user charges and fees, grants and other contributions of \$1.2 million and \$11.7 million from other revenues.



Expenses

Total expenses of \$577.5 million of which \$449.9 million (78 per cent) are grants and subsidies. A further \$33.4 million is in other expenses which includes deferred appropriation expenses of \$33.3 million. This reflects funding deferred to later years at year end. Finance/borrowing costs of \$11.5 million is associated with the Southbank Education Precinct Public Private Partnership finance lease.



Statement of financial position

Assets

Following the transfer of resources on the establishment of DESBT, the department has a sound net asset position at \$1.4 billion, illustrating the net worth of the departmental entity. The departmental assets valued at \$1.7 billion, consists primarily of \$237.4 million of cash and cash equivalents and \$1.5 billion in property, plant and equipment. The significant value of property, plant and equipment relates almost entirely to the assets held for TAFE Queensland, land (\$535.9 million), buildings (\$693.7 million) and leased assets (\$248.8 million).

Liabilities

Liabilities primarily relate to payables, provisions and interest-bearing liabilities. Payables of \$122.8 million reflect trade creditors, and amounts owned to other departments, as the result of the machinery of government changes; and appropriation payable to government for unspent program expenditure, largely for demand driven programs.

Provisions at \$33.7 million relate to obligations under contractual arrangements to training providers for students enrolled as at 30 June, but who have not completed their courses.

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

The following tables summarises the financial results of controlled operations.

Table 4. Statement of comprehensive income for the period 1 January to 30 June 2018

	2018 Actual \$'000	2018 Adjusted budget \$'000	Budget variance \$'000	Budget variance %
Statement of comprehensive income				
Total income from continuing operations	578,533	610,854	(32,321)	-5%
Total expense from continuing operations	577,500	610,854	(33,354)	-5%
Surplus / (deficit)	1,033	–	1,033	0%
Statement of financial position				
Total assets	1,736,987	1,554,381	182,606	12%
Total liabilities	373,577	274,603	98,974	36%
Total equity	1,363,410	1,279,778	83,632	7%

Table 5. Income from continuing operations

	2018 Actual \$'000	2018 Adjusted budget \$'000	Budget variance \$'000	Budget variance %
Revenue				
Appropriation revenue	563,142	607,481	(44,339)	-7%
User charges and fees	2,446	905	1,541	170%
Grants and contributions	1,209	7	1,194	17,057%
Other revenue	11,744	2,461	9,283	377%
Total Revenue	578,533	610,854	(32,321)	-5%
Total income from continuing operations	578,533	610,854	(32,321)	-5%

Table 6. Expenses from continuing operations

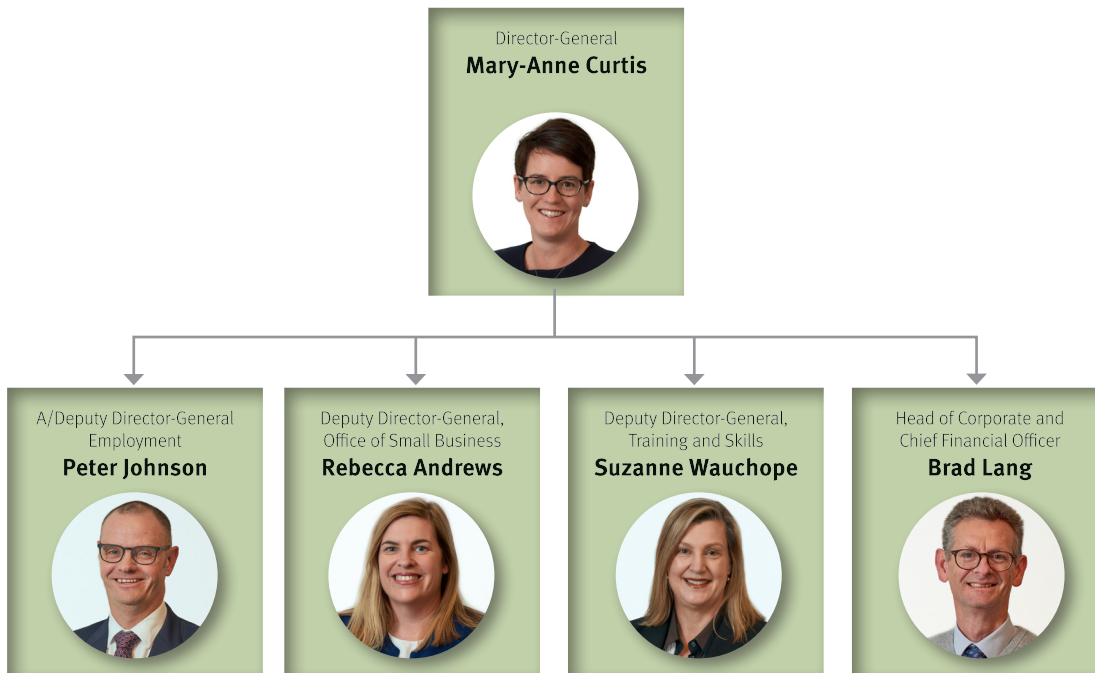
	2018 Actual \$'000	2018 Adjusted budget \$'000	Budget variance \$'000	Budget variance %
Employee expenses	29,208	36,739	(7,531)	-20%
Supplies and services	38,063	102,909	(64,846)	-63%
Grants and subsidies	449,946	445,638	4,308	1%
Depreciation and amortisation	12,380	13,848	(1,468)	-11%
Impairment losses	3,030	–	3,030	
Finance/borrowing costs	11,522	11,522		0%
Other expenses	33,351	198	33,153	16,744%
Total expenses from continuing operations	577,500	610,854	(33,354)	-5%
Total comprehensive income (surplus)/(deficit)	1,033	–	1,033	–

Table 7. Statement of financial position

	2018 Actual \$'000	2018 Adjusted budget \$'000	Budget variance \$'000	Budget variance %
Current assets				
Cash and cash equivalents	237,394	139,172	98,222	71%
Receivables	4,189	9,521	(5,332)	-56%
Prepayments	698	1,439	(741)	-51%
Total current assets	242,281	150,132	92,149	61%
Non-current assets				
Property, plant & equipment	1,492,830	1,403,203	89,627	6%
Intangible assets	1,876	1,046	830	79%
Total non-current assets	1,494,706	1,404,249	90,457	6%
Total assets	1,736,987	1,554,381	182,606	12%
Current liabilities				
Payables	122,780	56,503	66,277	117%
Interest-bearing liabilities	2,923	2,923	-	0%
Accrued employee benefits	927	965	(38)	-4%
Provisions	33,680	-	33,680	
Unearned revenue	404	-	404	
Total current liabilities	160,714	60,391	100,323	166%
Non-current liabilities				
Interest-bearing liabilities	212,863	214,212	(1,349)	-1%
Total non-current liabilities	212,863	214,212	(1,349)	-1%
Total liabilities	373,577	274,603	98,974	36%
Net assets	1,363,410	1,279,778	83,632	7%
Equity				
Contributed equity	1,277,163			
Accumulated surplus	1,033			
Asset revaluation surplus	85,214			
Total equity	1,363,410			

OUR GOVERNANCE

Organisational structure



EXECUTIVE MANAGEMENT

Director-General

Mary-Anne Curtis

Mary-Anne Curtis is the Director-General of the Department of Employment, Small Business and Training and has led the establishment of the department since its creation in 2017. Mary-Anne leads the development of strategic policies to support employment growth, enable sustainable small business opportunities and ensure a skilled workforce now and into the future.

Mary-Anne was previously a Deputy Under Treasurer within Queensland Treasury, providing advice and analysis to the Queensland Government on public policy, fiscal and economic issues particularly in relation to social policy portfolios and inter-governmental financial relations.

In April 2018, Mary-Anne was appointed to the Construction Skills Queensland Board of Directors and has also been appointed to the QSuper Board.



Deputy Director-General – Training and Skills

Suzanne Wauchope

Suzanne Wauchope provides strategic leadership for the training and skills area of the department, including identifying investment priorities and increasing the quality of training in Queensland.

Suzanne represents Queensland on the Skills Senior Official Network on matters related to National Training Policy and is a Director of the National Centre for Vocational Education Research.

With 25 years' experience in professional roles, Suzanne has extensive experience in operational management and leadership, risk evaluation and management, governance design, business development and improvement, operational effectiveness and stakeholder engagement and management in both the private and public sectors.



Deputy Director General – Office of Small Business

Rebecca Andrews

Rebecca Andrews leads the Office of Small Business. Rebecca is responsible for developing and nurturing relationships with key stakeholders, businesses and industry, and ensuring effective development and delivery of policy and programs to meet government priorities.

With more than 20 years' professional experience in both private and public organisations, a background in economic development, Bachelor of Management and experience as a business owner, Rebecca has a strong understanding of the challenges of working in this sector.



A/Deputy Director General – Employment

Peter Johnson

Peter joined the department when it was established in December 2017. He is currently the A/Deputy Director General, Strategic Policy and Employment, delivering advice on the direction for the department and employment programs.

Prior to this Peter worked in Queensland Treasury, most recently as Assistant Under Treasurer, Agency Performance. Peter is an economist with a career across the Commonwealth and ACT Governments and academia, predominantly in economics, policy and intergovernmental relations.



Chief Finance Officer and Head of Corporate

Brad Lang

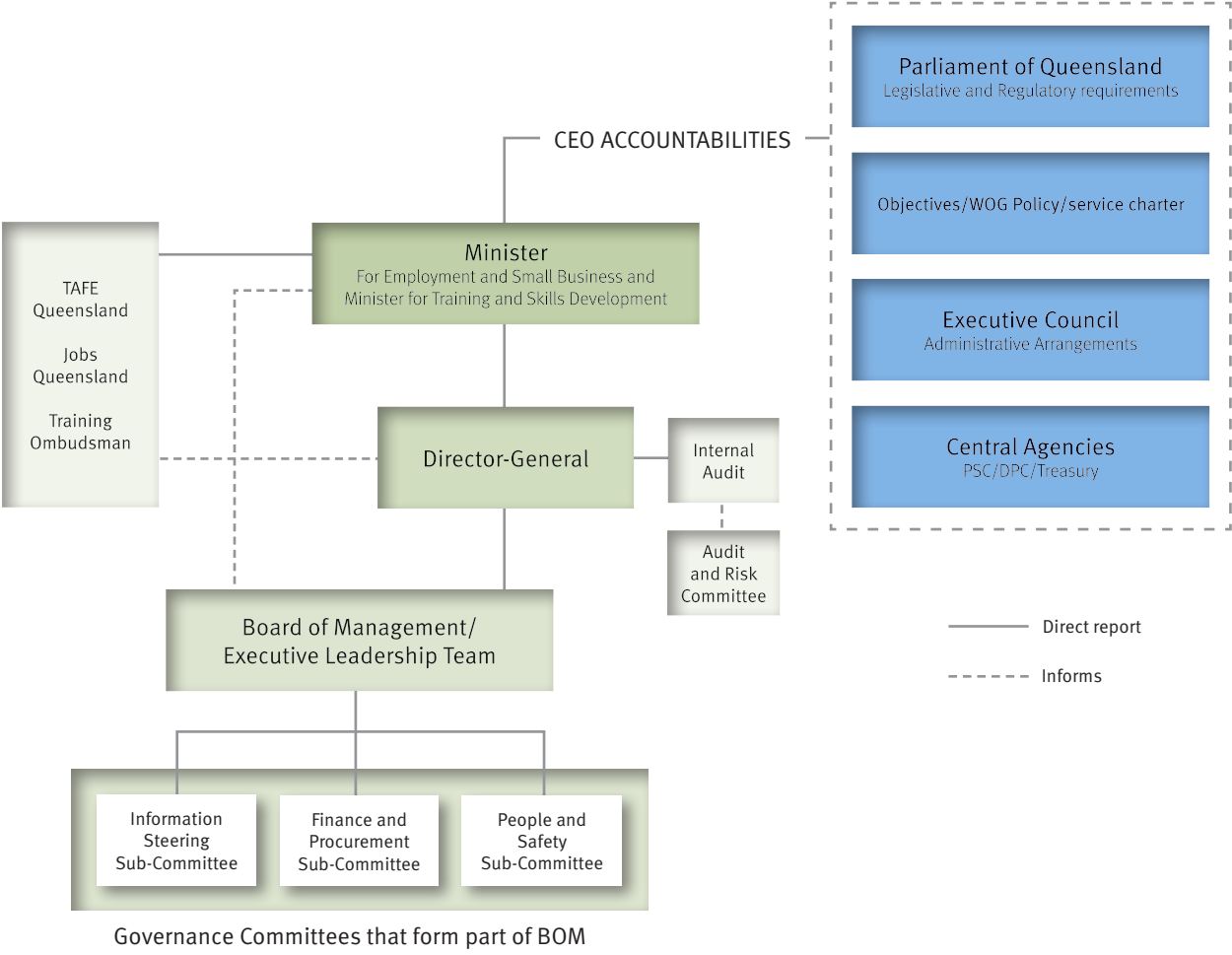
Brad Lang provides strategic leadership on the department's corporate services including financial management and procurement, human resources, information and communication technology and strategic governance.

Brad has more than 25 years' experience in the Queensland Government including as Chief Financial Officer with the Department of Environment and Heritage Protection and the Department of National Parks, Sport and Racing. He was responsible for the annual budget, financial management and reporting, and has led a number of organisational change projects. Brad is a member of CPA Australia.



GOVERNANCE FRAMEWORK

The DESBT Leadership and Accountability Model



GOVERNANCE AND ACCOUNTABILITY

Board of Management Committee

The role of the Board of Management (BOM) Committee is to provide a forum for decision-making and to debate, discuss and agree on departmental direction for key strategic and operational issues. It also monitors performance and reporting requirements for agency targets, reviews risk treatment strategies and actions, and provides continual monitoring of the risk appetite for the agency.

Additionally, the BOM assesses whole-of-government priorities for agency implications relating to policy and/resourcing, manages DESBT audit recommendations and subsequent implementation actions to ensure a robust, compliant agency. It utilises all available analytics and insights to drive the department to provide engaging and relevant community programs to meet the agency vision.

BOM Membership

Chair

Director-General

Members

A/Deputy Director-General Employment
Deputy Director-General Small Business
Deputy Director-General Training and Skills
Chief Finance Officer and Head of Corporate

Observers

Director, Office of the Director-General
Secretariat

Risk management

The department's risk, internal audit and assurance functions are outsourced to PricewaterhouseCooper (PwC). The risk management function works with business areas to update their risk registers and identify any relevant risk mitigation strategies for implementation by the respective business areas.

The risk management framework is to be established by the new internal audit function. A risk register has been established for all departmental risks which includes known risks for each portfolio and corporate services risks.

Audit and Risk Committee

The role of the Audit and Risk Committee (ARC) is to provide independent assurance and assistance to the Director-General of DESBT on:

- the risk, control and compliance frameworks
- the agency's external accountability responsibilities as prescribed in the relevant legislation and standards
- the agency's integrity framework.

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within DESBT or the reporting lines and responsibilities of either internal audit or external audit functions.

The ARC assists the accountable officer to meet responsibilities under the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and other prescribed requirements.

ARC held its first meeting on 28 June 2018. ARC will meet quarterly and must observe the terms of its charter, and have due regard to the Audit Committee Guidelines.

In addition, monitoring the implementation progress of agreed actions against all Queensland Audit Office (QAO) audit recommendations is performed.

ARC carries out a range of activities to maintain oversight of key financial, risk and performance management activities for the department including:

- Financial statements – reviewing the appropriateness of accounting policies and financial performance
- Risk management – reviewing the effectiveness of the department's risk management framework, and processes for identifying, monitoring and managing significant business risks
- Integrity oversight and misconduct prevention – monitoring misconduct trends and prevention approaches and highlighting issues and areas for improvement with management
- Internal control – reviewing, with the assistance of the department's internal and external audit functions, the adequacy of internal controls, including IT security
- Internal and external audit – reviewing and approving the department's *Internal Audit Plan*, consulting with External Audit on the proposed audit strategy, and considering findings and recommendations from audit activity to ensure key risks are considered and mitigated.

ARC membership

Chair

Karen Prentis, (External Chair)

Members

A/Deputy Director-General Employment

Deputy Director-General Small Business

Deputy Director-General Training and Skills

Assistant Director-General Training and Skills

Chief Finance Officer, Queensland Treasury (Public Sector External)

Internal audit

PwC provides an independent and objective internal audit service and operates in accordance with the department's Internal Audit Charter and ethical standards. Internal Audit supports the ARC by evaluating the department's financial and operational systems, reporting processes and activities. Although independent, Internal Audit liaises with QAO regularly to ensure appropriate assurance services are provided.

Internal Audit develops an annual plan which is endorsed by the ARC and approved by the Director-General.

External scrutiny

The department is subject to a number of external reviewers, including the Queensland Auditor-General, the Office of the Information Commissioner (Queensland), the Crime and Corruption Commission (Queensland) and the Queensland Ombudsman. The following audit applied to the department for the 2017–18 reporting period.

Queensland Audit Office (QAO) reports tabled in the Queensland Parliament

The Auditor-General is an Independent Officer of Parliament, appointed for a fixed seven-year term. The QAO enables the Auditor-General to fulfil this role by providing professional financial and performance audit services to both parliament and the public sector on behalf of the Auditor-General.

The following QAO reports are applicable to the department. A complete list of all tabled reports by QAO to the Queensland Parliament in the 2017–18 financial year is available on the QAO website at <https://www.qao.qld.gov.au/reports-resources/parliament>

The *Queensland state government: 2016–17 results of financial audits* (Report 11: 2017–18) summarises QAO financial audit results for all entities owned or controlled by the Queensland Government.

QAO categorise these entities into three sectors: the general government sector provides public services for the collective benefit of the community; public non-financial corporations provide goods and services that are trading, non-regulatory, or non-financial in nature; and public financial corporations provide financial services.

Each year, the Treasurer prepares the Queensland Government's consolidated financial statements. These statements provide a complete view of the performance and position of the state government.

In this report, QAO assess the position, performance and financial sustainability of the Queensland Government. QAO analysis helps users of the financial statements to understand and use the statements by clarifying the financial effects of significant transactions and events during the year. Additionally, analysis alerts users to future challenges, including existing and emerging risks the government faces.

Information systems and recordkeeping

Pursuant to section 7 of the *Public Records Act 2002*, the department must make and keep full and accurate records of its activities and have regard to any relevant policy, standards and guidelines made by the archivist about the making and keeping of records.

The department is reliant on the transferring departmental systems, including policies and procedures. New policies are progressively being developed and tailored to suit the department's needs.

GOVERNANCE – HUMAN RESOURCES

About our workforce

The Department of Employment, Small Business and Training had 527 full-time equivalent employees as at 30 June 2018 as per Minimum Obligatory Human Resource Information (MOHRI) data. The department had a headcount of 562 people.

The department brings together workforces from the following departments as a result of the machinery of government changes:

- Department of Education and Training
- Department of Tourism, Events and Small Business
- Queensland Treasury
- Department of Science, Innovation and Information Technology
- Department of Energy and Water Supply
- Department of Environment and Heritage Protection
- Department of National Parks, Sport and Recreation
- Department of Agriculture and Fisheries.

We have a diverse workforce profile with the following diversity profile:

Table 8 & 9. Diversity Profiles

Diversity group	Actuals as of 30 June	As a percentage of the total workforce
Aboriginal and Torres Strait Islander peoples	17	3.07%
People with a disability	21	3.77%
Non-English speaking background	80	14.44%
Women in the workforce	404	72.92%

Diversity group	Headcount actuals as at 30 June 2018	As a percentage of the relevant classification groups
Women in senior leadership roles (SO, SES, CEO)	23	51.1%
Women in leadership roles (AO6, AO7, AO8, PO5, PO6 and equivalent)	125	74.8%

The department is making good progress towards the *Queensland Government 2022* diversity targets and has already met the Aboriginal and Torres Strait Islander peoples and non-English speaking background targets.

In early 2018–19 the department will develop its *People Strategy* which will target the attraction, selection, development, engagement and retention of an ethical, diverse and inclusive workforce. In addition to the People Strategy, the department will target specific strategies on two key areas - increasing the Aboriginal and Torres Strait Islander workforce participation and developing our future women leaders.

About our industrial and employee relations framework

We have a robust industrial and employee relations framework underpinned by the *Industrial Relations Act 2016* and associated instruments:

- *Queensland Public Service Employees and Other Employees Award—State 2015*
- *State Government Entities Certified Agreement 2015*.

We have established relationships and governance arrangements with the Together Union. The department is committed to engaging proactively with the union to discuss employee and industrial relations matters, including workplace change.

Supporting our employees to do the right things, right

We recognise that employment in the public service is a position of trust, and as such we hold ourselves and our colleagues to a high standard. The *Code of Conduct for the Queensland Public Service* was a key tool in setting the standards we upheld.

To ensure our people were aware of these standards, information about the *Code of Conduct* was provided to new employees as part of their induction. Our *Code of Conduct* e-learning module continued to be mandatory, with staff required to undertake an annual refresher.

In 2018–19, the department will establish its own learning management system to manage mandatory and discretionary learning covering topics such as the *Code of Conduct*, information security, information privacy, domestic and family violence, cultural capability, and fraud and corruption.

Supporting our health, safety and wellbeing

During the reporting period there was a focus on health, safety and wellbeing with the following key initiatives:

- establishment of an Employee Assistance Service in partnership with Benestar
- promotion of Red25 to support the Red Cross Blood Bank drives
- working with pre-machinery of government agencies to manage existing WorkCover matters
- ensuring our employees are supported to remain at work or return to work as soon as possible after an injury or illness
- offering support services including counselling and support to all employees and their families, as well as specialised professional case management service to support people affected by domestic and family violence
- participation in the *recover@work* pilot initiative to support employees returning to the workplace via alternative placements.

The department is proudly White Ribbon Accredited and will continue to implement key initiatives, policies and support for employees affected by domestic and family violence.

Supporting new ways of working

We are committed to supporting working arrangements that supported our people to balance their professional and personal lives. During the reporting period we promoted flexible working arrangements, including the *Let's Talk About Flex* initiative. All positions advertised reference flexible working arrangements, and where possible the department utilised the flexible full-time/part-time type of employment on SmartJobs.

Early retirement, redundancy and retrenchment

During the period, zero employees received redundancy packages at no cost to the department.

Separation rate

Due to the impact of machinery of government changes on the Department of Employment, Small Business and Training, a separation rate is not able to be calculated for the 2017–18 report.

FINANCIAL STATEMENTS

Department of Employment, Small Business and Training Financial Statements
For the Period 1 January 2018 to 30 June 2018

TABLE OF CONTENTS

Financial Statements	Statement of Comprehensive Income		Page 3	
	Statement of Comprehensive Income by Major Departmental Service		Page 4	
	Statement of Financial Position		Page 5	
	Statement of Assets and Liabilities by Major Departmental Service		Page 6	
	Statement of Changes in Equity		Page 7	
	Statement of Cash Flows (including Notes to Statement of Cash Flows)		Pages 8 and 9	
Notes to the Financial Statements	Section 1 About the Department and this Financial Report	A1. Basis of Financial Statement Preparation	Page 10	
		A1-1 General Information	Page 10	
		A1-2 Compliance with Prescribed Requirements	Page 10	
		A1-3 Presentation Details	Page 10	
		A1-4 Authorisation of Financial Statements for Issue	Page 10	
		A1-5 Basis of Measurement	Page 11	
		A1-6 The Reporting Entity	Page 11	
		A2. Departmental Objectives	Page 12	
		A3. Machinery of Government Changes	Page 13	
		A4. Controlled Entities	Page 15	
		Section 2 Notes about our Financial Performance	B1. Revenue	Page 16
			B1-1 Appropriation Revenue	Page 16
			B1-2 User Charges and Fees	Page 16
			B1-3 Other Revenue	Page 17
			B2. Expenses	Page 17
	B2-1 Employee Expenses		Page 17	
	B2-2 Supplies and Services		Page 18	
	B2-3 Grants and Subsidies		Page 19	
	B2-4 Other Expenses		Page 19	
	Section 3 Notes about our Financial Position		C1. Cash and Cash Equivalents	Page 20
		C2. Receivables	Page 20	
		C2-1 Impairment of Receivables	Page 21	
		C3. Property, Plant, Equipment and Depreciation Expense	Page 22	
		C3-1 Closing Balances and Reconciliation of Carrying Amount	Page 22	
		C3-2 Recognition and Acquisition	Page 23	
		C3-3 Measurement using Cost	Page 23	
		C3-4 Measurement using Fair Value	Page 24	
		C3-5 Depreciation Expense	Page 25	
		C3-6 Impairment	Page 26	
		C4. Intangibles and Amortisation Expense	Page 27	
		C4-1 Closing Balances and Reconciliation of Carrying Amount	Page 27	
		C4-2 Recognition and Measurement	Page 27	
C4-3 Amortisation Expense		Page 27		
C4-4 Impairment		Page 27		
C5. Payables		Page 28		

Department of Employment, Small Business and Training Financial Statements
For the Period 1 January 2018 to 30 June 2018

TABLE OF CONTENTS (continued)

Notes to the Financial Statements (continued)	Section 3 Notes about our Financial Position (continued)	C6. Interest Bearing Liabilities	Page 28	
		C6-1 Borrowings	Page 28	
		C6-2 Finance Lease Liabilities and Commitments	Page 29	
			C6-3 Disclosures about Sensitivity to Movements in Interest Rates	Page 29
			C7. Provisions	Page 29
			C8. Equity	Page 30
			C8-1 Contributed Equity	Page 30
			C8-2 Appropriations Recognised in Equity	Page 30
			C8-3 Asset Revaluation Surplus by Asset Class	Page 30
	Section 4 Notes about Risks and Other Accounting Uncertainties		D1. Fair Value Measurement	Page 31
D1-1 Accounting Policies and Inputs for Fair Values			Page 31	
D1-2 Basis for Fair Values of Assets and Liabilities			Page 31	
D1-3 Fair Value Disclosures for Financial Liabilities Measured at Amortised Cost			Page 32	
D2. Financial Risk Disclosures			Page 33	
D2-1 Financial Instrument Categories			Page 33	
D2-2 Financial Risk Management			Page 33	
D2-3 Maximum Credit Risk Exposure Where Carrying Amounts Do Not Equal Contractual Amounts			Page 34	
D2-4 Liquidity Risk - Contractual Maturity of Financial Liabilities			Page 34	
D3. Contingencies			Page 35	
D4. Commitments			Page 35	
D5. Future Impact of Accounting Standards Not Yet Effective			Page 37	
D6. Events After the Balance Date			Page 38	
Section 5 Notes about our Performance compared to Budget		E1. Budgetary Reporting Disclosures	Page 39	
		E1-1 Explanation of Major Variances – Statement of Comprehensive Income	Page 39	
		E1-2 Explanation of Major Variances – Statement of Financial Position	Page 39	
		E1-3 Explanation of Major Variances – Statement of Cash Flows	Page 40	
Section 6 What we look after on behalf of whole-of-Government and third parties		F1. Administered Activities	Page 41	
		F1-1 Administered Activities – Budget to Actual Comparison and Variance Analysis	Page 41	
Section 7 Other Information		G1. Key Management Personnel Remuneration	Page 42	
		G2. Related Party Transactions	Page 44	
		G3. Private Provision of Public Infrastructure Arrangement	Page 45	
		G3-1 Accounting Policies	Page 45	
		G3-2 Private Provision of Public Infrastructure (PPI) Arrangement	Page 45	
		G3-3 Private Provision of Public Infrastructure – Cash Flow	Page 46	
		G3-4 Risks during the Concession Period	Page 47	
		G4. First Year Application of New Accounting Standards or Change in Policy	Page 48	
		G5. Taxation	Page 48	
Certification		Management Certificate	Page 49	

Department of Employment, Small Business and Training
Statement of Comprehensive Income
for the period ended 30 June 2018

OPERATING RESULT	Notes	2018 Actual \$'000	2018 Adjusted Budget \$'000	Budget Variance* \$'000
Income from Continuing Operations				
Appropriation revenue	B1-1	563 142	607 481	(44 339)
User charges and fees	B1-2	2 446	905	1 541
Grants and contributions		1 201	7	1 194
Other revenue	B1-3	11 744	2 461	9 283
Total Income from Continuing Operations		578 533	610 854	(32 321)
Expenses from Continuing Operations				
Employee expenses	B2-1	29 208	36 739	(7 531)
Supplies and services	B2-2	38 063	102 909	(64 846)
Grants and subsidies	B2-3	449 946	445 638	4 308
Depreciation and amortisation		12 380	13 848	(1 468)
Impairment losses	C2-1	3 030	-	3 030
Finance/borrowing costs		11 522	11 522	-
Other expenses	B2-4	33 351	198	33 153
Total Expenses from Continuing Operations		577 500	610 854	(33 354)
Operating Result from Continuing Operations		1 033	-	1 033
Other Comprehensive Income				
<u>Items that will not be reclassified subsequently to Operating Result:</u>				
Increase/(decrease) in asset revaluation surplus	C8-3	85 214	-	85 214
Total items that will not be reclassified subsequently to Operating Result		85 214	-	85 214
Total Comprehensive Income		86 247	-	86 247

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

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 period ended 30 June 2018

	2018 \$'000	Small Business 2018 \$'000	Employment 2018 \$'000	Total 2018 \$'000
Income from Continuing Operations				
Appropriation revenue	504 410	7 146	51 586	563 142
User charges and fees	2 411	35	-	2 446
Grants and contributions	300	901	-	1 201
Other revenue	11 744	-	-	11 744
Total Income from Continuing Operations	518 865	8 082	51 586	578 533
Expenses from Continuing Operations				
Employee expenses	24 119	3 642	1 447	29 208
Supplies and services	35 239	2 084	740	38 063
Grants and subsidies	398 256	2 291	49 399	449 946
Depreciation and amortisation	12 371	9	-	12 380
Impairment losses	3 030	-	-	3 030
Finance/borrowing costs	11 522	-	-	11 522
Other expenses	33 295	56	-	33 351
Total Expenses from Continuing Operations	517 832	8 082	51 586	577 500
Operating Result from Continuing Operations	1 033	-	-	1 033
Other Comprehensive Income				
Increase/(decrease) in asset revaluation surplus	85 214	-	-	85 214
Total Other Comprehensive Income	85 214	-	-	85 214
Total Comprehensive Income	86 247	-	-	86 247

Department of Employment, Small Business and Training
Statement of Financial Position
as at 30 June 2018

	Notes	2018 Actual \$'000	2018 Adjusted Budget \$'000	Budget Variance* \$'000
Current Assets				
Cash and cash equivalents	C1	237 394	139 172	98 222
Receivables	C2	4 189	9 521	(5 332)
Prepayments		698	1 439	(741)
Total Current Assets		242 281	150 132	92 149
Non-Current Assets				
Property, plant and equipment	C3-1	1 492 830	1 403 203	89 627
Intangible assets	C4-1	1 876	1 046	830
Total Non-Current Assets		1 494 706	1 404 249	90 457
Total Assets		1 736 987	1 554 381	182 606
Current Liabilities				
Payables	C5	122 780	56 503	66 277
Interest-bearing liabilities	C6	2 923	2 923	-
Accrued employee benefits		927	965	(38)
Provisions	C7	33 680	-	33 680
Unearned revenue		404	-	404
Total Current Liabilities		160 714	60 391	100 323
Non-Current Liabilities				
Interest-bearing liabilities	C6	212 863	214 212	(1 349)
Total Non-Current Liabilities		212 863	214 212	(1 349)
Total Liabilities		373 577	274 603	98 974
Net Assets		1 363 410	1 279 778	83 632
Equity				
Contributed equity		1 277 163		
Accumulated surplus		1 033		
Asset revaluation surplus	C8-3	85 214		
Total Equity		1 363 410		

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

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 2018

	2018 \$'000	Small Business 2018 \$'000	Employment 2018 \$'000	General Not Attributed 2018 \$'000	Total 2018 \$'000
Current Assets					
Cash and cash equivalents	-	-	-	237 394	237 394
Receivables	4 278	(78)	(11)	-	4 189
Prepayments	661	37	-	-	698
Total Current Assets	4 939	(41)	(11)	237 394	242 281
Non Current Assets					
Property, plant and equipment	1 492 728	102	-	-	1 492 830
Intangible assets	1 876	-	-	-	1 876
Total Non-Current Assets	1 494 604	102	-	-	1 494 706
Total Assets	1 499 543	61	(11)	237 394	1 736 987
Current Liabilities					
Payables	99 758	4 831	18 191	-	122 780
Interest-bearing liabilities	2 923	-	-	-	2 923
Accrued employee benefits	868	55	4	-	927
Unearned revenue	404	-	-	-	404
Provisions	33 680	-	-	-	33 680
Total Current Liabilities	137 633	4 886	18 195	-	160 714
Non Current Liabilities					
Interest-bearing liabilities	212 863	-	-	-	212 863
Total Non Current Liabilities	212 863	-	-	-	212 863
Total Liabilities	350 496	4 886	18 195	-	373 577

Department of Employment, Small Business and Training
Statement of Changes in Equity
for the period 1 January 2018 to 30 June 2018

	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
<i>Other Comprehensive Income</i>					
Increase/(decrease) in asset revaluation surplus		-	85 214	-	85 214
Total Comprehensive Income for the Year		1 033	85 214	-	86 247
<i>Transactions with Owners as Owners</i>					
- MoG changes - transfer of net assets	A3	-	-	1 275 913	1 275 913
- Appropriated equity injections	C8-2	-	-	13 381	13 381
- Appropriated equity withdrawals	C8-2	-	-	(12 131)	(12 131)
Net Transactions with Owners as Owners		-	-	1 277 163	1 277 163
Balance as at 30 June 2018		1 033	85 214	1 277 163	1 363 410

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

Department of Employment, Small Business and Training
Statement of Cash Flows
for the period 1 January 2018 to 30 June 2018

	2018	2018	Budget
Note	Actual	Adjusted	Variance*
	\$'000	Budget	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Inflows:</i>			
Service appropriation receipts	562 167	605 239	(43 072)
User charges and fees	(1 420)	825	(2 245)
Grants and contributions	1 201	7	1 194
GST input tax credits from ATO	7 298	-	7 298
GST collected from customers	2 154	-	2 154
Other	11 710	2 461	9 249
<i>Outflows:</i>			
Employee expenses	(28 117)	(36 739)	8 622
Supplies and services	(36 477)	(48 818)	12 341
Grants and subsidies	(361 903)	(445 638)	83 735
Finance/borrowing costs	(11 522)	(11 522)	-
GST paid to suppliers	(8 263)	-	(8 263)
GST remitted to ATO	(1 254)	-	(1 254)
Other	(89)	(198)	109
Net Cash Provided by (used in) operating activities	135 485	65 617	69 868
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Outflows:</i>			
Payments for property, plant and equipment	(12 881)	(9 096)	(3 785)
Net Cash Provided by (used in) investing activities	(12 881)	(9 096)	(3 785)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Inflows:</i>			
Equity injections	13 381	17 806	(4 425)
<i>Outflows:</i>			
Equity withdrawals	(12 131)	(13 848)	1 717
Repayments of borrowings/finance lease payments	(1 120)	-	(1 120)
Net Cash Provided by (used in) financing activities	130	3 958	(3 828)
Net increase/(decrease) in cash and cash equivalents	122 734	60 479	62 255
Cash transfers from MoG restructure	114 660	78 693	35 967
Cash and Cash Equivalents - closing balance	237 394	139 172	98 222

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

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

Department of Employment, Small Business and Training
Statement of Cash Flows
for the period 1 January 2018 to 30 June 2018

NOTES TO THE STATEMENT OF CASH FLOW

CF-1 Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2018 \$'000
Operating surplus/(deficit)	1 033
Depreciation and amortisation expense	12 380
Impairment losses	3 030
Change in assets/liabilities (net of MoG transfers):	
(Increase)/decrease in GST input tax credits receivable	(65)
(Increase)/decrease in net operating receivables	(4 123)
(Increase)/decrease in other current assets	(698)
Increase/(decrease) in other current liabilities	34 085
Increase/(decrease) in payables	88 917
Increase/(decrease) in accrued employee benefits	926
Net cash provided by Operating Activities	135 485

CF-2 Change in Liabilities Arising from Financing Activities

	Leases \$'000	Total \$'000
Closing Balance 2017	-	-
<i>Non-Cash Changes:</i>		
Transfers (to)/ from other Queensland Government Entities	217 135	217 135
Other	(229)	(229)
<i>Cash Flows:</i>		
Cash Repayment	(1 120)	(1 120)
Closing Balance 2018	215 786	215 786

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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 2017.

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

New accounting standards early adopted and/ or applied for the first time in these financial statements are outlined in Note G4.

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. Sub-totals and totals may not add due to rounding, but the overall discrepancy is not greater than two thousand.

Comparatives

No comparative information is available as the department was established on 12 December 2017.

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 report 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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

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

Historical Cost

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

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. 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.
- The *income approach* converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

As a result of the Public Service Departmental Arrangements Notice (No3) 2017, the Department of Employment, Small Business and Training was established on 12 December 2017. The following service areas were declared to be part of the department:

- Training and Skills from the Department of Education
- Office of Small Business from the Department of Innovation, Tourism Industry Development and the Commonwealth Games
- Employment from Queensland Treasury

Pursuant to section 80(2) of the Financial Accountability Act 2009, for financial statement purposes, the transfer is deemed to have occurred on 1 January 2018.

The consolidated financial statements include all income, expenses, assets, liabilities and equity of the 'economic entity' comprising the department, as the entity it controls is not material (refer to Note A4).

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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.

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

A3 MACHINERY-OF-GOVERNMENT CHANGES

A3-1 Transfers in – Controlled Activities

Details of Transfer: The part of the Department of Education known as Training and Skills, including the part of the department responsible for corporate and executive services to Training and Skills, and excluding responsibility for international education.

Basis of Transfer: Public Service Departmental Arrangements Notice (No. 3) 2017 made under the *Public Service Act 2008*

Date of Transfer: Effective from 1 January 2018

The assets and liabilities transferred as a result of this change were as follows:

	1-Jan-18 \$'000
Assets	
Cash	110 115
Receivables	9 488
Other current assets	1 398
Property, plant and equipment	1 406 459
Intangibles	2 422
	1 529 882
Liabilities	
Payables	1 815
Interest-bearing liabilities	217 135
Accrued employee benefits	761
Provisions	34 370
	254 081
Net Assets	1 275 801

The increase in assets of \$1,275.801 million has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity.

Budgeted appropriation revenue of \$582.357 million (controlled) was reallocated from the Department of Education to the department as part of the machinery-of-Government changes.

Details of Transfer: The part of the Department of Innovation, Tourism Industry Development and the Commonwealth Games known as the Office of Small Business.

Basis of Transfer: Public Service Departmental Arrangements Notice (No. 3) 2017 made under the *Public Service Act 2008*

Date of Transfer: Effective from 1 January 2018

The assets and liabilities transferred as a result of this change were as follows:

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

A3 MACHINERY-OF-GOVERNMENT CHANGES (continued)

A3-1 Transfers in – Controlled Activities (continued)

	<u>1-Jan-18</u> <u>\$'000</u>
Assets	
Cash	3 839
Other current assets	399
Plant and equipment	111
	<u>4 349</u>
Liabilities	
Payables	1 097
Accrued employee benefits	289
Other current liabilities	2 852
	<u>4 238</u>
Net Assets	<u>111</u>

The increase in assets of \$0.111 million has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity.

Budgeted appropriation revenue of \$17.044 million (controlled) was reallocated from the Department of Innovation, Tourism, Industry Development and the Commonwealth Games to the department as part of the machinery-of-Government changes.

A3-2 Transfers in – Other machinery-of-Government transfers

Details of Transfer: The part of Queensland Treasury responsible for Employment, namely *back to work* and *jobs now, jobs for the future* initiatives.

Basis of Transfer: Public Service Departmental Arrangements Notice (No. 4) 2017 made under the *Public Service Act 2008*

Date of Transfer: Effective from 1 January 2018

The assets and liabilities transferred as a result of this change were as follows:

An increase of \$0.739 million of assets offset by \$0.739 million of liabilities. This resulted in a nil impact on equity.

Budgeted appropriation revenue of \$63.303 million was reallocated from the Queensland Treasury to the department as part of the machinery-of-Government changes (refer Note F1).

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

A4 CONTROLLED ENTITIES

The following entity is controlled entity of the department:

Directly Controlled

Name: The BCITF (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

A4-1 DISCLOSURE ABOUT WHOLLY-OWNED CONTROLLED ENTITIES

Building Construction Industry Training Fund

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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

	2018
	\$'000
Transfers from/to other departments - (Redistribution of public business)*	605 239
Lapsed appropriation revenue	(43 072)
Total Appropriation Receipts (Cash)	562 167
Plus: Balance of deferred appropriation payable to Consolidated Fund	975
Less : Closing balance of deferred appropriation payable to Consolidated Fund	(33 256)
Net Appropriation Revenue	529 886
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	33 256
Appropriation Revenue recognised in Statement of Comprehensive Income	563 142

Accounting Policy – Appropriation Revenue

Appropriations provided under the *Appropriation Act 2017* 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.

- The redistribution includes the transfer of both controlled and administered funding to the department

B1-2 USER CHARGES AND FEES

	2018
	\$'000
General fees	93
Hire of facilities	2 142
Property income	211
Total	2 446

Accounting Policy – User Charges and Fees

User charges, fees and sales 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. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives.

Accounting Policy – Property Income

Property income is recognised as revenue when received.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

B1 REVENUE (continued)

B1-3 OTHER REVENUE

	2018 \$'000
Contributions to finance lease	8 332
Recoveries from grants	3 412
Total	11 744

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2018 \$'000
Employee Benefits	
Public servants' and other salaries and allowances	22 947
Employer superannuation contributions	2 916
Annual leave expenses	2 329
Long service leave levy	500
Redundancy payments	55
Employee Related Expenses	
Fringe benefits tax	60
Workers' compensation	137
Staff rental accommodation	7
Staff training	257
Total	29 208

The number of employees as at 30 June, including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2018 No.
Full-Time Equivalent Employees	562

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.

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting Policy – Superannuation

Post-employment benefits for superannuation are provided through defined contributions (accumulations) plans or the Queensland Government's QSuper defined benefit plans 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 by the Treasurer 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 G1.

B2-2 SUPPLIES AND SERVICES

	2018 \$'000
Building maintenance	23 039
Utilities	1 543
Consultants and contractors	8 075
Materials and running costs	1 017
Payments to shared service provider/inter-agency services	233
Computer costs	979
Travel	343
Operating lease rentals	2 834
Total	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.

Accounting Policy – Operating Lease Rentals

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred

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 on which contingent rentals are determined.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

	2018 \$'000
<i>Recurrent</i>	
VET programs	358 570
Skilling Queenslanders for work program	36 275
Back to work program	49 032
Small business programs	2 291
Grants and allowances to external organisations	3 778
Total	449 946

B2-4 OTHER EXPENSES

	2018 \$'000
Insurance - QGIF	7
External audit fees ⁽¹⁾	27
Penalty interest payment	1
Payments to other government departments - Queensland	50
Deferred appropriation payable to Consolidated Fund	33 256
Other	10
Total	33 351

Audit Fees

(1) The total external audit fees relating to the 2017-18 financial year are estimated to be \$0.150 million. There are no non-audit services included in this amount.

Special Payments

Special Payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. There were no special payments made during the period 1 January to 30 June 2018 by the department.

Losses of Public Property

There were no losses made during the period 1 January to 30 June 2018 by the department.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2018 \$'000
Cash on hand	3
Cash at bank	237 391
Total	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.

Departmental bank accounts are grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

C2 RECEIVABLES

	2018 \$'000
Current	
Debtors of an operational nature	7 292
Less: Allowance for impairment loss	(3 022)
	4 270
GST input tax credits receivable	65
Other debtors	(9)
Employee claims receivable	(137)
Total	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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

C2 RECEIVABLES (continued)

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 inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements related to receivables are held by the department. In terms of collectability, receivables will fall into one of the following three categories:

- within terms and expected to be fully collectible
- past due but not impaired
- past due and impaired

The collectability of receivables is assessed periodically with allowance being made where receivables are impaired. Note C2-1 details the accounting policies for impairment of receivables, including the loss events giving rise to impairment and the movement in the allowance for impairment.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/ group of debtors. If the department determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery action), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

All known bad debts were written-off as at 30 June.

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note D2.

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting Policy – Impairment of Receivables

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department, according to the due date (normally terms of 30 days). Economic changes impacting the department's debtors, and relevant industry data, also form part of the department's documented risk analysis.

Impairment loss expense for the current year relating to the department's receivables is \$3.03 million. This is mainly due to recognition of training services receivables unlikely to be recovered.

Disclosure – Individually Impaired Receivables Position (Aged)

	2018		
	Gross Receivable	Allowance for Impairment	Carrying Amount
Overdue	\$'000	\$'000	\$'000
1 to 30 days	-	-	-
31 to 60 days	129	-	129
61 to 90 days	85	-	85
Greater than 90 days	3 203	(3 022)	181
Total Overdue	3 417	(3 022)	395

Disclosure – Movement in Allowance for Impairment for Impaired Receivables

	2018 \$'000
Balance at 1 July	-
Increase/(decrease) in allowance recognised in the operating result	3 030
Amounts written off during the year	(8)
Balance at 30 June	3 022

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

Property, Plant and Equipment Reconciliation	at Fair Value			at Cost			Total
	Land	Buildings	Leased Assets	Plant and Equipment	Work in Progress	2018	
30 June 2018	2018	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	535 916	1 249 046	296 074	752	14 190	2 095 978	
Less: Accumulated Depreciation	-	(555 298)	(47 259)	(591)	-	(603 148)	
Carrying Amount at 30 June 2018	535 916	693 748	248 815	161	14 190	1 492 830	
<i>Represented by movements in carrying amount:</i>							
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	627 466	241 484	163	6 433	1 406 569	
Net revaluation increments/(decrements) in asset revaluation surplus	4 893	70 357	9 964	-	-	85 214	
Depreciation/amortisation	-	(9 184)	(2 633)	(17)	-	(11 834)	
Carrying amount at 30 June 2018	535 916	693 748	248 815	161	14 190	1 492 830	

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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 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 and 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.

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

Actual 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.

C3-3 MEASUREMENT USING COST

Accounting Policy

Plant and equipment is measured at 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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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

C3-4 MEASUREMENT USING FAIR VALUE

Accounting Policy

Land, buildings (including residential buildings and land improvements such as sports facilities), and buildings under a finance lease 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.

Assets under a finance lease that would otherwise have been included in the classes above are also revalued on the same basis as the assets in the class to which they would have belonged had they not been under a finance lease.

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 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 has divided the state into 25 districts and each year's selection is chosen to ensure that major urban, provincial and rural characteristics were included. Districts independently valued in each year are as follows:

<p>2017-18 Townsville Warwick Moreton East Brisbane South Sunshine Coast North Wide Bay North</p>	<p>2018-19 Cairns Coastal Central West Toowoomba Brisbane Central and West Gold Coast Wide Bay West</p>
<p>2019-20 Torres Strait and Cape Roma Mackay-Whitsunday Moreton West South East Brisbane Sunshine Coast South Wide Bay South</p>	<p>2020-21 Tablelands-Johnstone Mount Isa The Downs Brisbane North Logan-Albert Beaudesert Central Queensland</p>

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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

C3-4 MEASUREMENT USING FAIR VALUE (continued)

Accounting Policy (continued)

Accounting for Changes in Fair Value

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

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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

C3-5 DEPRECIATION EXPENSE (continued)

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 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.

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

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

C4 INTANGIBLES AND AMORTISATION EXPENSE

C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Software Purchased	Software Internally Generated	Other Intangibles	Software WIP	Total
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
Gross	11 158	13 180	164	-	24 502
Less Accumulated Depreciation	(11 158)	(11 395)	(73)	-	(22 626)
Carrying Amount at 30 June	-	1 785	91	-	1 876

Represented by movements in carrying amount:

Carrying amount at 1 July	-	-	-	-	-
Transfers in from other Queensland Government entities	-	2 050	100	272	2 422
Transfers between classes	-	272	-	(272)	-
Amortisation	-	(537)	(9)	-	(546)
Carrying amount at 30 June	-	1 785	91	-	1 876

C4-2 RECOGNITION AND MEASUREMENT

Accounting Policies

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

Intangible assets with a cost, or other value, greater than \$100 000 are recognised in the financial statements; items with a lesser value are expensed.

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 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 useful life. The residual value of all the department's intangible assets is zero.

Useful Life

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.

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

C5 PAYABLES

	2018 \$'000
Current	
Trade creditors	33 292
Capital creditors	3 021
FBT and other taxes	35
Grants and subsidies payable	53 176
Deferred appropriation payable to Consolidated Fund	33 256
Total	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

	2018 \$'000
Current:	
Lease liability	2 923
Total	2 923
Non-Current:	
Lease liability	212 863
Total	212 863

Accounting Policy – Lease Liabilities

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

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 2018 and is available for use in the next reporting period. The current overdraft interest rate is 5.00%.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

C6 INTEREST BEARING LIABILITIES (continued)

C6-2 FINANCE LEASE LIABILITY AND COMMITMENTS

Finance Lease Terms and Conditions

Finance leases relate to the PPPI Arrangement - Southbank Training Precinct. Refer to note G3 for details.

Interest Rates

Interest on finance leases is recognised as an expense as it accrues. No interest has been capitalised during the current reporting period. The implicit interest rate for finance lease is 10.64%.

Security

Lease liabilities are effectively secured, as the right to the leased assets revert to the lessor in the event of default.

	2018	
	\$'000	\$'000
	Minimum payments	Present value of payments
Payable:		
Not later than one year	28 317	27 573
Later than one and not later than five years	113 269	103 230
Later than five years	453 074	318 595
Total	594 660	449 398
Less: anticipated input tax credits	(54 060)	(40 854)
Less: future finance charges	(324 814)	(260 709)
Total	215 786	147 835

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 \$2.374 million.

C7 PROVISIONS

	2018 \$'000
Current:	
Training Services	33 680
Total	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

Training and Skills Division enters into contractual arrangements with training providers in the contestable training market. Since the introduction of the contestable market in 2014, the number of 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 completed. The value for 2017-18 has been calculated using 2017-18 activity levels with 2014-15 withdrawal rates.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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. The following items are recognised as contributed equity by the department during the reporting year:

- Appropriations for equity adjustments (refer Note C8-2); and
- Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes (refer Note A3).

C8-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of Payments from Consolidated Fund to Equity Adjustment

	2018 \$'000
Transfers from/to other departments - Redistribution of public business	3 958
Lapsed equity adjustment	(2 708)
Equity adjustment recognised in Contributed Equity	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 \$'000	Buildings \$'000	Leased Assets \$'000	Total \$'000
Balance at 1 January 2018	-	-	-	-
Revaluation increments	4 893	70 357	9 964	85 214
	4 893	70 357	9 964	85 214
Balance at 30 June 2018	4 893	70 357	9 964	85 214

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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.

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 department'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:

Valuation Approach:

Inputs:

Current Year Valuation Activity:

30 June 2018 by State Valuation Services

Market-based assessment. Fair Value Hierarchy Level 2.

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.

Approximately one quarter 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 three quarters of the land assets, have been indexed to ensure that values reflect fair value as at reporting date. This involved the selection of a random sample of properties from the 25 districts across the state. State Valuation Service then provided indices for each of these sites based on recent market transactions for local land sales. These indices increased the value of land in these districts by 0.98% and have been applied.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

D1 FAIR VALUE MEASUREMENT (continued)

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

Buildings

Effective Date of Last Specific Appraisal:
Valuation Approach:

30 June 2018 by State Valuation Services

All purpose-built facilities are valued at current replacement cost, as there is no active market for these facilities.

Inputs:

State Valuation Services conduct physical inspections and applied construction rates from the State School Costing Manual provided by GRC Quantity Surveyors. Fair Value Hierarchy Level 3.

Current Year Valuation Activity:

Approximately one quarter of the department's buildings were independently valued. The current replacement cost was based on standard school buildings 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 the facility.

The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2017 to June 2018) was a 4.20% 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.

Leased Assets

Effective Date of Last Specific Appraisal:
Valuation Approach:

30 June 2018 by State Valuation Services

All purpose-built facilities are valued at current replacement cost, as there is no active market for these facilities.

Inputs:

State Valuation Services conduct physical inspections and applied construction rates from the State School Costing Manual provided by GRC Quantity Surveyors. Fair Value Hierarchy Level 3.

Current Year Valuation Activity:

Leased assets were indexed using the indices provided by State Valuation Service as at 30 June 2018.

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 lease liabilities relate to the Southbank Education and Training Precinct (refer to Note G3) and the fair value of the liability is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below:

	2018	Fair value
	Carrying amount \$'000	\$'000
Financial Liabilities		
Financial lease liabilities	215 786	147 835
Total	215 786	147 835

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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	2018 \$'000
Financial Assets		
Cash and cash equivalents	C1	237 394
Receivables	C2	4 189
Total Financial Assets		241 583
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Payables	C5	122 780
Finance lease liabilities	C6	215 786
Total Financial Liabilities at amortised cost		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 lease 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 lease liability (Note C6).

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

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 MAXIMUM CREDIT RISK EXPOSURE WHERE CARRYING AMOUNTS DO NOT EQUAL CONTRACTUAL AMOUNTS

Certain contractual obligations expose the department to credit risk in excess of the carrying amount of any asset or liability recognised from entering the transaction.

D2-4 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following tables 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.

	2018 Payable in			Total
	<1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	
Financial Liabilities				
Payables	122 780	-	-	122 780
Finance Lease liability	28 317	113 269	453 074	594 660
Total	151 097	113 269	453 074	717 440

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

D3 CONTINGENCIES

Litigation in Progress

At 30 June 2018, 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.

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 reporting date it is not possible to make an estimate of any probable outcome of potential claims, or any financial effect however it should be noted that native title would not arise as an issue until the property has been declared surplus and attempts are made for the property to be sold or transferred. Native title would need to be addressed as part of the disposal process. The department would necessarily recognise any cost implications arising from such claims at that time.

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 as follows:

	2018
	\$'000
Not later than one year	<u>143</u>
Total non-cancellable operating lease commitments	<u>143</u>

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

D4 COMMITMENTS (continued)

Capital expenditure commitments

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

	2018 \$'000
Not later than one year	6 066
Total Capital expenditure commitments - Buildings	6 066

Grant commitments

Commitments for grants at reporting date are payable as follows:

	2018 \$'000
Not later than one year	22 031
Later than one and not later than five years	102
Total Grant commitments	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 as follows:

	2018 \$'000
Not later than one year	15 932
Later than one and not later than five years	80 844
Later than five years	448 691
Total Other commitments	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 G3).

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

D5 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 commencement dates are set out below:

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

These standards will first apply to the department from its financial statements for 2019-20.

The department has commenced analysing the new revenue recognition requirements under these standards and there are unlikely to be any significant impacts, as the department's main revenue source remains government appropriation. Potential future impacts identifiable at the date of this report are as follows:

- Special purpose grants received to construct a departmental non-financial asset will be recognised as a liability, and subsequently progressively recognised as revenue as the department satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The department receives several grants for which there are no sufficiently specific performance obligations, so these grants will continue to be recognised as revenue upfront assuming no change to the current grant arrangements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the department's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated obligations (such amounts would be reported as a liability in the meantime). The department is yet to complete its analysis of existing arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.
- The department does not currently have any revenue contracts with a material impact for the period after 1 July 2018, and will monitor the impact of any such contracts subsequently entered into before the new standards take effect.
- A range of new disclosures will also be required by the new standards in respect of the department's revenue.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

These standards will first apply to the department from its financial statements for 2018-19. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The department has reviewed the impact of AASB 9 on the classification and measurement of its financial assets. The following summarises the estimated impact (or ranges of estimates) of AASB 9 on the categorisation and valuation of the amounts reported in Note D2-1:

- There will be no change to either the classification or valuation of the cash and cash equivalent item.
- Trade receivables will be classified and measured at amortised cost, similar to the current classification of loans and receivables. However, new impairment requirements will result in an allowance being applied to all receivables rather than only on those receivables that are credit impaired.
- All financial liabilities listed in Note D2-1 will continue to be measured at amortised cost. The department does not expect a material change in the reported value of financial liabilities.

These changed amounts will form the opening balance of those items on the date AASB 9 is adopted. However, the department will not restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9, a number of new or changed disclosure requirements will apply from that time. Assuming no change in the types of financial instruments that the department enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

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

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the Statement of Financial Position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

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. If a lessee chooses to apply the 'cumulative approach', it does 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. The department intends to adopt the cumulative approach.

Internal-to-Government leases

The department's leases with internal-to-Government lessors are primarily for office accommodation through the Queensland Government Accommodation Office and employee housing under the Government Employee Housing program. At 30 June 2018, the department has only short-term operating lease commitments of \$0.143 million for office accommodation. For Government Employee Housing, operating lease commitments at reporting date total \$0.007 million with annual lease payments of \$0.018 million per year.

Considering their operation and impact across the whole-of-Government, the department is currently awaiting formal guidance from Queensland Treasury as to whether these two arrangements should be accounted for on-balance sheet under 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 the department's financial statements in 2019-20. 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 G3), indicate that this arrangement does not meet the criteria for a service concession arrangement as defined by this standard.

Other than the contract with Axiom Education Queensland Pty Ltd, the department does not currently have any other 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.

D6 EVENTS AFTER THE BALANCE DATE

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

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

SECTION 5
NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section discloses the department's adjusted budgeted figures for 2017-18 compared to actual results, with explanations of major variances, in respect of the department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

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

<i>Appropriation revenue</i>	The decrease in departmental services is primarily due to reduced <ul style="list-style-type: none"> • Commonwealth funding for the National Partnership Agreement - Skilling Australian Fund, • timing adjustments for various programs, including the Back to Work program and Advancing Small Business Strategy, partly offset by the reclassification of employment functions from administered to departmental services, and an adjustment for depreciation.
<i>Other revenue</i>	The variance relates to contributions from TAFE Queensland for the Southbank Education and Training Precinct Public Private Partnership and higher than anticipated grant expenditure recoveries.
<i>Employee expenses</i>	Employee expenses were lower than the budgeted figure mainly due to the number of vacant positions transferred at MoG date and not filled by year end.
<i>Supplies and services</i>	The variance is predominately due to the Australian Government - Skilling Australia Fund program not progressing in 2017-18.
<i>Other expenses</i>	The variance is due to unanticipated and unbudgeted \$33.3 million deferred appropriation to the Consolidated Fund for various programs of work.
<i>Increase in asset revaluation surplus</i>	This variance arises from an unanticipated and unbudgeted revaluation increase during the year for the department's land, building and leased assets.

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

<i>Cash and cash equivalents</i>	This increase in cash mainly relates to payables mainly associated with invoices from pre-MoG departments and a provision for training services.
<i>Property, plant and equipment</i>	The increase is predominately due to unanticipated and unbudgeted revaluation increases during the year for the department's land, building and leased assets.
<i>Payables</i>	The increase predominately relates to payables associated with invoices from pre-MoG departments and deferred appropriation to Consolidated Fund.
<i>Provisions</i>	This variance arises from an unanticipated and unbudgeted provision for training services as per note C7.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

E1 BUDGETARY REPORTING DISCLOSURES (continued)

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

<i>Service appropriation receipts</i>	The decrease in departmental services is primarily due to reduced <ul style="list-style-type: none">• Commonwealth funding for the National Partnership Agreement - Skilling Australian Fund,• timing adjustments for various programs, including the Back to Work program and Advancing Small Business Strategy, partly offset by the reclassification of employment functions from administered to departmental services, and an adjustment for depreciation.
<i>Other Inflows</i>	The variance relates to contributions from TAFE Queensland for the Southbank Education and Training Precinct Public Private Partnership (SETP PPP) and higher than anticipated grant expenditure recoveries.
<i>Employee expenses</i>	Employee expenses outflows were lower than the budgeted figure mainly due to the number of vacant positions transferred at MoG date and not filled by year end.
<i>Supplies and services</i>	The variance is due to the Australian Government - Skilling Australia Fund program not progressing in 2017-18 offset by increases in payables associated with invoices from pre-MoG departments.
<i>Grant and subsidies</i>	The variance is predominately due to unanticipated and unbudgeted \$33.3 million deferred appropriation to the Consolidated Fund for various grant programs and a provision for training services.
<i>Other outflows</i>	The variance is due to unanticipated and unbudgeted movement in payable appropriation to the Consolidated Fund for various programs of work.
<i>PPE outflow</i>	The variance predominately relates to higher than anticipated WIP capital acquisitions.
<i>Equity injections</i>	The variance relates to the conversion of equity funding to appropriation funding.
<i>Equity withdrawals</i>	The variance relates to a reduction of depreciation estimates at MoG date and as a result a reduction in equity withdrawals to the consolidated fund.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

SECTION 7
WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF GOVERNMENT AND THIRD PARTIES

F1 ADMINISTERED ACTIVITIES

As part of the machinery-of-Government, the part of Queensland Treasury responsible for Employment, namely the Back to Work Program was transferred to the department. Within Queensland Treasury, this program was treated as an administered program, whereby the department did not control these activities on behalf of the Government. At transition date, the program has been reviewed and assessed to be a controlled activity of the department and as such the budget, originally provided as Administered funding and expenditure, has been reported under controlled activities.

F1-1 ADMINISTERED ACTIVITIES – BUDGET TO ACTUAL COMPARISON AND VARIANCE ANALYSIS

This note compares the original published budgeted figures for 2017-18 to actual results in respect of the department's major classes of administered income, expenses, assets and liabilities. An explanation of major variances is also included.

	Adjusted Budget 2018 \$'000	Actual 2018 \$'000	Variance \$'000	%
Administered Income				
Appropriation revenue	55 223	-	(55 223)	-100%
Grants and other contributions	-	-	-	0%
Total Administered Income	55 223	-	(55 223)	-100%
Administered expenses				
Grants and subsidies	55 223	-	(55 223)	-100%
Supplies and services	-	-	-	0%
Transfer of Administered income to Government	-	-	-	0%
Total Administered Expenses	55 223	-	(55 223)	-100%
Operating surplus/(deficit)	-	-	-	0%

Appropriation revenue: Appropriation revenue for the department has been recognised as appropriation revenue in the controlled Statement of Comprehensive Income (refer to note E1-1 for any variance).

Grants and subsidies: Expenditure for grants and subsidies has been recognised as grant and subsidies payment in the controlled Statement of Comprehensive Income refer to note E1-1 for any variance).

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

**SECTION 8
OTHER INFORMATION**

G1 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 key management personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 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, 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 and Chief Finance Officer	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 and overall leadership of the department's finance functions. The CFO also has responsibilities under section 77 of the <i>Financial Accountability Act 2009 (Qld)</i> .

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G1 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 are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

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.

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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G2 RELATED PARTY TRANSACTIONS

Transactions with people/ entities related to KMP

The department has no related party transactions during 2017-18 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 and equity injections, both of which are provided in cash via Queensland Treasury.

Approximately 42% of all grants provided by the department were paid to other State government entities.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT

G3-1 Accounting Policies

The current accounting treatment applied to these arrangements is based upon the requirements of AASB 117 *Leases*. 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*.

G3-2 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 on which the facility is constructed is owned and recognised as an asset by the department.

Buildings are recognised at fair value, as finance lease assets, with the corresponding recognition for future payments as a finance lease liability. The leased assets are depreciated over the economic useful life and the lease liability is reduced as payments for the buildings are made. The monthly service payments are split between the capital component to affect the systematic write down of the liability over the term of the lease, and the financing component which is recognised as an expense when incurred. Other components such as facilities management, maintenance, and insurance are expensed when incurred and are reflected Note D4 as a commitment.

At expiry of the PPPI's agreement period, buildings will revert to the State for nil consideration.

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.
Leasing Arrangement	Head Lease and Sublease with Axiom – 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.
Other	In September 2011, the department entered into an operating lease arrangement with TAFE Queensland leasing the SETP to the Southbank Institute of Technology until 28 June 2039.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

G3-3 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.

	2018 \$'000
Estimated cash flows - Fixed costs	
Outflows	
Not later than 1 year	(40 579)
Later than 1 year but not later than 5 years	(167 251)
Later than 5 years but not later than 10 years	(221 736)
Later than 10 years	(383 865)
Estimated net cash flow - Fixed costs	(813 431)
 Estimated cash flows - Variable Costs	
Inflows	
Not later than 1 year	15 502
Later than 1 year but not later than 5 years	61 323
Later than 5 years but not later than 10 years	76 561
Later than 10 years	171 649
Outflows	
Not later than 1 year	-
Later than 1 year but not later than 5 years	-
Later than 5 years but not later than 10 years	-
Later than 10 years	-
Estimated net cash flow - Variable Costs	325 035
Total Estimated Net Cashflow	(488 396)

Disclosure about Private Provision of Public Infrastructure Arrangement Cash Flows

Fixed costs are based on risk free rate of 2.70 per cent (2016-17: 2.41 per cent).

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

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

G3-4 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.

Department of Employment, Small Business and Training
Notes to the Financial Statements
for the period 1 January 2018 to 30 June 2018

G4 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Changes in Accounting Policy

The department did not voluntarily change any of its accounting policies during 2017-18.

Accounting Standards Early Adopted for 2017-18

No Australian Accounting Standards have been early adopted for 2017-18.

Accounting Standards Applied for the First Time

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 requires the disclosure of information that will allow users to understand changes in liabilities arising from financing activities. Disclosure of the relevant figures can be found in note CF-2.

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets for not-for-Profit Entities simplified and clarified the impairment testing requirements under AASB 136 for non-cash generating assets held by NFP entities. This amendment has not changed any reported amounts. References to the depreciated replacement costs have been replaced with current replacement cost in line with these amendments.

G5 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 2018

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 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 2018, and of the financial position of the department at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Brad Lang, BBus (Acc), BA, CPA
Head of Corporate and
Chief Finance Officer
Department of Employment, Small Business
and Training



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

Date:

30/8/18

Date:

30/8/18

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 2018, and its financial performance and cash flows for the period 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 2018, 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

Valuation of buildings and leased assets (\$942.563 million as at 30 June 2018)

Refer to note C3 in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>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. These buildings are reported as buildings and leased assets in the financial statements.</p> <p>The department performed a comprehensive revaluation of approximately one quarter of its buildings and leased assets using independent valuers with remaining assets being revalued using indexation. It is the department's policy to conduct revaluations on this basis annually.</p> <p>The current replacement cost method comprises:</p> <ul style="list-style-type: none"> • Gross replacement cost, less • Accumulated depreciation <p>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:</p> <ul style="list-style-type: none"> • 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. <p>For buildings and leased assets not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p>	<p>My procedures for building and leased assets comprehensively revalued included, but were not limited to:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – modern substitute (including locality factors and on-costs) – adjustment for excess quality or obsolescence. <p>For buildings and leased assets indexed, my procedures, included, but were not limited to:</p> <ul style="list-style-type: none"> • 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 three quarters of the portfolio. <p>All buildings and leased asset's useful life estimates were reviewed for reasonableness by:</p> <ul style="list-style-type: none"> • 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 • reviewing for consistency between condition assessment and percentage of depreciation • 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.

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.
- 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 2018:

- 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.



31 August 2018

Michelle Reardon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

This page is left blank intentionally

COMPLIANCE CHECKLIST

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	Letter of compliance – page 3
Accessibility	Table of contents Glossary	ARRs – section 9.1	Table of Contents – page 1
	Public availability	ARRs – section 9.2	About our Annual Report – inside front cover
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	About this report – inside front cover
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4	About this report – inside front cover
	Information Licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5	About this report – inside front cover
General information	Introductory Information	ARRs – section 10.1	Our contribution to Government objectives to the community – page 8
	Agency role and main functions	ARRs – section 10.2	Who we are – page 9
	Machinery of Government changes	ARRs – section 31 and 32	Who we are – page 9
	Operating environment	ARRs – section 10.3	Who we are – page 9
Non-financial performance	Government’s objectives for the community	ARRs – section 11.1	Our contribution to Government objectives to the community – page 8
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	N/A
	Agency objectives and performance indicators	ARRs – section 11.3	Our Service Performance – Pages 16 - 42
	Agency service areas and service standards	ARRs – section 11.4	Our Service Performance – Pages 16 - 42
Financial performance	Summary of financial performance	ARRs – section 12.1	Our Financial Performance – page 43
Governance – management and structure	Organisational structure	ARRs – section 13.1	Our Governance – page 47
	Executive management	ARRs – section 13.2	Our Governance – page 47
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	https://publications.qld.gov.au/dataset/government-bodies-report
	Public Sector Ethics Act 1994	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Who we are – page 9
	Queensland public service values	ARRs – section 13.5	Who we are – page 9

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 14.1	Governance and Accountability – page 52
	Audit committee	ARRs – section 14.2	Governance and Accountability – page 52
	Internal audit	ARRs – section 14.3	Governance and Accountability – page 53
	External scrutiny	ARRs – section 14.4	Governance and Accountability – page 53
	Information systems and recordkeeping	ARRs – section 14.5	Governance and Accountability – page 53
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	Governance – Human Resources – page 54
	Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> Directive No.16/16 <i>Early Retirement, Redundancy and Retrenchment (from 20 May 2016)</i> ARRs – section 15.2	Governance – Human Resources – page 56
Open Data	Statement advising publication of information	ARRs – section 16	About our Annual Report – inside front cover
	Consultancies	ARRs – section 33.1	https://data.qld.gov.au
	Overseas travel	ARRs – section 33.2	https://data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	Financial Statements – page 57
	Independent Auditor’s Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	Financial Statements – page 57

This page is left blank intentionally

This page is left blank intentionally

