Queensland Treasury

ANNUAL REPORT

2017–2018

Queensland Government

14 September 2018

The Honourable Jackie Trad MP
Deputy Premier, Treasurer and Minister for Aboriginal
and Torres Strait Islander Partnerships

1 William Street
Brisbane Qld 4000

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2017–18 and financial statements for Queensland Treasury.

This report is prepared on the basis of the current administrative arrangements for this department applying for the whole of the 2017–18 financial year. That is, it reflects the structure, operations and performance of the department as it now exists.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009*
- 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

Jim Murphy
Under Treasurer

TRANSLATING AND INTERPRETING ASSISTANCE

Interpreter

The Queensland Government is committed to providing accessible services to Queenslanders from all cultural and linguistic backgrounds. If you have difficulty in understanding the annual report, you can contact us on telephone (07) 3035 3503 and we will arrange an interpreter to effectively communicate the report to you.

LICENCE

ISSN 1837-2848

ABOUT OUR ANNUAL REPORT

The Queensland Treasury Annual Report 2017–18 is an integral part of our corporate governance framework and one of the main tools we use to ensure we are accountable to the Queensland Parliament and the community about our activities.

This report details our achievements, performance and financial position for the 2017–18 financial year. It aligns with the Queensland Government's objectives for the community, the Queensland Treasury Strategic Plan 2017–21, and our Service Delivery Statement 2017–18.

It also provides information on our future direction, people management and corporate governance processes.

FIND OUR REPORT ONLINE

This report is available online:

www.treasury.qld.gov.au/publications-resources/

For enquiries about this annual report, contact the Principal Communication Officer, Strategic Communications on (07) 3035 3532 or via communications@treasury.qld.gov.au.

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UNDER TREASURER'S REPORT

Treasury's focus during 2017–18 was on delivering the government's plan for economic growth, jobs and improved prosperity.

COMMUNITY BUILDING

Central to that plan is infrastructure; it creates the jobs and services Queensland's growing population needs. Its benefits extend beyond the physical assets created. Cross River Rail – the Queensland Government's highest priority infrastructure project – will provide not only more efficient public transport, but better lifestyles, and the enormous social impact of employment. These benefits extend across generations, and require a long-term and outcomes-focussed approach.

Further outcomes were delivered through the Business Development Fund. 2017–18 proved very productive, with investments totalling $14.2 million in innovations for elderly people and people with dementia, medical technologies, and initiatives that keep pace with the changing needs of businesspeople.

A THRIVING ECONOMY

Investing in infrastructure allows the economy to thrive. Queensland's debt is stable and sustainable, owing to the government's management of its fiscal strategy. Overall growth in the economy is expected to have strengthened to 2¾ per cent in 2017–18. Employment growth is forecast to remain sustainable. GSP is forecast to remain favourable. These are all signs of a responsible economic plan.

A STRONG REVENUE BASE

Revenue initiatives are key to balancing Queensland's budget. In addition to administering a revenue base of around $15.3 billion, the Office of State Revenue implemented measures to strengthen that base, including a land tax surcharge for absentee landowners and a new tax on betting.

A FAIR SHARE FOR QUEENSLAND

Treasury advocates for Queensland's interests in the Commonwealth-State financial relations arena. During the year, the Australian Productivity Commission held an inquiry into horizontal fiscal equalisation – a fundamental principle of the distribution of GST revenue. Because the APC's recommendations have the potential to change the amount of GST revenue Queensland receives, the focus going forward is expected to be on negotiations over proposed reforms.

Treasury's agenda for the coming year will be driven by the government's Advancing Queensland's Priorities, for jobs and a strong economy, a great start for children, keeping Queenslanders healthy, keeping communities safe, protecting the Reef, and responsive government. We are already partnering with agencies to address funding for these priorities.

Alongside our public sector leadership role is our place in the communities we serve. In late 2017, Treasury was accredited as a White Ribbon workplace, one that seeks to end domestic and family violence, and one that supports employees who experience violence in their lives.

This is my final annual report for Queensland Treasury. My tenure here has put me in touch with many outstanding people, whom I commend to the government. Public policy never happens without people, and their hard work and commitment have been tremendous assets during my time as Under Treasurer.

Jim Murphy
Under Treasurer

OUR PERFORMANCE

Economic and fiscal coordination

Service standards **Fiscal coordination**	Notes	2017–18 Adjusted target/ estimate	2017–18 Estimated actual
Effectiveness measures			
Target ongoing reduction in Queensland's relative debt burden, as measured by the General Government debt-to-revenue ratio	1	60%	54%
Target net operating surplus that ensures any new capital investment in the General Government sector is funded primarily through recurrent revenues rather than borrowing	2	59%	99%
Manage the capital program to ensure a consistent flow of works to support jobs and the economy and reduce the risk of backlogs emerging		Met	Met
Maintain competitive taxation – own-source revenue to remain at or below 8.5% as a proportion of nominal gross state product		7.7%	8.5%
Target full funding of long-term liabilities such as superannuation and WorkCover in accordance with actuarial advice		Met	Met
Maintain a sustainable public service by ensuring overall growth in full-time equivalent employees, on average over the forward estimates, does not exceed population growth		1.7%	1.7%
Efficiency measure			
Average cost per hour of advice and support output	3	$129.81	$116.23

Service standards **Economic policy, analysis and forecasting**	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Efficiency measure		
Average cost per hour of advice and support output	$116.60	$107.92

End of year variance notes

1. *The improvement in the debt-to-revenue ratio between the 2017-18 adjusted target and the 2017-18. Estimated actual reflects both higher than forecast revenue (primarily associated with higher coal prices) and lower than forecast debt levels.*
2. *The estimated actual is higher than adjusted target as a result of the 2017–18 operating surplus.*
3. *The average cost per hour of advice and support output is calculated using 2017–18 end-of-year actual information.*

Statistical services

Service **Statistical services**	Notes	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measure			
Stakeholder and customer satisfaction with Queensland Government Statistician outputs (rated satisfied or very satisfied)		95%	100%
Efficiency measure			
Average cost per hour of advice and support output		$104.09	$96.91

OUR PERFORMANCE

Agency performance

Service	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measures		
Overall customer satisfaction with policy and performance advice provided	75%	85%
Efficiency measure		
Average cost per hour of advice and support output	$106.33	$100.27

Commercial services

Service **Commercial projects**	Notes	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measures			
Percentage of key project milestones met	1	85%	100%
Achievement of agreed cost targets for projects	2	85%	100%
Efficiency measure			
Average cost per hour of project services		$130.55	$114.85
Service **Shareholder services**	Notes	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measures			
Overall customer satisfaction with advice and support provided	3	80%	70%
Efficiency measure			
Average cost per hour of advice and support output		$104.67	$97.75

End of year variance notes

1 *All key project milestones have been met.*

2 *All key project milestones have been met.*

3 *This service standard measures overall client satisfaction considering quality, timeliness, staff knowledge, access and outcome. It is derived from an annual survey of GOCs. The 2017–18 end-of-year actual result reflects the desire of GOCs for confirmation of the policy approach of the new term of government.*

Revenue management

Service standards **Revenue services**	Notes	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measures			
Customer satisfaction with services provided		70%	77.6%
Average overdue debt as a percentage of total revenue collected		2%	2.1%
Total revenue dollars administered per dollar expended - accrual	1	$198	$238
Efficiency measure			

Service standards **Penalty debt services**	Notes	2017–18 Adjusted target/ estimate	2017–18 End of year actual
Effectiveness measures			
State Penalty Enforcement Registry (SPER) clearance rate (finalisations/lodgements)	2	75%	99%
Efficiency measure			
Average cost of case management per SPER customer		$49	$49

End of year variance notes

1 *The increase between the adjusted target and End of year actual is mainly due to higher than projected coal royalties and lower than anticipated operating expenses as a result of the re-profiling of expenses associated with OSR's Transformation Program to improve compliance, client interaction and service delivery, to future years.*

2 *This higher clearance rate is due to higher volumes of debt finalisations being maintained against similar volumes of new debt referrals for the period.*

HIGHLIGHTS

ENABLE SUSTAINABLE GROWTH THAT SUPPORTS CURRENT AND FUTURE GOVERNMENT OBJECTIVES

Developed the Queensland Budget 2018–19.

Initiated a program of enhancements to Queensland's regulatory frameworks, to reduce red tape and the regulatory burden on businesses, families and communities.

Implemented the $1.16 billion Powering Queensland Plan, to ensure affordable, secure and sustainable electricity supply for Queensland.

Continued partnering in the Business Development Fund, which in 2017–18 invested $14.2 million in innovative Queensland businesses.

Supported the Deputy Premier in her responsibilities for Queensland's response to the Australian Government Policy on the development of Northern Australia.

Advocated for Queensland's position on horizontal fiscal equalisation to the Australian Productivity Commission.

Implemented revenue measures designed to deliver a sustainable revenue base for Queensland, including a land tax surcharge for absentee landowners and a new point of consumption tax on betting.

PARTNER PROACTIVELY TO FACILITATE BETTER OUTCOMES FOR THE COMMUNITY

Progressed the $5.4 billion Cross River Rail project, the Queensland Government's highest priority infrastructure project, to early works and procurement.

Continued working with Building Queensland and government agency partners on a range of major infrastructure and service delivery projects, including expansions at Logan and Caboolture Hospitals, the Townsville Eastern Access Rail Corridor, and Rookwood Weir on the Lower Fitzroy.

Reduced growth in Queensland's penalty debt pool from 15 per cent to 3.2 per cent, and achieved penalty debt finalisation of 99 per cent.

Introduced work and development orders as an additional option for people in financial hardship to resolve their penalty debt.

Collaborated with Victoria University's Centre of Policy Studies to model the economic impacts of interstate migration on the Queensland economy.

ENSURE OUR SERVICES ARE TAILORED, FIT-FOR-PURPOSE AND EASY TO ACCESS

Expanded online revenue management services, achieving 77 per cent of queries able to be resolved at first contact.

Used machine learning to predict – to 71 per cent accuracy – those taxpayers at risk of defaulting on their obligations.

DEVELOP A CAPABLE AND FLEXIBLE WORKFORCE THAT CAN LEAD IN POLICY DEVELOPMENT AND SERVICE DELIVERY

Achieved accreditation as a White Ribbon workplace, as part of the government's commitment to ending domestic and family violence.

Ranked 17 on the Australian Association of Graduate Employers' list of top graduate employers in Australia (up from 45 in 2017).

Achieved Recognised Employer Partner status with CPA Australia, which means that our relevant experience, training and development meets CPA Australia requirements.

Graduated 11 participants and welcomed 14 new participants into the Great Leaders program.

ABOUT US

"Treasury's vision is to grow the Queensland economy and improve the wellbeing of all Queenslanders."

VALUES

Treasury's strength in fulfilling its vision is drawn from the public service values of:

- customers first
- ideas into action
- unleash potential
- be courageous
- empower people

and by its own cultural practices of working collaboratively, taking collective responsibility, and continuous improvement.

This facilitates trusted, impartial and influential advice for the economy and state finances, by:

- enabling sustainable growth that supports current and future government objectives
- partnering proactively to facilitate better outcomes for the community
- ensuring services are tailored, fit-for-purpose and easy to access
- developing a capable and flexible workforce that can lead in policy development and service delivery.

The Queensland Government's objectives for the community guide Treasury's work. Read more about how Treasury employees are being equipped to deliver for Queenslanders on pages 20 to 22.

HOW WE BEGAN

Although it administers a wide range of legislation to support Queensland's economic growth and fiscal strength, Treasury has no single legislative charter. The Treasury Department began in 1859 with the separation of the Colony of Queensland from the Colony of New South Wales. The appointment of the first Colonial Treasurer, Robert Ramsay Mackenzie, was gazetted on 15 December 1859.

SERVICES

Queensland Treasury is in the business of growing the Queensland economy and improving the wellbeing of all Queenslanders. As a central agency, it leverages a government-wide perspective to provide trusted, impartial and influential advice and services to clients, and partner with agencies for better outcomes in the economy and state finances, revenue and commercial services.

Read more about Treasury's services:

- Economic and fiscal coordination
- Agency performance
- Commercial services
- Revenue management

on pages 24 to 39.

Statutory and other bodies

The work of the following bodies complements that of Treasury. They are the legal responsibilities of the Deputy Premier and/or the Under Treasurer:

- Cross River Rail Delivery Authority
- Motor Accident Insurance Commission
- Nominal Defendant
- National Injury Insurance Scheme Queensland Agency
- Queensland Treasury Corporation
- Queensland Competition Authority
- Queensland Productivity Commission

These organisations produce their own annual reports.

Clients

The diverse ways in which Treasury helps to grow the Queensland economy are reflected in its range of clients, such as:

- the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, who is supported to:
  - create jobs and a strong economy
  - give all children a great start
  - keep Queenslanders healthy
  - keep communities safe
  - protect the Great Barrier Reef
  - be a responsive government
  - government agencies with whom Treasury partners to meet their infrastructure and procurement needs

ABOUT US

- the business and non-government sectors, on investment and service delivery opportunities
- first homebuyers
- taxpayers
- fine debtors

as well as relationships with industry, academia and other key stakeholders.

Changes for Treasury

In late 2017, Treasury's roles and functions changed in response to changes to Ministerial portfolios after the Queensland election. These changes will enhance the public sector's ability to deliver on the government's priorities for the community.

The Office of Industrial Relations, including the functions of:

- industrial relations
- chemical hazards
- electrical safety
- workers' compensation
- work health and safety

moved to the Department of Education, in the portfolio of the Minister for Education and Minister for Industrial Relations.

Functions for employment programs and policy, including Back to Work, moved to the new Department of Employment, Small Business and Training. There it will continue the government's commitment to small business growth, employment, skills and training opportunities.

Treasury's Market Led Proposals team moved to the Department of State Development, Manufacturing, Infrastructure and Planning. This will allow the team to leverage that agency's expertise in large-scale development and infrastructure projects to meet Queensland's growing need for infrastructure.

The Cities Transformation Taskforce moved to Queensland Treasury from the former Department of Infrastructure, Local Government and Planning. This will facilitate a cohesive approach to urban growth and design in cities and regions across Queensland.

The Cross River Rail Delivery Authority, the board of which is chaired by the Under Treasurer, joined Queensland Treasury, where it can take advantage of inhouse commercial services expertise. Read more about Cross River Rail on page 28.

Trade and Investment Queensland, an independent statutory body, moved to the portfolio of the Premier, and Minister for Trade where it will continue to support investment attraction for the benefit of Queensland's economy.

The Queensland Racing Integrity Commission, an independent statutory body, moved to the Department of Agriculture and Fisheries, where it will oversee the integrity of Queensland's racing industry participants and the welfare of racing animals.

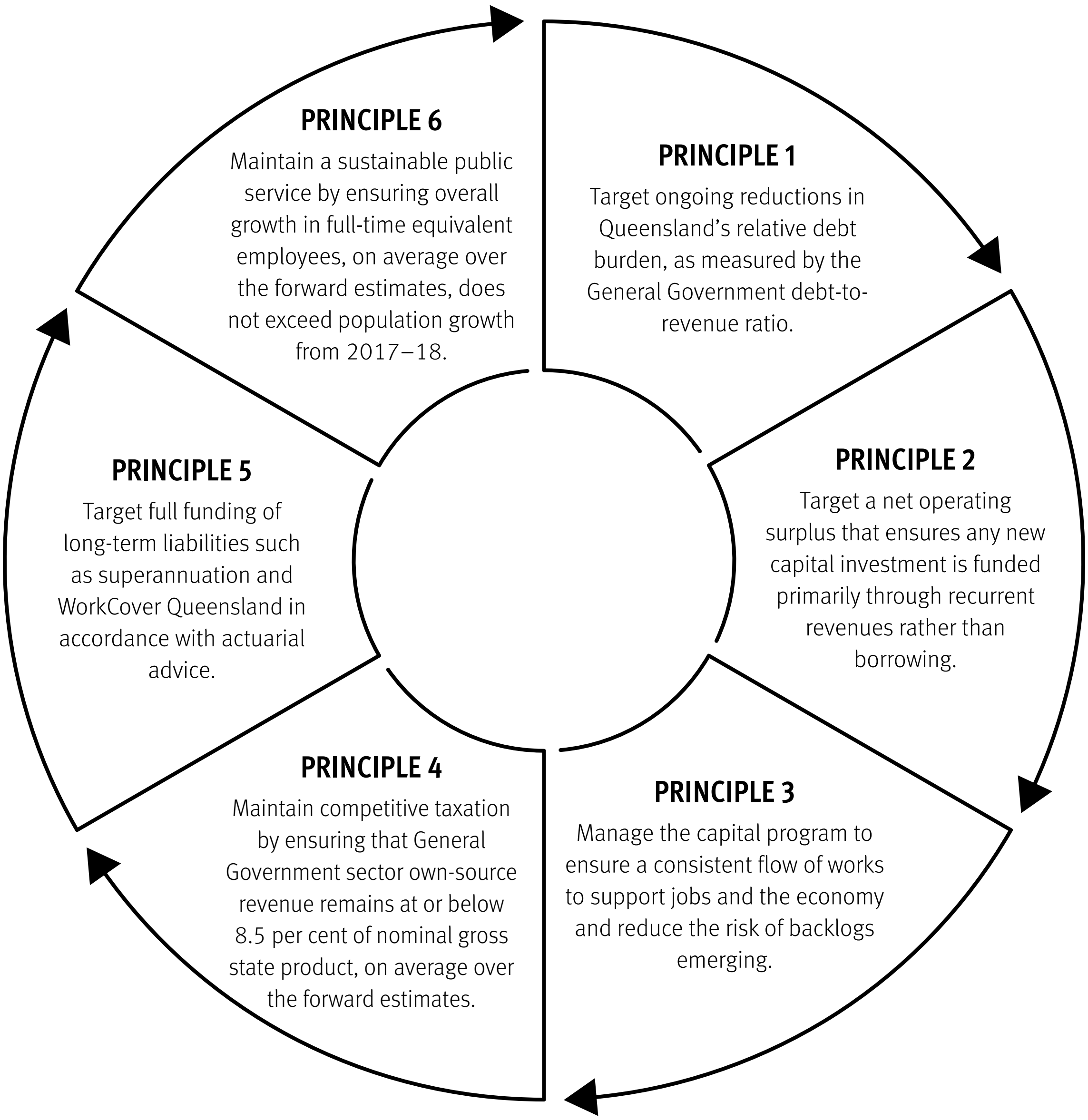
MANAGING OUR ORGANISATION

THE GOVERNMENT'S FISCAL STRATEGY

The government's ability to grow the economy and improve the wellbeing of all Queenslanders is supported by a solid, prudent fiscal strategy. It is a cornerstone of each year's Queensland Budget, and outlines the principles by which the government manages Queensland's finances in a responsible and measured way.

Each year's Budget, mid-year review and end-of-year reports outline the government's performance against these principles.

Treasury strengthens the government's financial accountability by partnering with agencies so they can meet their obligations under the *Financial Accountability Act 2009*, and make their best possible contribution to the government's priorities for Queenslanders.



MANAGING OUR ORGANISATION

STRONG GOVERNANCE

Underpinning the government's fiscal principles and priorities for the community are strong corporate governance practices in:

- leadership and planning
- internal and external accountability
- corporate support
- rigorous financial controls
- workforce planning, capability and performance
- resource allocation
- information management.

Decisions in these areas are made directly and effectively by Treasury's Executive Leadership Team.

MANAGING OUR PERFORMANCE

Treasury's performance is managed in line with the Queensland Government's Performance Management Framework, which provides the means to:

- strengthen public sector accountability
- identify risks and opportunities for agencies, government and the community
- develop plans to address these.

At an organisation-wide level, the Strategic Plan is the roadmap that guides longer-term efforts to deliver Treasury's purpose.

This is translated into financial year objectives and performance measures for each service area through the Service Delivery Statement, and reported against these in the annual report. Read more in the service reports on pages 23 to 39.

Treasury's performance is monitored externally through the Parliamentary Estimates Committee process held after each year's Queensland Budget. Treasury is accountable to the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, who reports against the Service Delivery Statement through this process.

Annual Operational Plans for each Treasury business group show a direct link between priority initiatives and Treasury's strategic objectives.

The operational plans are updated each year, but they can also be amended at any time to reflect emerging risks, opportunities and government priorities. These plans provide a foundation for managers and employees to agree on priority deliverables which are tracked in individual Performance Excellence Plans. Overall, this planning framework provides alignment between the government's priorities, Treasury's vision, and its employees' day-to-day work.

THE QUEENSLAND GOVERNMENT'S OBJECTIVES FOR THE COMMUNITY

Throughout the 2017–18 reporting year, the Queensland Government's agenda for meeting Queenslanders' needs was clear:

- Jobs and a diverse economy
- Quality frontline services
- A protected, sustainable environment
- Safe, caring and connected communities.

Treasury's expertise in economic and fiscal management directly supports the economic, service delivery and community objectives of this agenda, and indirectly in the form of support for agencies to make their own unique contributions. Examples of specific contributions to the objectives are outlined overleaf.

OUR SUPPORT FOR THE OBJECTIVES IN 2017–18

Creating jobs and a diverse economy

Delivered the 2018–19 Queensland Budget, which included support for around 38,000 jobs through the government's $45.8 billion infrastructure program.

Supported the government's revenue base with revenue initiatives such as a land tax surcharge for absentee landowners and a wagering (betting) tax.

Led job-generating infrastructure projects such as Cross River Rail and Brisbane International Cruise Terminal, and worked to maximise the Northern Australia Infrastructure Facility's value to Queensland.

Delivering quality frontline services

Partnered with agencies in initiatives such as social housing, long-term funding for schools and public transport services.

Played a lead role in implementing the Powering Queensland Plan for affordable, secure and sustainable electricity supply.

Advocated for Queensland's interests in Commonwealth-State financial relations, to pursue a fair share of GST revenue for our communities.

Building safe, caring and connected communities

Established the Crime Statistics and Research Unit to better understand the origins and patterns of crime so that agencies and communities can design more effective intervention and prevention strategies.

Introduced work and development orders as an option for people in hardship to resolve their penalty debt.

Protecting the environment

Worked towards strong growth in renewables, including through the Queensland Renewable Energy Target.

Continued large-scale reform to secure proper rehabilitation for legacy mining sites.

OUR FUTURE STATE: ADVANCING QUEENSLAND'S PRIORITIES

In mid-2018, the government announced its priorities for the major challenges facing Queensland:

- Create jobs in a strong economy – creating jobs, increasing private sector investment, engaging more young Queenslanders in education, training or work.
- Give all children a great start – increasing the number of babies born healthier, increasing childhood immunisation rates, improving wellbeing prior to school.
- Keep Queenslanders healthy – increasing the number of Queenslanders with a healthy body weight, reducing suicides.
- Keep communities safe – reducing the rate of crime victims, reducing rates of youth reoffending.
- Protect the Great Barrier Reef – reducing Queensland's contribution to climate change, improving water quality.
- Be a responsive government – making Queensland Government services easy to use.

As a central agency, Treasury works across government to prioritise funding to deliver against these priorities. It will continue this support during 2018–19 via a roadmap for achieving targets under the Creating Jobs in a Strong Economy outcome.

MANAGING OUR ORGANISATION

OUR LEADERS

Jim Murphy
Under Treasurer

Jim is an outstanding senior policy executive and government leader. He commenced as Under Treasurer on 1 June 2015.

Formerly, Jim was a senior executive with the ANZ Bank. He was Deputy Secretary in the (Australian) Treasury for more than a decade and held senior executive positions in the Commonwealth Departments of Treasury, Attorney General and Finance.

His distinguished career also includes a role as an advisor with the International Monetary Fund in Washington DC and, for a short period, Chief of Staff in the Office of the Prime Minister.

Jim was awarded a Public Service Medal for his strategic economic advice, which formed the Australian Government's response to the global financial crisis.

Jim attained a Bachelor of Arts (Economics and History) from the University of New South Wales, a Bachelor of Laws from the University of Sydney and a Master of Public Law from the Australian National University.

Maryanne Kelly
Acting Deputy Under Treasurer, Agency Performance

Maryanne commenced as Acting Deputy Under Treasurer of the Agency Performance Group in December 2017.

In this role, Maryanne is responsible for advice and analysis on public policy, fiscal and economic issues, particularly for the health, education, communities, justice, Indigenous policy and housing portfolios.

Previously Maryanne was Assistant Under Treasurer for Treasury's Economics Strategy division. In this role, she was responsible for employment and economic policy including overseeing the implementation of the government's Back to Work program and the production of Budget forecasts and the Budget Economic Framework.

Maryanne has more than 20 years' experience in leadership roles in the Queensland, Australian and United Kingdom governments. Her senior management roles in Queensland Government agencies include Treasury; Department of Communities, Child Safety and Disability Services; and Queensland Reconstruction Authority.

She has a Bachelor of Commerce and a Master of Social Planning and Development from the University of Queensland, and a Graduate Diploma of Business with a major in accounting.

Luan Sadikaj
Acting Deputy Under Treasurer, Agency Performance and Investment

Luan was appointed Acting Deputy Under Treasurer of the Agency Performance and Investment Group in May 2018.

In his current role, Luan is responsible for commercial, fiscal and economic advice on the state's economic portfolios and Treasury's investment policy and attraction programs. He represents Treasury on the Long Term Assets Advisory Board, a board of Queensland Treasury Corporation which manages certain superannuation and other long-term assets.

Prior to this current appointment, Luan held a senior executive role within Queensland Treasury's Agency Performance Group. In this role, he worked closely with Queensland Health, Justice and the Attorney-General and public safety agencies to develop, fund and implement public policy. Luan has been involved in the development of the Queensland Budget since 2008.

Luan has a Bachelor of Business with a major in finance and has completed his professional accreditation with CPA Australia.

Alison Rayner
Deputy Under Treasurer, Economics and Fiscal Coordination

Alison was appointed Deputy Under Treasurer of the Economic and Fiscal Coordination Group in September 2017.

She is responsible for providing economic and fiscal advice, analysis and guidance to government on matters of significance to the economic and fiscal performance of Queensland, particularly for the Queensland Budget, fiscal efficiency, economic policy, forecasting and reporting.

More recently, Alison has been in a senior executive management role working closely with Treasury's partner agencies to develop, fund and implement public policy, and has been involved in the development of the Queensland Budget since 2013–14.

During 20 years in government, Alison has held key roles in developing and implementing the government's budget and reporting system, and its financial accountability framework.

She has been responsible for providing advice to government and agencies on financial management and complex commercial transactions.

Alison is a chartered accountant who started her career in the private sector, initially working in the business and tax advisory services industry, followed by several years in commercial banking, before joining government in 1998 with the Department of Education.

She joined Queensland Treasury during the period the government was transitioning to accrual based budgeting.

Robert Fleming
Acting Deputy Under Treasurer, Commercial

Robert is an economist with a background in government policy and project management within a career built in the public sector.

He began his career in policy and budget development, working predominantly in social justice and transport portfolios.

During his 20 years in government, Robert has been responsible for advising on some of the state's largest infrastructure projects in Queensland Treasury Corporation and Queensland Treasury. He has led teams which have developed business cases and procured key infrastructure projects including the Toowoomba Second Range Crossing, Herston Quarter redevelopment, Gold Coast Light Rail, Cross River Rail, and market-led proposals such as the Logan Motorway Enhancement Project.

Geoff Waite
Executive General Manager, Risk and Intelligence

Geoff first joined Treasury in 1984 to work on joint Commonwealth/State employment programs.

He worked in a number of budget portfolio roles until his appointment as Treasury's Director of Finance in 1995. He then headed Treasury's corporate services function as Assistant Under Treasurer until 2001, and followed this with various roles including Assistant Under Treasurer, Budget Division and Executive Director of the Office of Government-Owned Corporations.

In 2007, Geoff started his own business consulting to state and local governments in Queensland. He returned to Treasury in 2012 and worked on internal reviews before heading the Office of the Under Treasurer, Corporate Group and then establishing the Risk and Intelligence role.

Geoff also has statutory appointments as the Independent Board Member on the Public Safety Business Agency Board of Management, and as the Government Superannuation Officer.

He has a Bachelor of Arts from the University of Queensland, a Bachelor of Business from Queensland University of Technology, and is a Fellow of the Australian Institute of Management, and a Graduate of the Australian Institute of Company Directors.

Liz Goli
Commissioner, Office of State Revenue

Liz was appointed Commissioner of the Office of State Revenue (OSR) in February 2014.

Prior to her appointment, Liz was Senior Assistant Commissioner, Indirect Tax at the Australian Taxation Office (ATO), and has held senior and executive management roles in tax administration since 1997.

Liz has international tax experience with the Organisation for Economic Cooperation and Development (OECD) in Paris, and previously worked in OSR from 1997 to 2001, where she had a leading role in rewriting of the state duties legislation.

She began her career as a graduate with the ATO in 1984.

Angela Wilke
Executive General Manager, Operations and Change

As Executive General Manager, Operations and Change, Angela leads Treasury's corporate enabling functions of finance, HR, ICT delivery, strategic communications and corporate strategy and governance.

With a broad industry background in the public and private sectors, Angela has effectively led corporate functions to deliver complex operational and cultural reform agendas. Among her notable achievements are the design and delivery of significant transformation programs in Queensland Health, Stanwell Corporation and currently Queensland Treasury.

A specialist in strategic human resources management (HRM), industrial/employee relations, and culture and capability development, Angela also holds a Bachelor of Business (HRM) from QUT and a Master of Employment Law from Griffith University.

MANAGING OUR ORGANISATION

LEADING TREASURY

As at 30 June 2018

UNDER TREASURER
Jim Murphy

- **AGENCY PERFORMANCE**
  - **A/DEPUTY UNDER TREASURER** — Maryanne Kelly
    - Agency Performance
    - Health and Justice
    - Education and Technology
    - Communities
    - Economics
    - Intergovernmental Relations
- **AGENCY PERFORMANCE AND INVESTMENT**
  - **A/DEPUTY UNDER TREASURER** — Luan Sadikaj
    - Agency Performance
    - Transport and Industry
    - Tourism and Business
    - Fiscal Projects
      - Government Banking Unit
    - Industry Programs
    - Strategic Commercial Advisory
    - State Actuary
    - Financial Assurance
- **ECONOMICS AND FISCAL COORDINATION**
  - **DEPUTY UNDER TREASURER** — Alison Rayner
    - Economic Strategy
    - Fiscal Management
    - Government Statistician
    - Budget Office
    - Program Management Office

Our Executive Leadership Team applies a strategic, cross-divisional perspective to our organisation's key priorities.

COMMERCIAL

A/DEPUTY UNDER TREASURER
Robert Fleming

- Infrastructure Projects
- Property Projects
- Shareholder and Structural Policy Division

RISK AND INTELLIGENCE

EXECUTIVE GENERAL MANAGER
Geoff Waite

- Legal and Administrative Review Office
- Insurance Commission
- Office of Chief Information Officer
- CLLO and Ministerial Services
- Risk and Intelligence Policy Unit

OPERATIONS AND CHANGE

EXECUTIVE GENERAL MANAGER
Angela Wilke

- Strategic Communications
- Finance
- Human Resources
- Performance and Governance

OFFICE OF STATE REVENUE

COMMISSIONER
Liz Goli

- State Taxes
- Royalties
- State Penalties Enforcement Registry
- Grants

MANAGING OUR ORGANISATION

AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee helps the Under-Treasurer to meet his responsibilities under the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and other prescribed requirements. Its business is concerned with overseeing our key financial, risk and performance management activities, including:

- reviewing the appropriateness of accounting policies and financial performance
- annually reviewing the risk management framework, including processes for identifying, monitoring and managing significant business risks
- integrity and preventing misconduct – quarterly reporting of misconduct issues and trends, prevention strategies and areas for improvement reviewing, with the assistance of internal and external audit functions, the adequacy of internal controls, including IT security
- internal and external audit:
  - reviewing and approving an Internal Audit Plan
  - consulting with External Audit on a proposed audit strategy
  - considering audit findings and recommendations to ensure key risks are considered and mitigated.

The committee also performs these functions for the following related entities in our broader portfolio who prepare independent financial statements:

- Motor Accident Insurance Commission
- Nominal Defendant
- National Injury Insurance Scheme Queensland Agency.

2017–18 Audit and Risk Management Committee membership (as at May 2018)

Chair:

Executive General Manager, Risk and Intelligence

Members:

Deputy Under Treasurer, Economics and Fiscal Coordination

Insurance Commissioner

Commissioner, Office of State Revenue

Don Licastro – independent member

Standing invitations:

Under Treasurer

Chief Finance Officer

Queensland Audit Office (QAO)

Internal Audit

2017–18 achievements

The committee met five times during the year and fulfilled its responsibilities in accordance with its charter and an approved work plan, which included:

- reviewing the 2016–17 Financial Statements for Queensland Treasury, Motor Accident Insurance Commission and Nominal Defendant
- reviewing the outcomes of 2017–18 Internal Audit activity and endorsement of 2018–19 Internal Audit Plan
- considering issues raised by QAO including recommendations from performance audits
- considering Treasury-related QAO reports to Parliament.

A robust risk management framework is integrated into all Treasury business activities and systems. Employees from across the organisation were appointed as risk officers in 2017–18 to champion active compliance and risk management activities aimed at embedding the Treasury Risk Management strategy, and enhancing the risk skills of Treasury staff.

These officers update risk registers and identify risk mitigation strategies to be undertaken by business areas. Emerging and high-rated business area risks are reported to our Executive Leadership Team via the Annual Risk Report and agency risk profile. This report is also used to inform strategic and business planning, and the targeting of relevant assurance activity.

Internal Audit

Internal Audit supports the Audit and Risk Management Committee by evaluating financial and operational systems, reporting processes and activities.

PwC undertakes this function as an independent and objective internal audit service in accordance with Treasury's Internal Audit Charter and ethical standards.

Internal Audit regularly liaises with QAO to ensure appropriate assurance services are provided to Treasury. In 2017–18, Internal Audit delivered a program of work for Treasury's three-year Internal Audit Plan (approved by the Audit and Risk Management Committee). Its work comprised 23 reviews, including:

- QGrants Systems and First Home Owners' Grant Review
- reviews of revenue management activities and systems, including State Penalties Enforcement Registry (SPER) operational processes
- reviews of selected agency and frontline service delivery functions including National Injury Insurance Scheme Queensland Agency and whole-of-government financial assurance
- security reviews, including cyber security, information security and building security
- business process improvement and business intelligence reviews including monitoring of data controls, data analysis and reporting, and contract management.

This plan aligned with Treasury's key risk areas, operations, and strategic objectives, and drew on additional specialist expertise as needed.

VALUING AND PROTECTING OUR INFORMATION ASSETS

Treasury's information security and information management practices support its role as the government's trusted financial and economic advisor.

With the constant evolution of technology and the rise of large, complex data sets, Treasury seeks to improve how it creates, uses, finds, manages and secures information.

Through effectively managing and leveraging information assets, Treasury has been able to integrate and streamline processes, improve services and compliance, enable easier access to information, to make more informed decisions.

Over 2017–18, major achievements included:

- commencing the Information Security Program to mitigate Treasury's cyber security risk profile, and to establish a trusted environment to position Treasury for digital and strategic data initiatives
- delivering an updated information security management system that aligns to the Queensland Government's Chief Information Officer's policy directive
- settling a digital strategy to focus on digital by default, recognising data as a strategic asset, providing client-centric digital experiences and developing a digital culture
- providing assurance services for strategic activities
- providing advice, guidance and support to business area applications to ensure they meet whole-of-government data security requirements
- developing an automated infrastructure platform to host the Queensland Budget website and allow seamless transition to 2018–19 content on Budget Day
- collaborating with Treasury's Government Banking Unit to develop and implement an analytics solution to review credit card transaction data across government
- improving the digital workplace with Windows 10 and piloting new products available in the Microsoft Office 365 roadmap
- delivering a new Treasury retention and disposal schedule
- redeveloping Treasury's corporate space to include a new Governance Centre, a central repository for corporate policies, procedures and guidelines, and a delegations app, making it easier for employees to find information relevant to the approval authority of particular positions
- embedding the electronic records management system to improve records management and compliance activities, increase business process efficiencies with automated workflows, and automate sentencing and disposal processes
- developing a new SharePoint Strategy and Roadmap, which will integrate the existing business platform with a range of cloud-based, new generation Office 365 tools and applications. This will enable employees to work and collaborate from any device, anywhere.

OUR PEOPLE

TRANSFORMING OUR PEOPLE FOR TOMORROW

In fulfilling its responsibilities to Queenslanders, Treasury must continue to develop frameworks that attract private sector investments and support job creation. This requires a focus on developing workforce skills and capabilities.

The One Treasury: Agency Excellence Reform Program is Treasury's long-term cultural program, designed to strengthen its client focus, adopt a more strategic partnering approach with agencies, and be more collaborative as 'One Treasury'. This program involves making changes to structure, culture and work practices to evolve as a more responsive, client-centric organisation.

In 2017–18, this included:

- building networks and strategic partnerships for shared goals
- strengthening workforce culture around clear values and cultural pillars
- capability development initiatives which build the strategic thinking and transformational capabilities of Treasury's leaders.

Performance Excellence focuses on the achievement of objectives, providing for regular reviews which ensure that Treasury delivers results at the operational, strategic, and individual level. To measure individual employee performance, the iPerform system was introduced, and has been used to outline employee objectives, identify development needs, and document regular employee-manager discussions.

This leader-led approach ensures individuals and the team are aligned to a consistent organisational direction.

Today's work environments are continually changing. To adapt, Treasury needs to create and share information throughout the organisation at a faster pace to enable effective decision making.

In the coming year, Treasury will embark on the Public Service Commission-driven Capability Blueprint project. This is a whole-of-government program which will involve a detailed analysis of organisational strength in the key areas of leadership, strategy and delivery, and the identification of opportunities for improvement.

OUR WORKFORCE AT A GLANCE

At the end of the year, our workforce comprised:

1,031* **PEOPLE**

991.85 **FULL-TIME EQUIVALENT EMPLOYEES**[1]

136 **PART-TIME EMPLOYEES**

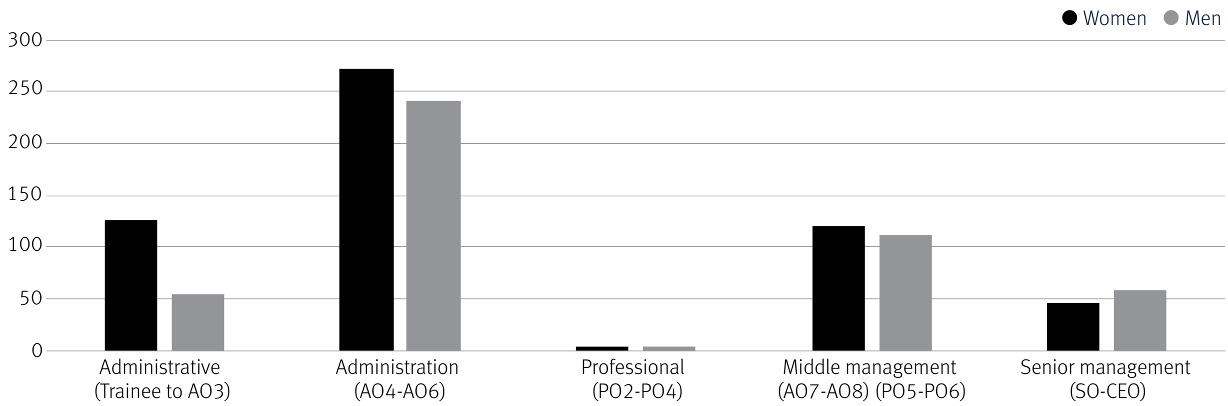
* *Includes Treasury employees outsourced to Motor Accident Insurance Commission and Nominal Defendant. Represents employees active and paid at 30 June 2018.*

WORKFORCE COMPOSITION

	Number	% of workforce[1]
Men	464	45.00%
Women	567	55.00%
Permanent separation rate (excluding Office of Industrial Relations)	63	6.11%
Aboriginal Peoples and Torres Strait Islander Peoples[6]	8	0.78%
People from non-English speaking backgrounds	160	15.52%
People with disability[6]	26	2.52%
Women in middle and upper management (AO7–AO8)[2]	120	52.17%
Women in senior officer and senior executive service positions (SO-CEO equivalent)[3]	46	43.81%
Women in senior executive service positions (SES-CEO equiv)[4]	16	37.21%
Average annual earnings by men (nominal salary)[5]		$103,682
Average annual earnings by women (nominal salary)[5]		$93,655

1 *Percentage of total workforce or demographic cohort*
2 *Represents 11.64 per cent of total workforce*
3 *Represents 4.46 per cent of total workforce*
4 *Includes SES, S122 and CEO equivalent roles*
5 *Nominal salary based on full-time earnings for each gender – correct at 30 June 2018*
6 *The data against disability and ATSI is self-reported by employees so may be significantly under-reported*

TOTAL STAFF BY GENDER AND CLASSIFICATION



EARLY RETIREMENT, REDUNDANCY AND RETRENCHMENT

During the period, one employee received a redundancy package at a cost of $81,000.

OUR PEOPLE

INVESTING IN OUR NEXT GENERATION OF LEADERS

To uphold the standards of the organisation, Treasury must invest in the future of its people. This is achieved through empowering them to be diverse and innovative thinkers, to be brave and to seek new and better ways of doing things through challenging old practices. Development programs provide a supportive start for new graduates, and give employees an opportunity to expand their professional knowledge and prepare to lead with impact.

The GRADStart program continues to be a highly regarded and effective program for attracting and developing talent. In 2018, the Australian Association of Graduate Employers ranked Treasury 17 on the list of top graduate employers in Australia, up from 45 in 2017. This year the program welcomed 12 graduates, including two scholarship holders, who completed a scholarship program during their final year of study.

Treasury's Great Leaders Program develops emerging leaders, individuals who have demonstrated professional success and commitment to Agency Excellence through delivering a comprehensive and tailored professional development program, developed in partnership with Queensland University of Technology.

In March 2018, Treasury celebrated the graduation of 11 participants, and welcomed 14 new participants into the program. Individual participants and their leadership qualities were promoted to internal audiences and through social media to model ideal leadership qualities to other employees, and to position Treasury as an employer of choice.

During the year, Treasury became a Recognised Employer Partner with CPA Australia. This means that relevant experience, training and development provided inhouse meets CPA Australia's exacting professional development requirements.

A FLEXIBLE, AGILE, AND HARMONIOUS WORKFORCE

The Public Service Commission's 3-year Human Capital strategic roadmap, released in 2017, found agile and flexible working a strategic imperative for the Queensland public sector. These qualities are key to creating an innovative and diverse workforce, capable of responsive service delivery.

Flexible work practices help support employees' wellbeing, and improve overall productivity and performance. Treasury embraced the Commission's Flexible by Design framework, and has employees accessing flexible work arrangements on both a formal and ad-hoc basis. Examples of flexible work options for employees' access include:

- adjusting their hours of work with flexible start and finish times, working compressed hours, job sharing and working part-time, accessing family and breastfeeding rooms in the workplace
- changing their place of work, so they can work remotely
- taking leave at half pay.

Employees can access these arrangements to help them manage their life circumstances including parenting responsibilities, caring responsibilities, and transitioning to retirement.

Treasury actively promotes the ways flexible work practices are being used through employee communication channels. Managers and employees are encouraged to discuss flexible work options, and develop a team culture where working flexibly is the norm.

In 2018–19, Treasury will continue to promote flexible work practices to help make those practices part of organisational culture and thinking. This will help ensure workplaces match the expectations of both current and future employees.

Treasury is committed to providing professional and harmonious workplaces for employees. Treasury's Consultative Committee incorporates management, employee, and union representatives. The committee regularly meets with representatives of the Together Queensland union to discuss current and emerging workplace issues which may affect the employment and welfare of employees. In 2018–19, the committee will continue to negotiate for a replacement certified agreement covering Treasury employees.

OUR COMMITMENT TO ENDING DOMESTIC VIOLENCE

This year the Queensland Government continued its efforts to change the culture and attitudes of Queenslanders towards domestic and family violence and to free communities of it all together.

At the end of 2017, Treasury received White Ribbon Australia workplace accreditation, which recognised efforts to eliminate domestic violence and to support employees affected by violence.

In 2017–18, Treasury continued to pursue this issue by:

- improving awareness and education by promoting White Ribbon Day and Domestic and Family Violence Prevention Month campaigns, including the Queensland Government's Bystander campaign which encouraged all Queenslanders to 'Do something'
- training over 90 per cent of people managers and supervisors, so they can respond to the impacts of domestic and family violence and enhance respectful relationships in the workplace
- supporting employees' participation in the Darkness to Daylight challenge to help bring the issue of domestic violence into the public arena.

2018–19 will see the continuation of Treasury's commitments as a White Ribbon Australia accredited workplace and to educate employees about respectful relationships and behaviours, promote gender equality, and support employees affected by domestic and family violence.

BUILDING A HEALTHY, SAFE, AND RESILIENT WORKFORCE

Treasury is committed to the health, safety, and wellbeing of its employees.

In October 2017, the Office of Industrial Relations in conjunction with the Public Service Commission, delivered the Queensland public sector Be healthy, be safe, be well framework. Treasury has modelled a strategy to support this framework, which is centred around being proactive and putting people first.

One of Treasury's primary challenges in the age of accelerating 'disruption' is developing employees' mental health resilience.

This means educating people about the struggles those with mental health issues face, breaking down the stigma, and encouraging and supporting people to seek help early.

Treasury enhances awareness of mental health through employee communication channels, delivering holistic health and wellbeing support, promoting initiatives such as R U OK (are you OK?) Day, and offering counselling through the employee assistance provider.

A DIVERSE, INCLUSIVE, AND RESPECTFUL WORKPLACE

As an agency committed to outcomes for all Queenslanders, it is important that the Treasury workforce represents the communities it serves, inclusive of different ages, gender identities, races, cultures, sexualities, and those with disabilities and family responsibilities.

The Diversity and Inclusion Employee Network, as well as the Executive Leadership Team, champion gender equity, all abilities, workplace support for domestic and family violence, Indigenous employment, cultural diversity, LGBTIQ+, and generational diversity, which are the themes of the Treasury Inclusion and Diversity Strategy.

OUR PEOPLE

Throughout the year across Treasury's Health, Wellbeing and Diversity calendar of events, employees are educated about the value of diversity and inclusion in communities, through alignment with state, national, and international events including:

- celebrating International Women's Day and Queensland Women's Week
- participating in activities to end domestic and family violence such as the Darkness to Daylight run and White Ribbon Day
- building respectful relationships with Aboriginal peoples and Torres Strait Islander peoples in National Reconciliation Week and celebrating their achievements during NAIDOC Week
- encouraging employees to 'bring their whole self' to work through Wear It Purple Day
- demonstrating the abilities of people with a disability through Disability Action Week
- embracing all generations in the workforce.

To support the diverse needs of employees, the 1 William Street workplace includes private facilities which allow working mothers to express and employees to care for their dependents. Private rooms for prayer are also provided.

LIVING OUR VALUES

Treasury has incorporated the Queensland public service values into its cultural pillars, which drive its business model:

Values

- customers first
- ideas into action
- unleash potential
- be courageous
- empower people.

Cultural pillars

- Client centricity
- Collaboration
- Collective responsibility
- Continuous improvement

These values are at the heart of Treasury's identity as a workforce, and how employees are able to deliver economic growth for Queensland's economy and improve the wellbeing of all Queenslanders. Treasury puts customers first through being client centric, employees empower themselves and unleash potential through collaboration, they show courage through taking collective responsibility, and they put ideas into action through continuous improvement.

Treasury upholds the Code of Conduct for the Queensland Public Service, the blueprint for its work as a public sector agency. It is based on the ethics principles outlined in the *Public Sector Ethics Act 1994*:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency.

All new starters receive Code of Conduct training, and when required messaging about the code is reinforced with existing employees. Treasury also publishes resources to help employees model ideal professional behaviour, manage conflicts of interest, and appropriately engage in community or charitable activities in the workplace.

In 2018, Treasury will participate in a review of the Code of Conduct, with a view to a new code in late 2018.

ECONOMIC AND FISCAL COORDINATION

SERVICE REPORT

Jobs and a strong economy

Treasury provides economic and fiscal advice and strategy to support the government's focus on creating jobs, delivering responsive government, driving sustainable economic growth, increasing private sector investment, and delivering quality frontline services.

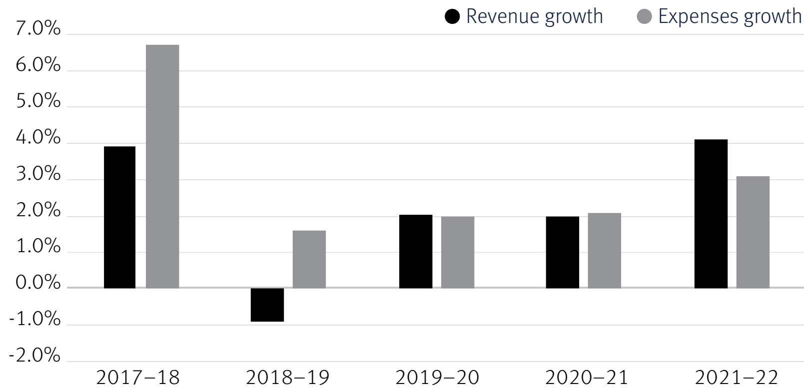
This advice helps inform the development of the government's economic and fiscal policies, strategies and initiatives to enhance the quality of life and living standards of all Queenslanders.

Treasury does this by

- delivering whole-of-government economic, fiscal, revenue, financial management, accounting, policy and reporting services to the Under Treasurer, the Treasurer and the Cabinet Budget Review Committee
- coordinating the development of the Queensland Budget each year, and managing the state's debt and balance sheet in accordance with government policies
- providing economic policy advice, economic impact modelling and data to inform public policy and decision making, and to promote economic growth and job creation
- through the Queensland Government Statistician, delivering statistical, demographic research and program evaluation services across government.

OUR OPERATING ENVIRONMENT

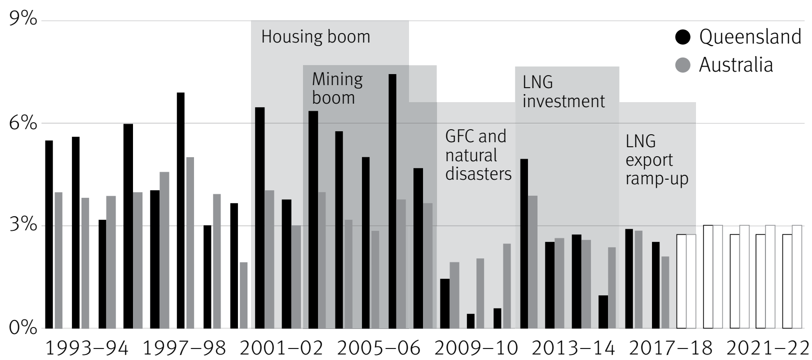
Revenue and expenses growth 2017–18 to 2021–22



Analysis

The fiscal environment beyond 2017–18 is heavily influenced by anticipated reductions in Australian Government grants, as well as an expected decrease in dividends and coal royalties. While the operating balance is forecast to remain in surplus, the surpluses are expected to moderate as the average annual growth in revenue is budgeted to be 2.07 per cent, with expenses to grow 2.9 per cent. We will assist the government to manage the fiscal pressures to support the ongoing delivery of its fiscal strategy. Read more about the government's fiscal strategy on page 9. Source: Queensland Treasury

Economic growth[1], Queensland and Australia



Analysis

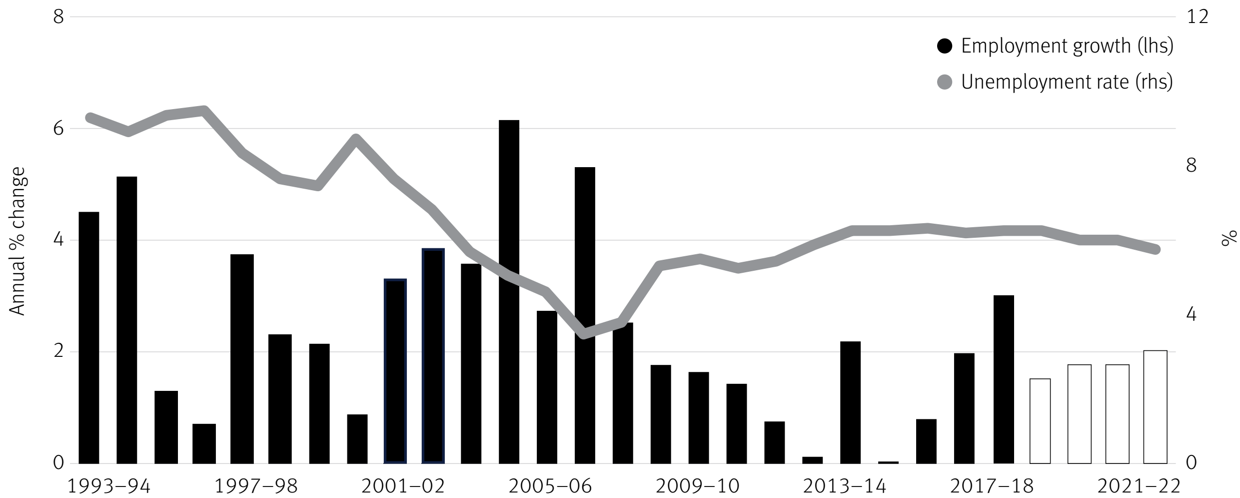
Growth in the Queensland economy is expected to strengthen to 2¾ per cent in 2017–18, reflecting further improvement in domestic demand and a recovery in coal exports following Severe Tropical Cyclone Debbie. Economic growth is forecast to accelerate further to 3 per cent in 2018–19, before increasing 2¾ per cent in both 2019–20 and 2020–21.

Note: 1. Chain volume measures, 2015–16 reference year, 2017–18 onwards are forecasts/projections. Sources: ABS 5206.0, Australian Government Budget 2018–19 and Queensland Treasury.

ECONOMIC AND FISCAL COORDINATION

SERVICE REPORT

Employment growth[1] and unemployment rate[2], Queensland[3]



Analysis

Employment growth was stronger than expected in 2017–18. While employment growth moderated in early 2018, the exceptional gains in late 2017 mean growth over the year to June quarter 2018 was 3.0 per cent. Employment growth is expected to return to more sustainable rates of 1½ per cent and 1¾ per cent respectively over the next two years.

By industry, health care (up 39,000 persons in year-average terms), education (up 14,000), agriculture and support services (both up 10,500) were the main drivers of Queensland employment growth in 2017–18. Labour market conditions in many regional areas improved in 2017– 18 and the overall gap between regional and South East Queensland unemployment rates narrowed substantially.

Strong jobs growth has encouraged jobseekers to re-enter the labour force, seeing the participation rate climbing to its highest rate in three years. As a result, the unemployment rate is forecast to remain at 6¼ per cent in the near term (June quarter 2019).

Notes:

1. Through-the-year growth rate to the June quarter (seasonally adjusted).

2. Seasonally adjusted rate for the June quarter.

3. 2018–19 onwards are forecasts/projections.

Sources: ABS 6202.0 and Queensland Treasury.

OBJECTIVE

Enable sustainable growth that supports current and future government objectives

In Treasury's role as the government's expert on state finances and the economy, it develops each year's Queensland Budget, which:

- outlines the state's financial performance
- explains the state's economic plan and economic position
- implements the government's fiscal objectives and fulfils the government's priorities for the community.

The framework for the Queensland Budget 2018–19 was the government's objective to 'deliver the infrastructure, skills and services that equip Queensland to manage growth and navigate the changing economy'.

This objective is reflected in the Budget strategy as job creation, building the economy and delivering improvements in community services, particularly health and education, all of which are central to the government's Advancing Queensland's Priorities forward agenda.

In line with the government's economic plan, highlights of the 2018–19 Budget that support delivery of these objectives included:

- a $45.8 billion infrastructure program, which will support around 38,000 jobs
- $4.9 billion for roads and transport
- a record $17.3 billion health program
- a $369 million investment over four years in the Back to Work program
- $3.5 billion for community safety
- $1.3 billion for child and family services.

Read more about the Queensland Budget 2018–19 at www.budget. qld.gov.au

During the year, the team continued monitoring and reporting on the state's position by publishing the *2016–17 Report on State Finances* and the *2017–18 Mid Year Fiscal and Economic Review*.

To better manage the annual budget process, Treasury established a permanent Budget Office.

The Budget Office focuses on coordinating information across Treasury and departments, providing decision makers with timely and quality briefing material, coordinating the Mid Year Fiscal and Economic Review, and delivering the Budget. Having a dedicated team on the task will help ensure that future budgets are responsive and accessible to stakeholders and communities.

As the budget cycle continues throughout 2018–19, Treasury will assist in delivering the 2017–18 Report on State Finances, the 2018–19 Mid Year Fiscal and Economic Review, and the Queensland Budget 2019–20.

Throughout 2018–19, Treasury's role in enabling sustainable growth will also evolve in the context of the Our Future State; Advancing Queensland's Priorities. Read more about the priorities on page 11, and at www.ourfuture.qld.gov.au

Delivering a modern budget

The focus on modernising Queensland's budget process commenced in 2017. One of the first enhancements was a Budget Map application that presents budget information on a map of Queensland. Looking forward to the year ahead, a new online application (BudgetPlus) for developing and submitting funding requests throughout the Budget cycle will be deployed. This whole-of-government tool will enable better management, reporting and presentation of information to decision-makers. Ultimately, BudgetPlus will allow government to develop and deliver a Budget more efficiently and effectively and have the tools to reach a wider audience.

ECONOMIC AND FISCAL COORDINATION

SERVICE REPORT

Strong, sustainable regulatory frameworks

A constant presence in the business sector's operating environment is government regulation. In response to previous issues raised by business, last year the government began developing an enhanced regulatory reform framework to:

- support a more risk-based approach to regulation
- ensure more timely review of regulation
- drive improved regulatory engagement and performance.

Ongoing development and implementation of the framework will help re-focus and re-invigorate the government's regulatory reform efforts to reduce red tape and the regulatory burden for Queensland businesses, families and communities.

Accountability for taxpayers' resources

As a central agency, Treasury plays a key role in public sector financial accountability by equipping agencies (including Treasury) with policies and guidelines to be accountable for the financial resources they use on behalf of Queenslanders when delivering services.

Over the next two years, Queensland Government agencies will adopt several new accounting standards. Treasury's role will be to engage with agencies on proposed transitional accounting methods and accounting policies ahead of their introduction. A smooth transition for agencies will ultimately mean uninterrupted service delivery to communities.

OBJECTIVE

Partner proactively to facilitate better outcomes for the community

Building community safety and wellbeing

Understanding communities is the key to improving the wellbeing of Queenslanders: how they live, where they live, and the benefit they can draw from the infrastructure and services provided by government.

The *Queensland Population Projections* is one of Treasury's key statistical products. In the year ahead, updated projections will be released, allowing government agencies, business and the community to use to inform decision making and plan services and infrastructure in areas such as transport networks, schools and health services.

During the year, Treasury collaborated with the Centre of Policy Studies at Victoria University to model the economic impacts of interstate migration on the Queensland economy. This research, which informed preparation of the Queensland Budget 2018–19, supported the government's focus on servicing Queensland's growing population.

Understanding the origins and patterns of crime is also an essential part of knowing communities and aligns with the government's Our Future State priority of keeping communities safe.

During 2017–18 Treasury established the Crime Statistics and Research Unit in the Queensland Government Statistician's Office and commenced development of a range of crime-related statistical products. A Crime Research Reference Committee was also established to develop a research agenda covering key criminal justice themes. This work will help support keeping communities safe across the whole of Queensland.

AGENCY PERFORMANCE

SERVICE REPORT

Clients are at the heart of Treasury's purpose.

Treasury's role is to manage public policy, fiscal and economic issues across government so that agencies can improve frontline services for Queenslanders, by

- providing economic and fiscally responsible public policy analysis and advice to agencies to support government priorities
- partnering with agencies to optimise performance, balancing service delivery within budget parameters
- managing and coordinating intergovernmental financial relations issues
- managing whole-of-government banking and payment services contracts.

OPERATING ENVIRONMENT

The operating environment of Treasury and the agencies with whom it partners is influenced significantly by:

- decision making and negotiations on funding in the national arena
- emerging issues in the community services sphere such as homelessness and housing affordability
- communities' ongoing needs for social infrastructure.

These emphasise the need for Treasury to continue to grow its strategic partnerships with agencies and ensure positive outcomes are achieved for Queenslanders.

OBJECTIVE

Partner proactively to facilitate better outcomes for the community

2017–18 provided many opportunities to improve the wellbeing of Queenslanders by working with agencies on the following initiatives:

- In partnership with the Department of Housing and Public Works, negotiating the new National Housing and Homelessness Agreement, to secure funding for social housing and homelessness.
- Providing advice on a range of policy and financial matters related to the National Disability Insurance Scheme, with the Department of Communities, Child Safety and Disability Services, the Department of the Premier and Cabinet and other relevant agencies.
- Worked with the Department of Education on the long-term school funding agreement with the Australian Government to provide funding for Queensland schools beyond 2018.
- Delivering the 2018 Gold Coast Commonwealth Games on time and on budget. Griffith University modelling predicted that, after taking into account the government's $1.5 billion investment, the Games will contribute $2 billion to Gross State Product for Queensland.
- Negotiating contracts with private providers for public transport bus services in South East Queensland.
- Advising government on future provision of whole-of-government financial services. These arrangements underpin all financial transactions between government agencies and their clients.
- Working with agencies to deliver the government's significant capital program to meet community service needs and create jobs, particularly in the development of strategic and detailed business cases for capital works projects across the state.

OBJECTIVE

Enable sustainable growth that supports current and future government objectives

Advocating for Queensland's interest in Commonwealth–State financial relations

Treasury takes a lead role in managing and coordinating intergovernmental relations. Key activities in 2017–18 included:

- advocating that Queensland receives its fair share of GST revenue. This included the Deputy Premier and Under Treasurer presenting Queensland's position on horizontal fiscal equalisation to the Australian Productivity Commission at a public hearing in Brisbane in February 2018. The Productivity Commission's final report has been released and the Australian Government has responded with a series of long-term recommendations. As the negotiation of the reforms progresses, Treasury will respond to the Australian Government's proposal in a way designed to ensure Queensland's fair share of revenue.
- negotiating, in partnership with agencies, a range of funding agreements around health, education, housing and homelessness, remote housing, and the National Disability Insurance Scheme.

COMMERCIAL SERVICES

SERVICE REPORT

Value for money infrastructure and attracting investment

Treasury secures the infrastructure Queensland needs to grow by:

- providing commercial and financial advice to government on infrastructure projects
- managing the procurement of privately financed major public infrastructure and service projects
- working with government agencies to realise the contracted value of major public infrastructure projects through the delivery phase
- providing policy advice on private sector investment in Queensland
- ensuring rigorous project procurement across government through administration of the state's project assessment framework
- assessing government-owned corporations' (GOCs) capital investments and driving a focus on maximising performance and rates of return through improved commercial focus.

Key issues in our environment

The government's ability to realise its priorities as they relate to infrastructure and service delivery objectives may be impacted by the following:

- Australian Government decisions around which infrastructure projects it will fund will impact the affordability of critical infrastructure delivery.
- The current dynamic market change in the energy sector will need to be taken into account as Treasury works to place Queensland in a strong position to deliver reliable, affordable energy with the right mix of baseload and renewable energy.

OBJECTIVE

Partner proactively to facilitate better outcomes for the community

Cross River Rail

Cross River Rail, Brisbane's $5.4 billion, 10.2 kilometre underground rail link from Dutton Park to Bowen Hills, is the government's highest priority infrastructure project. It will ease congestion, improve network reliability and increase accessibility to the Brisbane CBD.

During 2017–18, this project progressed to early works and procurement. It is being managed by the Cross River Rail Delivery Authority through the Cross River Rail Delivery Authority Board, which is chaired by the Under Treasurer.

Treasury will continue to advise the authority and board on subsequent project phases including assessment of station precinct redevelopment proposals.

Construction is due to be completed by 2024. Read more about Cross River Rail at www.crossriverrail.qld.gov.au

Brisbane International Cruise Terminal

The Brisbane International Cruise Terminal project is a market-led proposal from Port of Brisbane Pty Ltd (PBPL) for a new terminal at Luggage Point at the mouth of the river. This $158 million, privately funded and financed project will support an average of 245 jobs per annum during construction. In October 2017, the government signed a contract with PBPL. Responsibility for managing delivery is now with the Department of State Development, Manufacturing, Infrastructure and Planning.

Continued support for major infrastructure projects

During the year, support continued for Building Queensland and Treasury's government agency partners with feasibility assessment and preparation for investment in a range of major infrastructure and service delivery projects, including:

- expansions at the Logan and Caboolture Hospitals
- five new schools at Ripley (primary and secondary), Mango Hill, Yarrabilba and Coomera
- the Lower Fitzroy River Infrastructure Project (Rookwood Weir)
- the Townsville Eastern Access Rail Corridor
- procurement of heavy vehicle tolling services for Toowoomba Second Range Crossing

- contract advice and support to the Department of Transport and Main Roads in the delivery phase of the New Generation Rollingstock public private partnership.

Support for these projects will continue throughout 2018–19.

Rookwood Weir

During the year, Treasury worked with the Department of Natural Resources, Mines and Energy (DNRME) on the proposed Rookwood Weir, a major component of the Lower Fitzroy River Infrastructure Project located approximately 60 kilometres south-east of Rockhampton.

When completed, the weir (with associated roads, bridges and other infrastructure) will be capable of supplying 76,000 ML per annum for customers.

In 2017–18, Building Queensland released the project's detailed business case. The Queensland Government allocated $176 million across the next four years, matched by the Australian Government. Engagement with relevant Australian Government agencies will continue in 2018–19 to formalise funding arrangements to facilitate construction from 2019.

Treasury will also work with DNRME and SunWater (the preferred constructor and operator for Rookwood Weir) to progress the project.

Local management arrangements for irrigation schemes

During the year, Treasury supported DNRME in investigating the transfer of SunWater's irrigation water channel distribution schemes to local irrigator ownership. The government reached agreement on the terms of transfer for two schemes at St George and Theodore. As more agreements are reached throughout 2018–19, support for the department in completing agreements to transfer to local management arrangements will continue.

OBJECTIVE

Enable sustainable growth that supports current and future government objectives

Our advice to government on reforms to key economic sectors helps strengthen the roles those sectors play in the economy of this state.

Power for Queensland

Implementation of the $1.16 billion Powering Queensland Plan, designed to ensure affordable, secure and sustainable electricity supply for our state, began in 2017–18.

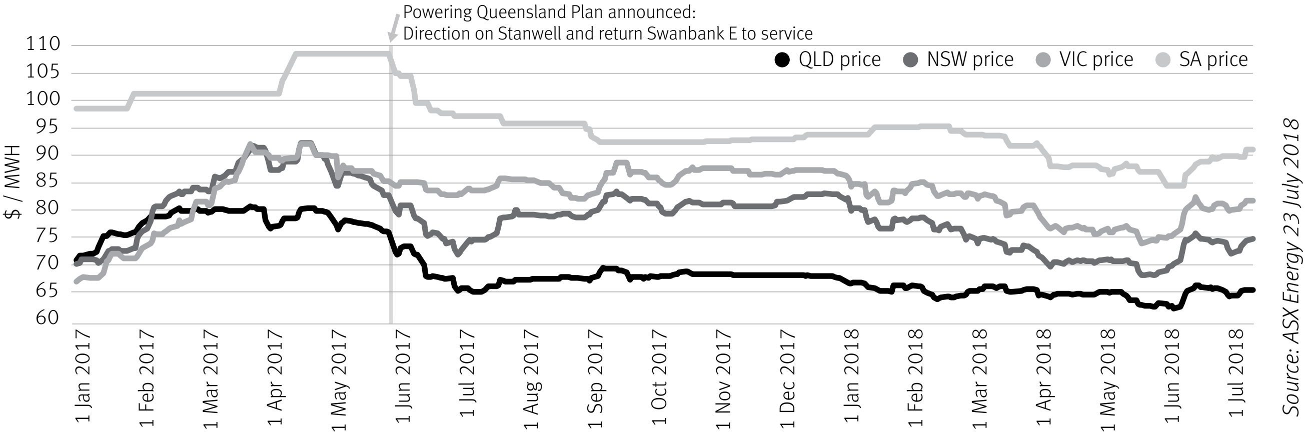
Its actions include:

- $770 million to cover the cost of the Solar Bonus Scheme
- returning Swanbank E gas-fired power station to operation
- directions to Stanwell to put downward pressure on wholesale prices
- $386 million to strengthen and diversify North Queensland's energy supply, including a commitment of $100 million towards the Burdekin Hydro Power Station (subject to investigations)
- confirmation of the Queensland Renewable Energy Target of 50 per cent renewable energy by 2030
- progress the Renewables 400 auction, which will allow the state to procure 400 megawatts of renewable energy
- establish the Queensland Energy Security Taskforce to coordinate the work of government departments and energy GOCs in ensuring reliable electricity supply for Queensland
- investigate the establishment of CleanCo, a separate generator to operate Queensland's existing renewable and low-emissions energy generation assets
- implement the Queensland Gas Action Plan
- improve large-scale renewable project facilitation, planning and network connections
- advocacy for stable, integrated national climate and energy policies.

COMMERCIAL SERVICES

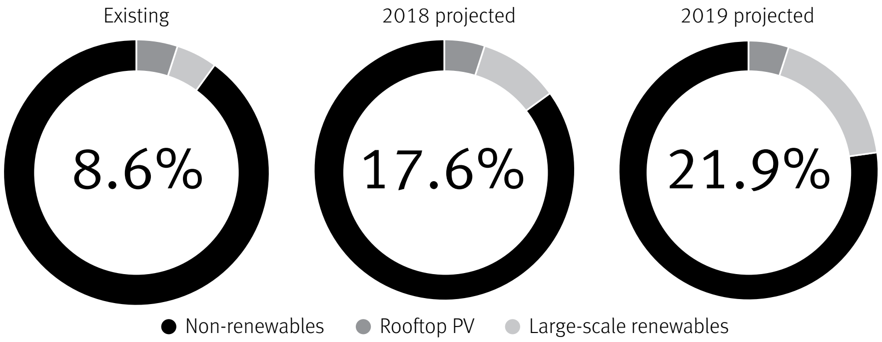
SERVICE REPORT

ASX Base Futures Prices – 2019 calendar year



Following the government's announcement to return Swanbank E power station to service and directing Stanwell to put downward pressure on wholesale prices, electricity futures fell across the National Electricity Market (NEM) and Queensland futures continue to remain the lowest in the NEM compared to other states.

Queensland Renewables Output



Significant progress has also been made towards reaching the Queensland Renewable Energy Target of 50 per cent by 2030. By the end of 2018, approximately 17.6 per cent of Queensland output is expected to be comprised of renewables. This is expected to grow to 21.9 per cent by the end of 2019.

The Powering Queensland Plan has the potential to bring about generational change in the state's energy sector.

Our focus in 2018–19 will be to:

- monitor and implement the Powering Queensland Plan's initiatives to ensure they are providing responsive services to consumers
- work towards strong growth in renewables and the 50 per cent Queensland Renewable Energy Target
- progress options to improve reliability and price through the transition to renewables, including:
- working with Building Queensland to finalise the business case for the Burdekin Hydro Power Station.
- work with Building Queensland, Stanwell, and DNRME to finalise the government's position on the project
- continuing our work with stakeholders and DNRME on the establishment of CleanCo.

Read more about the Powering Queensland Plan at **www.dnrme.qld.gov.au**

Business Development Fund

With around 86 per cent of Queensland jobs delivered by the private sector, stimulating business investment is one of the government's highest priorities.

The Business Development Fund (BDF) is the Queensland Government's $80 million early stage and follow-on venture capital fund for growing innovative Queensland businesses.

2017–18 was a productive year for BDF, with the fund investing a total of $14.2 million into businesses, including:

- $1 million in Find-Me Technologies, for a personal wristwatch-like emergency alert system to help elderly people and people with dementia
- $215,000 in Spare Workspace, a marketplace for people to book short-term commercial workspace
- $1 million in Lode Solutions, an online employment marketplace connecting employers with university talent
- $2.5 million in Serene Medical Pty Ltd, a platform technology for locating and treating motor nerves for facial applications.

The 2018–19 Queensland Budget committed a further $40 million towards BDF, bringing total investment in the fund to $80 million. Throughout 2018–19, BDF will continue to support innovative businesses, create high-value jobs and strengthen Queensland's entrepreneurial ecosystem.

The report of the BDF Investment Panel is available at www.treasury.qld.gov.au. Read more about BDF at www.advance.qld.gov.au

Cities Transformation Taskforce

In late 2017, the government's Cities Transformation Taskforce joined Treasury, where it continued implementing the Townsville City Deal, signed in 2016.

Treasury also established the Queensland Cities Advisory Group and the SEQ City Deal Queensland Government Agency Steering Committee, and released the SEQ Benchmarking Report and SEQ Economic Foundations Paper, which will act as the framework for a future SEQ City Deal.

Work on both the Townsville and South East Queensland City Deals will continue over the coming year, the latter in collaboration with the Council of Mayors SEQ.

Jobs and Regional Growth Fund

This fund supports economic activity and job creation in regional Queensland by helping businesses to grow and expand.

Our partnership with the Department of State Development, Manufacturing, Infrastructure and Planning leverages private sector investment to maximise employment and economic opportunities across regional Queensland. A rigorous assessment framework ensures value for money from the state's investment and that the fund meets its objectives.

In 2017–18, the fund assessed and supported many applications, including:

- the expansion of the Swickers Bacon Factory at Kingaroy and associated SunPork Commercial Piggeries, which created 110 new long-term jobs
- Hawker Pacific's $4.5 million expansion to its aviation facility in Cairns, helping to create 39 new operational jobs and 50 jobs during construction
- up to 400 jobs in the meatworks industry, by helping workers displaced by the closure of the Churchill abattoir into employment at JBS Australia's facilities at Wacol and Dinmore.

The 2018–19 Budget allocated a further $20 million to the Jobs and Regional Growth Fund, taking the total of the fund to $150 million.
The additional funding will help fast track even more business activity in regional Queensland.

COMMERCIAL SERVICES

SERVICE REPORT

Resources Regional Development Framework

During the year, Treasury administered applications under the Resources Regional Development Framework, which promotes investment in undeveloped or underdeveloped resource regions across Queensland, including the Galilee and Surat Basins, and the North West Minerals Province.

Project proponents are required to provide jobs and common-user infrastructure, and to have a positive impact on the state's finances. Administering applications includes active engagement with proponents to ensure that they meet the conditions for accessing the framework's benefits.

Financial assurance for mine rehabilitation

During 2017–18, a large-scale reform project to deliver improved financial assurance outcomes in the resources sector was continued. Financial assurance is the money held by government to ensure mining sites are properly rehabilitated when mining ends. The focus during the year was in collaborating with key stakeholder agencies, the resources sector and environment and community groups.

Treasury's work resulted in the Mineral and Energy Resources (Financial Provisioning) Bill 2018 being introduced into Parliament in February 2018. When enacted, this legislation will form the basis for a new, responsive financial provisioning scheme.

Queensland's third-party access regime

Treasury reformed the state's third-party access regime with the introduction and passage of the *Queensland Competition Authority Amendment Bill 2018* in early 2018. Queensland's access regime is contained under Part 5 of the *Queensland Competition Authority Act 1997* and provides the framework for competitors to access significant monopoly infrastructure in Queensland such as ports and railways, with the objective of promoting competition and delivering economic benefits. The amendments to the regime clarify its application and emphasise economic efficiency.

Treasury will continue to monitor Queensland's regulatory environment to identify further opportunities for reform.

Queensland Competition Authority Declaration Review

On 4 April 2018, the QCA commenced a review into whether services declared for third-party access under the *Queensland Competition Authority Act 1997* should remain declared after the existing declarations expire in September 2020.

In Queensland, the "declared services" are:

- rail transport services on the Central Queensland Coal Network
- rail transport services on the intrastate passenger and freight network operated by Queensland Rail
- coal handling services at Dalrymple Bay Coal Terminal.

The review is important for ensuring that third-party access is only applied where it is appropriate.

The QCA will make its recommendations to the Deputy Premier at least six months, but not more than 12 months, before the expiry of each declaration.

Queensland Competition Authority Performance Framework

In 2017–18, Treasury and the QCA jointly developed a performance framework for the QCA.

The framework will operate from 2018–19 with public reporting of results in the QCA's annual report and website. The aim of the framework is to improve the operational performance of the QCA and provide increased transparency and accountability.

The framework involves the QCA regularly and publicly reporting its activities against performance standards and engaging in a process of self-assessment and continuous improvement.

The framework sets key standards in the following fields:

- effective and efficient regulatory outcomes
- timely and transparent processes
- efficient and reasonable QCA costs and regulatory fees
- effective stakeholder engagement and communication.

Work with the QCA to refine the framework over the first few years of its operations will continue in the coming year.

Queensland Manufacturing Inquiry

Manufacturing enterprises in Queensland, from small niche business to large-scale concerns, employ 160,000 people and earn Queensland around $15.6 billion in exports. There is much to be gained from ensuring that this important sector is performing at optimum levels.

The Queensland Productivity Commission (QPC) delivered its Final Report on Manufacturing in Queensland to the government in October 2017. The report contained 17 recommendations for improving the productivity and competitiveness of the Queensland manufacturing sector.

Treasury and the Department of State Development, Manufacturing, Infrastructure and Planning developed the government's response to the report, which was published in May 2018. The government largely accepted all but one of the QPC's recommendations. A key part of the government's response is the establishment of a Manufacturing Ministerial Committee, which will take charge with a renewed focus on building Queensland's manufacturing base.

Both the QPC's report and the government's response can be accessed from www.qpc.qld.gov.au/inquiries/manufacturing

South East Queensland bulk water prices

In April 2018, the Queensland Competition Authority (QCA) publicly released its Final Report Seqwater Bulk Water Price Review 2018–21.

Treasury and DNRME worked together to analyse the QCA's recommendations and their implications for bulk water prices for the three years to 2021. As a result of analysis of the two options proposed by the QCA, the government accepted the 'smoothed' pricing option, setting price increases over three years with all council areas reaching the common price of $3.12 per kilolitre in July 2020. This option is expected to provide certainty for councils, and reduce cost-of-living pressures for customers.

Rural Irrigation Water Price Review

Irrigation water prices across 39 water supply schemes in Queensland are currently set until 30 June 2019. Throughout 2017–18 Treasury partnered with relevant state agencies and stakeholders to progress key policies which underpin irrigation water pricing. In deciding on the policies for future prices, the government will seek the right balance between customer impacts and cost-recovery. The QCA, as the state's independent economic regulator, is expected to commence a review of irrigation pricing later this year, subject to a direction from government.

COMMERCIAL SERVICES

SERVICE REPORT

Developing Northern Australia

In 2017, the Deputy Premier assumed responsibility for Queensland's response to Australian Government Policy on the Development of Northern Australia. Treasury's role is to support the Deputy Premier, and to progress outcomes of the Ministerial Forum on Northern Development and the Northern Australia Senior Officials Network Group (NASONG).

During the year, NASONG led an audit of economic infrastructure across northern Australia and an audit of programs and policies for Indigenous business innovation and growth. The group's findings helped inform a forward program of work agreed to by the Ministerial Forum on Northern Development in April 2018.

The Ministerial Forum, which meets twice-yearly, will next meet in Queensland, in November 2018. This body reports on the progress of developing the north, including strategies to enhance defence industry capability and tourism.

Treasury coordinates the North Queensland Interdepartmental Committee, which identifies matters of strategic importance to north Queensland and ensures information sharing and a collaborative response across agencies. It also works closely with the Department of the Premier and Cabinet to support preparations for the Northern Australia Strategic Partnership.

In addition, Treasury leads the Queensland Government's engagement with the Cairns-based Northern Australia Infrastructure Facility (NAIF). The objective is to maximise NAIF's value to our state and ensure Queensland proponents secure a fair share of the available financial assistance.

In April 2018, the Australian Government changed NAIF's flexibility and ability to support a broader portfolio of projects. Treasury will continue to engage with NAIF, with a view to building on the state's efforts in delivering important infrastructure for Queensland.

Land Restoration Fund

To drive the government's 'Saving Habitat, Protecting Wildlife and Restoring Land' commitment, during the year Treasury began supporting the establishment of the Land Restoration Fund. This fund will:

- facilitate a pipeline of qualifying Queensland-based carbon offset projects, including through private and philanthropic investment
- pursue other environmental, economic and social benefits for the community
- undertake or commission research and development into emerging carbon farming areas where Queensland has a comparative advantage.

Treasury has partnered with the Department of Environment and Science (DES) to establish the fund's Project Management Office in that department. The office will manage a $30 million budget to:

- establish the fund and its associated research and science program
- undertake extensive community and stakeholder consultation
- procure expert advice from the finance, agricultural and conservation sectors
- fund pilot projects for its research and development program.

REVENUE MANAGEMENT

SERVICE REPORT

Customers are the focus

To help fund services for Queenslanders, Treasury administers a revenue base of around $15.3 billion by delivering and administering simple, efficient and equitable revenue management services for state taxes and royalty revenue. It also undertakes revenue compliance, grant schemes, debt recovery and penalty infringement enforcement activities for the government.

Treasury's strategic objectives are achieved through:

- leading e-business practices with high-level client support and firm and fair enforcement
- legislation and revenue policy advice to government
- transforming the Revenue Management System to support innovative business practices
- targeted, fair and efficient penalty infringement enforcement strategies
- leading end-to-end penalty debt management improvements through collaborative stakeholder engagement
- business intelligence and behavioural insights to inform enforcement and debt collection policy and strategies.

Key issues in our environment

Queensland's economic growth in 2018–19 is forecast to be 3 per cent.

Changes and trends in the Queensland and global economies invariably impact on the revenue available to government to fund service delivery. Revenue from taxation is forecast to increase at an average rate of 2.1 per cent over the 5 years to 2021–22. This growth, in major taxes such as transfer duty, land tax and payroll tax, is supported by average annual growth in taxation of 5.3 per cent and current grants of 3 per cent:

- Growth in transfer duty revenue is expected to be driven by modest growth in both residential and non-residential transactions, and by the introduction of the additional registration duty for premium vehicles and the increase in the rate of the additional foreign acquirer duty from 1 July 2018.
- Land tax revenue is estimated to grow in 2018–19, largely due to the new marginal tax rate on land holdings above $10 million from 1 July 2018, along with growth in land values in recent years.
- Payroll tax revenue is expected to grow in 2018–19 following key sectors such as construction, manufacturing and mining and associated industries contributing to growth for the first time in two years in 2017–18.

Higher-than-budgeted growth in revenue in 2017–18 is due to increased GST revenue from the Australian Government, and from royalties. However, royalty revenue from coal is forecast to decline gradually over the 4 years to 2021–22. Although coal royalties are expected to decline, other royalties are expected to grow from other factors, such as stronger petroleum revenue (including liquefied natural gas).

OBJECTIVE

Ensure our services are tailored, fit-for-purpose and easy to access

Throughout 2017–18, efforts were focussed on transforming Treasury's business to deliver quicker, easier and more consistent services for clients, most visibly through:

- the new intelligent virtual assistant Sam, who responds to routine payroll tax inquiries 24/7. In its first few months of operation in early 2018, Sam was able to resolve 77 per cent of queries at first contact, which is above the industry standard of 65 per cent. Sam has been extended across all revenue lines from July 2018.
- more personalised client services through increased use of data analytics, machine learning, targeted education campaigns and improved data quality and client validation

REVENUE MANAGEMENT

SERVICE REPORT

- a 'low touch' taxation approach, in which services are designed for the majority of clients who do the right thing, rather than those who do not. 'Low touch' also means that compliance activities will be based on risk, transparency and behaviour, knowing that most clients will do the right thing willingly. This allows the organisation to offer a 'nimbler' approach, with simple and accessible revenue services, reliable and easy to understand information, and services that are tailored to clients' behaviours and circumstances.

From August 2018, Treasury will take this further by replacing a number of repetitive, rule-based transactions with automated machine-based responses, including automated form approvals, decision-making support capability, and, from 2019, robotic process automation.

Treasury's work in this space will be aided greatly by a new enterprise-wide data warehouse (EDW), which will consolidate most data sources into a single data repository. The EDW will allow Treasury to leverage the full value of its data in all analytics and intelligence-related activities. A data quality firewall has been established to protect and optimise the value of this critical asset.

Improving service delivery through digital technologies

Treasury has long known that predicting taxpayer behaviour would lead to better services for clients and improved debt collection. In 2017, the opportunity to do this came in the form of machine learning.

Machine learning occurs when a computer 'learns' from the data it takes in and then makes predictions based on that data. In July 2017, Treasury partnered with global giant SAP to develop a proof of concept for machine learning.

The proof of concept solution provided never-before-seen insights into the taxpayer journey, identifying the high-risk events or influences that led to payment default and predicting taxpayers who may become debtors with a 71 per cent accuracy.

The production roll-out of the solution is now underway with a focus on increasing both data quality and sources, to drive improvements in the overall accuracy of the predictions and insights. The first implementation is planned for land tax in August 2018.

The business value of this solution will be significant, as it will provide the ability to deploy proactive intervention strategy to reduce the number of taxpayers becoming debtors; and provide management strategies tailored to individual taxpayers' circumstances.

This project was recognised internationally, receiving the global SAP 2018 Next-Gen Innovator Award in May 2018.

OBJECTIVE

Enable sustainable growth that supports current and future government objectives

Each year, Treasury implements revenue initiatives designed to deliver a secure, sustainable revenue base to support the government's objectives for the community.

Absentee landowners

In 2017–18, Treasury implemented the government's 1.5 per cent land tax surcharge for absentee landowners, which applies to land holdings with a value of $350,000 or higher (in addition to other land tax payable). This charge is designed to ensure absentee landowners make a fair contribution for the benefits they receive by owning property in Queensland.

Additional foreign acquirer duty

Additional foreign acquirer duty (AFAD) is an additional amount of duty paid by foreign acquirers (usually purchasers, either directly or indirectly) of residential property. It was introduced by the government in the 2016–17 Queensland Budget, at a rate of 3 per cent, to ensure foreign acquirers of residential property who benefit from government services and infrastructure also contribute to their delivery. From 1 July 2018, the rate of this duty will rise to 7 per cent.

In the 2018–19 financial year, AFAD is forecast to raise approximately $33 million in revenue, which will be applied to deliver services to Queenslanders.

Premium motor vehicle duty

During the year, preparations were made to implement additional vehicle registration duty for vehicles of more than $100,000 in (dutiable) value from 1 July 2018. This premium motor vehicle duty applies an additional $2 for each $100 for light vehicles. Revenue forecast to result from this duty is $24.02 million in 2018–19.

Land tax for landholdings over $10 million

Preparations were also made for a 0.5 percentage point increase in land tax rates for high-value landholdings from 2018–19. Revenue forecast to result from this increase is $71 million in 2018–19.

Wagering (betting) tax

In 2017, the government announced a new point of consumption (POC) tax on betting. In June 2018 the *Betting Tax Act 2018*, which commences from 1 October 2018, became law. The POC is a tax on the revenue of betting operators from bets made by customers in Queensland. The POC tax applies a rate of 15 per cent on taxable betting revenue exceeding an annual threshold of $300,000 ($225,000 in 2018–19 due to the 1 October 2018 commencement).

This POC will supersede Queensland's point of supply wagering tax, and responds to rapidly changing technology and betting consumer behaviour.

During the year, Treasury undertook industry consultation which informed the design and implementation of the tax.

The betting tax is expected to generate revenue of $367 million over four years (including $71 million in 2018–19 reflecting the October start date). For its implementation, Treasury created supporting electronic lodgement and payment systems, client education initiatives, and staff training.

Apprentice and trainee wages rebate

In Queensland, apprentice and trainee wages are generally exempt from payroll tax. A payroll rebate of 25 per cent for businesses who employ apprentices and trainees, calculated on the exempt wages of those employees, was introduced in 2015. This rebate was doubled to 50 per cent from 1 July 2016 until 30 June 2018. The 50 per cent rebate on the exempt wages of apprentices and trainees has been further extended until 30 June 2019. From 1 July 2015 to 30 June 2018, 4,668 businesses benefitted from the rebate to the value of $51.6 million.

First Home Owners' Grant

The First Home Owners' Grant helps Queenslanders buy their first home and stimulates employment and growth in the state's construction and related sectors. The grant applies to newly constructed houses, townhouses or units valued at less than $750,000.

As part of the Queensland Budget 2018–19, the government further extended the (temporary) $5,000 increase in the First Home Owners Grant until 30 June 2018, after which it has revereted to $15,000. Over the course of 2017–18, Treasury received 9,493 applications worth $187.9 million.

OBJECTIVE

Partner proactively to facilitate better outcomes for the community

Treasury's approach to achieving better outcomes for the community in the field of penalty debt is threefold:

- streamlined services that help people resolve their debt
- firm measures for high-value customers
- realistic options for people in hardship.

Improvements in penalty debt management

The new business model for the State Penalties Enforcement Registry (SPER) will culminate when the new ICT platform is fully implemented. This platform will offer:

REVENUE MANAGEMENT

SERVICE REPORT

- new self-service tools for customers and stakeholders
- a new case management approach informed by data analytics and behavioural economics
- the ability to take a tailored approach to a customer's entire case from the time their debt first comes to SPER.

Transforming the SPER business resulted in a substantial increase in performance in 2017–18:

- Growth in the debt pool fell from almost 15 per cent in 2015–16 to just 3.2 per cent.
- A debt finalisation rate of 99 per cent was achieved, well above the target rate of 75 per cent.
- The prediction that people would respond to a personal phone call (rather than a mailed reminder) proved correct. In 2017–18, 48,000 customers were called, resulting in the collection of $20.2 million.

Better options for people in hardship

Queenslanders expect that people with SPER debt will do the right thing and resolve it as quickly as possible. However, when a person is in hardship, simply expecting the debt to be paid is often not realistic. The aim was to offer more avenues for people who genuinely want to meet their obligations, but can't afford to do so financially.

In late 2017, Treasury launched work and development orders (WDOs) to give people in financial hardship an additional option to resolve their debt.

WDOs are offered to customers in partnership with Queensland Corrective Services (QCS), who supervise people as they undertake unpaid community work.

Since December 2017, approximately 3,200 people have applied for WDOs with QCS. Of these, 928 people have successfully completed their WDOs, which has resolved $1.8 million worth of SPER debt. A further $7.5 million in penalty debt is set to be finalised through orders that are currently in place.

In the coming year, WDOs will be expanded to a range of government and community-based organisations who will partner with SPER to provide options for debtors experiencing hardship, including from domestic and family violence, homelessness, mental illness or cognitive disability, or serious substance abuse.

Enforcement for high-value debtors

In 2016, SPER began a vehicle immobilisation (wheel clamping), seizure and sale (VISS) program for high-value debtors (people who owe $5,000 or more). In just over two years, the program has collected more than $8.1 million in debt.

SPER also participated in a number of joint roadside operations with Queensland Police Service, and expanded the program to regional areas by undertaking VISS operations in Toowoomba and Bundaberg. In the coming year, VISS will be further expanded to more areas in Queensland.

Penalty Debt Management Council

During the year, SPER continued its active involvement with the Penalty Debt Management Council, a forum in which agencies that issue fines collaborate to improve how penalty debt is managed.

In early 2018, the Queensland Auditor-General published a report into the fine collection process, which recommended a more integrated end-to-end approach to improve the finalisation of fines in Queensland.

Developing an action plan to address the Queensland Audit Office's recommendations is a major commitment for members of the Penalty Debt Management Council.

Grants management capability

Other government agencies continued to leverage Treasury's success in grants management to improve their own service delivery through the QGrants solution, most notably in the following agencies:

Department of Employment, Small Business and Training

- $73.19 million in regional back-to-work grants
- $17.9 million in back-to-work grants in South East Queensland

Department of Housing and Public Works

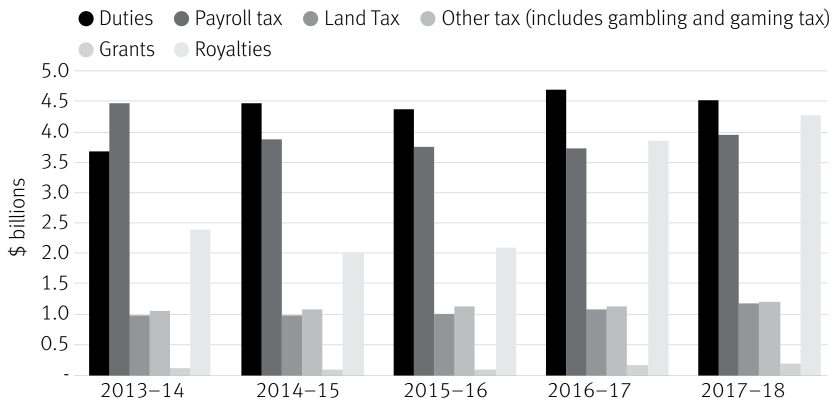
- $6.17 million in Get Started vouchers redeemed, to encourage young people to play club sport

Department of Education

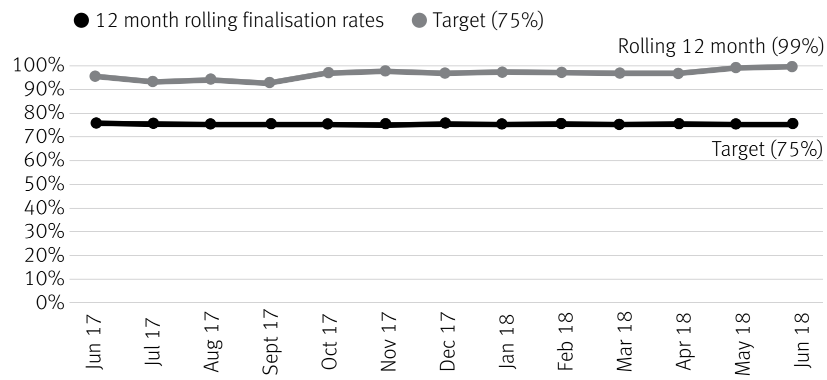
- $64.52 million in grants for long day care programs
- $84.21 million in grants to kindergarten providers
- $40.70 million in grants to early years' service programs
- $122,572 in grants for the pre-prep kindergarten program
- $5.60 million in grants for disability inclusion support for the Queensland Kindergarten program

In the coming year, much of the government's focus will be on creating jobs, giving children a great start in life, and on keeping Queenslanders healthy. Efficient, effective grants management will help ensure these and many other grants programs achieve the lifechanging impact for which they were designed.

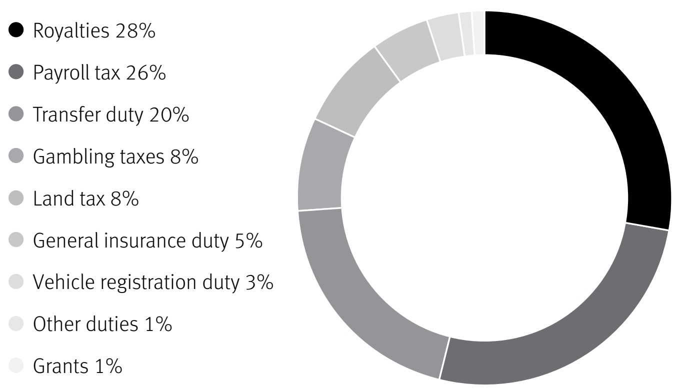
Total revenue administered by Office of State Revenue 2013-14 to 2017-18



SPER Debt Finalisation rate for 2017-18 FY



Office of State Revenue administered revenue 2017-18



OUR FINANCIAL POSITION EXPLAINED

Queensland Treasury's financial statements fall into two categories:

- Administered – funds administered on behalf of the government.
- Controlled – revenue, expenses, assets and liabilities used to conduct business as a department.

ANALYSIS

In 2017–18, Queensland Treasury administered $35.43 billion of revenue and $6 billion of expenses on behalf of the State. This excludes administered item revenue which is appropriation revenue received from the Consolidated Fund to meet administered expenses.

The largest single source of administered revenue was grants and other contributions of $19.86 billion, followed by state taxes of $10.819 billion.

The main component of Commonwealth grant revenue was Queensland's share of the GST. Other Commonwealth revenue includes funding for National Partnership Payments and Natural Disaster Relief and Recovery funding arrangements.

Treasury administered a number of grants on behalf of the State in 2017–18 including Queensland First Home Owners' Grant.

Controlled revenue consists principally of Parliamentary appropriations. In 2017–18, revenue allocated to services was $254.79 million (compared with $241.10 million in 2016–17).

ADMINISTERED

QUEENSLAND GOVERNMENT INSURANCE FUND

The Queensland Government Insurance Fund (QGIF), administered by Treasury, is a self-insurance arrangement into which government agencies pay premiums intended to meet the cost of claims arising from incidents occurring in the premium year.

Claims are paid out of Queensland Treasury's Administered accounts, while the provision for future claims is held at the whole-of-government level.

The liability balance at 30 June 2018 was $1,267 million, compared to $1,168.9 million at 30 June 2017. Investments to sufficiently cover the government's outstanding claims liabilities are held by Queensland Treasury Corporation within its long-term assets. The fund reinsurance program has been in place since 1 November 2011 and is subject to annual renewal.

In 2017–18, $500 million from QGIF's investments was repatriated from the actuarially assessed QGIF surplus to assist funding of priority infrastructure projects.

QGIF claims, liabilities and associated investment balances are reported in the government's annual Report on State Finances.

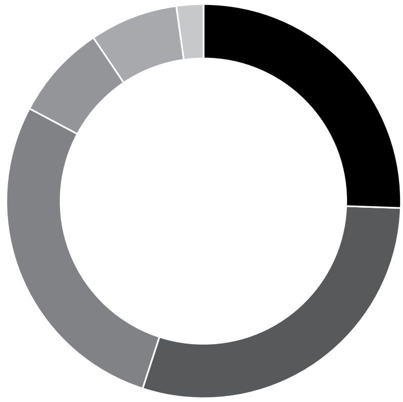
Queensland Government Insurance Fund Financial Summary	30 June 2018 $M	30 June 2017 $M
Assets under investment	1,507.1	1,838.3
Provision for future liabilities	1,267.3	1,168.9
Premiums collected	191.3	189.4
Net claims paid	130.9	121.7
Fund operating expenses	5.1	4.9
Reinsurance expense	25.2	25.4
Reinsurance recoveries	2.9	0.0

QUEENSLAND TREASURY ADMINISTERED REVENUE

	2017–18	2016–17
Commonwealth funding as a percentage of total revenues	48%	48%
State funding as a percentage of total revenues	14%	15%
Funding from external sources as a percentage of total revenues	38%	37%

Royalties, state taxes, fees, levies and fines 2017–18

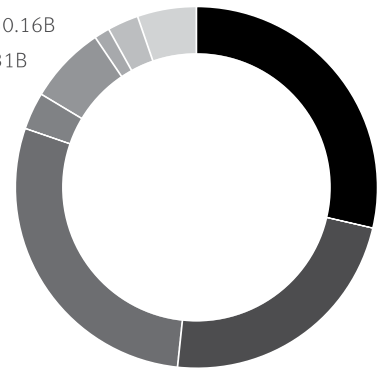
- Payroll tax $3.95B
- Duties $4.50B
- Royalties $4.26B
- Land tax $1.18B
- Gaming taxes and other taxes $1.11B
- Fees, levies and fines $0.31B



Administered revenue collected by Office of State Revenue increased 4.13% to $15.31 billion in 2017-18

Total administered expenses by category 2017–18

- Superannuation benefit payments $1.72B
- Finance costs $1.39B
- Annual Leave Central Scheme $1.72B
- Benefit payments $0.21B
- Long service leave reimbursements $0.41B
- Grants and subsidies $0.09B
- Supplies and services $0.16B
- All other expenses $0.31B



QUEENSLAND TREASURY
ADMINISTERED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Treasury Department Actual 2016–17 $'000	Treasury Department Actual 2017–18 $'000
Income from continuing operations		
Revenue		
Grants and other contributions	19,559,579	19,859,938
Taxes	10,630,683	10,818,926
User charges and fees	105,390	71,248
Royalties	3,846,737	4,263,206
Interest	54,941	35,580
Appropriation revenue	6,082,395	5,944,629
Other revenue	358,015	381,050
Total income from continuing operations	40,637,740	41,374,578
Expenses		
Supplies and services	167,796	157,855
Losses on sale/revaluation of assets	10,042	88,014
Grants and subsidies	63,462	90,827
Benefit payments	158,069	205,737
Finance/borrowing costs	1,811,934	1,389,795
Superannuation benefit payments	1,669,447	1,720,696
Long service leave reimbursements	372,644	411,868
Annual Leave Central Scheme claims paid	1,605,539	1,716,867
Other expenses	217,920	221,018
Total expenses from continuing operations	6,076,853	6,002,677
Operating result for the year before transfers to government	34,560,887	35,371,901
Transfers of administered revenue to government	34,560,887	35,371,901
Total administered comprehensive income	–	–

Increase is largely attributable to Queensland's increased share in GST revenue and Commonwealth Specific Purpose Payments for school funding, disability services, skills and workforce development and affordable housing. This is partially offset by a decrease due to timing in payments for natural disaster reconstruction and recovery, and road and rail.

Increase mainly relates to higher payroll tax revenue due to improved employment conditions and growth in the mining and construction sectors.

Decrease is due to the machinery of government (MOG) transfer of the Office of Industrial Relations to the Department of Education effective 1 January 2018.

Increase is due to the impact of higher oil prices in liquefied natural gas royalties and slightly higher coal prices and export volumes than in 2016–17.

Appropriation revenue is received from Consolidated Fund (CF) to fund administered expenses. Material variances in administered expenses are outlined below.

Increase due to the bad debt write-offs arising in part from the finalisation of legal proceedings.

Increase is mainly attributable to higher payments for Back to Work Grants and grants to Trade and Investment Queensland.

Increase is due to higher First Home Owners' Grant payments and grant to the James Cook University for the Cairns Innovation Centre.

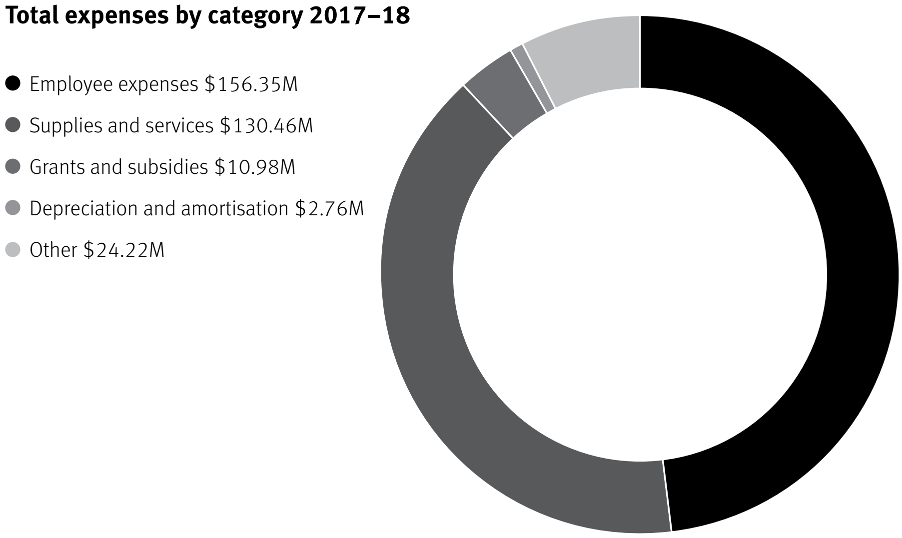
Decrease is mainly due to one-off market value realisation charges in 2016–17 and reduction in the whole-of-government debt pool as a result of the Debt Action Plan.

Increase reflects higher state share of superannuation beneficiary payments compared to 2016–17.

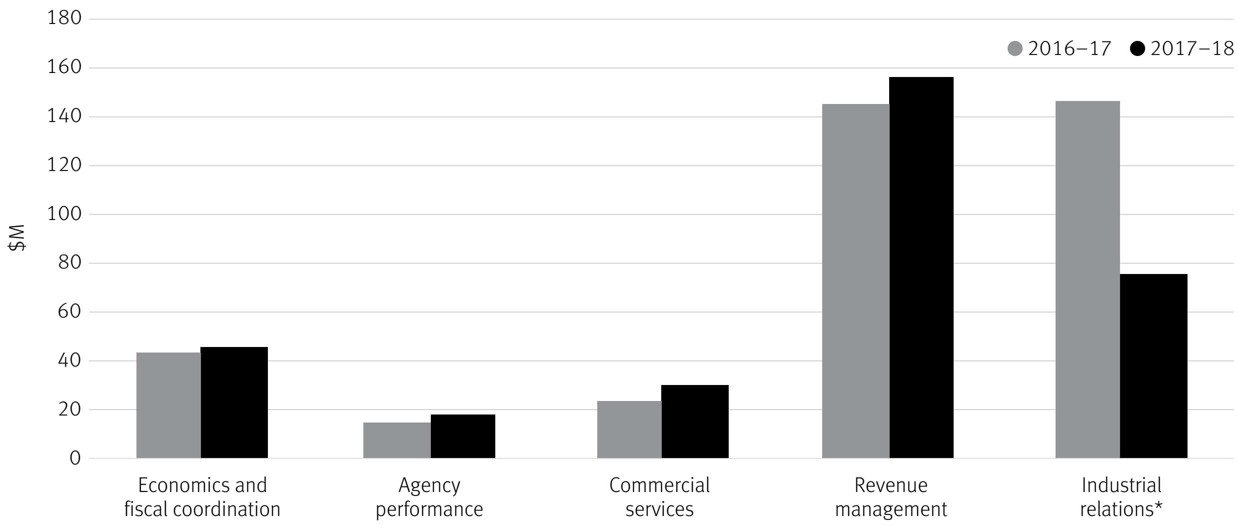
This represents revenues collected on behalf of Queensland Government which are transferred to CF. Material variances in administered revenue are outlined above.

CONTROLLED

Total expenses by category 2017–18



Total expenses by service 2017–18



**Industrial relations transferred to Department of Education from 1 January 2018*

Queensland Treasury-controlled key financial performance indicators

	2016–17 actual	2017–18 actual
Net cost of services funded by appropriation ($M)	$241.92	$254.79
State funding as a % of total revenue	65%	78%
Fixed and intangible assets employed ($'000)	$15,151	$19,872
Net assets ($'000)	$61,649	$64,154

QUEENSLAND TREASURY CONTROLLED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Treasury Department Actual 2016–17 $'000	Treasury Department Actual 2017–18 $'000
Income from continuing operations		
Revenue		
Appropriation revenue	241,099	254,790
User charges and fees	30,311	18,051
Grants and other contributions	99,515	50,802
Other revenue	1,291	1,118
Total income from continuing operations	372,216	324,761
Expenses from continuing operations		
Employee expenses	202,679	156,349
Supplies and services	137,641	130,461
Grants and subsidies	11,626	10,979
Depreciation and amortisation	3,331	2,757
Impairment expense	139	371
Other expenses	17,619	23,844
Total expenses from continuing operations	373,035	324,761
Operating result from continuing operations	(819)	-
Total comprehensive income	(819)	-

Increase relates to funding associated with SPER and OSR Transformation Programs, promotional campaigns for Move up in the World and First Home Owners' Grant, funding for Financial Assurance Framework reforms and establishment of CleanCo.

Decrease due to reduction in reimbursements from other departments for projects led by Treasury's Commercial Group, including Logan enhancement program and Herston site redevelopment.

Decrease due to MOG transfer of Office of Industrial Relations (OIR) and Treasury's employment functions from 1 January 2018.

Decrease mainly due to MOG transfer of OIR, partially offset by impact of enterprise bargaining wage increase.

Decrease mainly due to MOG transfer of OIR and costs associated with reimbursable projects managed by Commercial Group. This is partially offset by costs associated with SPER and OSR Transformation Programs.

Decrease predominately driven by MOG transfer of OIR.

Increase due to annual review of Business Development Fund (BDF) investments.

Increase primarily relates to increased other expenses recognised for appropriation payable resulting from re-profiling of some departmental projects and initiatives to future years, in accordance with Section 3B.2 of the Financial Reporting Requirements. Also contributing are costs associated with CleanCo.

QUEENSLAND TREASURY CONTROLLED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Treasury Department Actual 2016–17 $'000	Treasury Department Actual 2017–18 $'000
Assets		
Cash	53,116	37,247
Receivables	9,245	7,004
Other	3,925	2,993
Financial assets	26,833	46,463
Intangible assets	10,940	19,783
Property, plant and equipment	4,211	89
Total assets	108,270	113,579
Liabilities		
Payables	37,116	44,430
Accrued employee benefits	9,109	4,798
Other liabilities	396	197
Total liabilities	46,621	49,424
Net assets	61,649	64,154
Total equity	61,649	64,154

Decrease primarily due to MOG transfer of OIR and Treasury's employment functions, and return of cash to Consolidated Fund as a result of conversion from equity to output funding.

Decrease predominantly due to MOG transfer of OIR annual leave receivable and appropriation receivable to Department of Education, partially offset by increase in accrued revenue and trade debtors relating to post MOG transactions for Treasury's employment and market-led proposal functions.

Decrease mainly due to reduction in prepayments as a result of MOG transfer of OIR.

Increase reflects additional BDF investments offset by provision for impairment for investment.

Increase predominately reflects capital expenditure associated with OSR Transformation Program, partially offset by MOG transfer of OIR.

Decrease is due to MOG transfer of assets associated with OIR.

Increase due to payables associated with OSR and SPER Transformation Programs, along with increased appropriation payable to Consolidated Fund.

Decrease mainly due to MOG transfer of OIR, and Treasury's employment and market-led proposal functions effective 1 January 2018, partially offset by formation of Crime Statistics Research Unit.

Decrease due to MOG transfer of OIR.

Increase predominately due to equity injections for additional BDF investments, Financial Assurance Framework Reforms capital expenditure and OSR Transformation Program capital expenditure. This is partially offset by MOG transfer of OIR and return of cash to Consolidated Fund as a result of conversion from equity to output funding.

FINANCIAL STATEMENTS

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Foreword

Queensland Treasury's Financial Statements are general purpose financial statements prepared in accordance with prescribed requirements including *Australian Accounting Standards* and the *Financial Reporting Requirements* issued by the Treasurer.

The Financial Statements comprise the following components:

- Statements of Comprehensive Income
- Statements of Financial Position
- Statements of Changes in Equity
- Statements of Cash Flows
- Statements of Comprehensive Income by Major Departmental Services
- Statements of Assets and Liabilities by Major Departmental Services
- Notes To and Forming Part of the Financial Statements.

In addition, the department administers transactions and balances in a trust or fiduciary capacity. These are identified in notes 51–54.

Queensland Treasury and Queensland Treasury Holdings (QTH) are controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of Queensland Treasury (Treasury) is:

1 William Street
Brisbane Qld 4000

Queensland Treasury and Controlled Entity
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	Consolidated Entity 2018 Actual $'000	Consolidated Entity 2017 Actual $'000	Parent Entity 2018 Actual $'000	Parent Entity 2018 Adjusted Budget $'000	Parent Entity 2018 Budget Variance* $'000	Parent Entity 2017 Actual $'000
Income from continuing operations							
Appropriation revenue	3	254,790	241,099	254,790	245,161	9,629	241,099
User charges and fees	4	18,051	30,311	18,051	16,412	1,639	30,311
Grants and other contributions	5	50,802	99,515	50,802	50,663	139	99,515
Interest revenue	6	15,685	15,470	..	..	..	..
Amortisation of unearned revenue		333	328	..	..	..	..
Dividends received		12,578	14,776	..	..	..	..
Other revenue		1,166	1,339	1,118	536	582	1,291
Total revenue		353,405	402,838	324,761	312,772	11,989	372,216
Gain/(loss) on sale/fair value movement of investments	7	(56,574)	29,660	..	..	..	..
Total income from continuing operations		296,831	432,498	324,761	312,772	11,989	372,216
Expenses from continuing operations							
Employee expenses	8	156,349	202,679	156,349	164,292	(7,943)	202,679
Supplies and services	9	130,461	137,641	130,461	131,266	(805)	137,641
Grants and subsidies	10	10,979	11,626	10,979	6,487	4,492	11,626
Impairment expense	11	371	139	371	..	371	139
Depreciation and amortisation		2,757	3,331	2,757	6,516	(3,759)	3,331
Borrowing costs		6,102	6,517	..	..	..	..
Operating leases		371	366	..	..	..	..
Other expenses	12	24,553	18,387	23,844	4,211	19,633	17,619
Total expenses		331,943	380,686	324,761	312,772	11,989	373,035
Total expenses from continuing operations		331,943	380,686	324,761	312,772	11,989	373,035
Operating result from continuing operations before income tax expense		(35,112)	51,812	..	..	..	(819)
Income tax expense	13	(12,523)	12,589	..	..	..	..
Operating result for the year		(22,589)	39,223	..	..	..	(819)
Total comprehensive income		(22,589)	39,223	..	..	..	(819)

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Financial Position
as at 30 June 2018

	Notes	Consolidated Entity 2018 Actual $'000	Consolidated Entity 2017 Actual $'000	Parent Entity 2018 Actual $'000	Parent Entity 2018 Adjusted Budget $'000	Parent Entity 2018 Budget Variance* $'000	Parent Entity 2017 Actual $'000
Current assets							
Cash and cash equivalents	14	120,270	130,229	37,247	15,855	21,392	53,116
Receivables	15	12,812	14,569	7,004	6,259	745	9,245
Lease receivables	16	8,665	8,760	..	..	..	..
Other financial assets	17	237,830	294,404	..	..	..	..
Other assets		3,274	4,230	2,993	3,883	(890)	3,925
Total current assets		382,851	452,192	47,244	25,997	21,247	66,286
Non-current assets							
Receivables	15	94,440	92,737	..	..	..	..
Lease receivables	16	112,961	121,625	..	..	..	..
Other financial assets	17	46,463	26,833	46,463	36,832	9,631	26,833
Property, plant and equipment		89	4,211	89	40	49	4,211
Intangibles	18	19,783	10,940	19,783	15,272	4,511	10,940
Deferred tax asset	19	20,564	21,944	..	..	..	..
Total non-current assets		294,300	278,290	66,335	52,144	14,191	41,984
Total assets		677,151	730,482	113,579	78,141	35,438	108,270
Current liabilities							
Payables	20	39,916	34,767	39,455	6,614	32,841	34,320
Accrued employee benefits		4,798	9,109	4,798	4,733	65	9,109
Other current liabilities	21	539	733	197	269	(72)	396
Interest bearing liabilities	23	8,665	8,760	..	..	..	..
Total current liabilities		53,918	53,369	44,450	11,616	32,834	43,825
Non-current liabilities							
Payables	20	4,974	2,796	4,974	..	4,974	2,796
Other non-current liabilities	21	2,039	2,378	..	..	..	..
Deferred tax liabilities	22	29,508	46,480	..	..	..	..
Interest bearing liabilities	23	112,961	121,625	..	..	..	..
Total non-current liabilities		149,482	173,279	4,974	..	4,974	2,796
Total liabilities		203,400	226,648	49,424	11,616	37,808	46,621
Net assets		473,750	503,834	64,154	66,525	(2,371)	61,649
Equity							
Accumulated surplus		334,866	367,455	19,683	20,786	(1,103)	19,683
Contributed equity		138,884	136,379	44,471	45,739	(1,268)	41,966
Total equity		473,750	503,834	64,154	66,525	(2,371)	61,649

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Changes in Equity
as at 30 June 2018

		Consolidated Entity		Parent Entity	
		2018	2017	2018	2017
	Notes	$'000	$'000	$'000	$'000
Accumulated surplus					
Balance 1 July		367,455	328,232	19,683	20,502
Operating result from continuing operations		(22,589)	39,223	..	(819)
Dividend paid – Type A shareholders		(10,000)	..	..	..
Balance 30 June		334,866	367,455	19,683	19,683
Contributed equity					
Balance 1 July		136,379	128,428	41,966	34,015
Transactions with owners as owners:					
Appropriated equity injections	3	37,529	13,911	37,529	13,911
Appropriated equity withdrawals	3	(20,733)	(3,460)	(20,733)	(3,460)
Non appropriation equity withdrawal		(3,691)	(2,500)	(3,691)	(2,500)
Net assets transferred in/(out) - Machinery of Government, (Office of Industrial Relations)*		(10,600)	..	(10,600)	..
Balance 30 June		138,884	136,379	44,471	41,966
Total equity		473,750	503,834	64,154	61,649

* Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland state public sector entities as a result of machinery-of-government (MoG) changes are adjusted to 'Contributed equity' in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities. Appropriations for equity adjustments are similarly designated, refer note 2(b).

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Cash Flows
for the year ended 30 June 2018

		Consolidated Entity		Parent Entity			
		2018	2017	2018	2018	2018	2017
		Actual	Actual	Actual	Adjusted Budget	Budget Variance*	Actual
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities							
Inflows							
Appropriation receipts		238,846	240,396	238,846	245,161	(6,315)	240,396
Grants and other contributions		50,663	114,305	50,663	50,663	..	114,305
User charges and fees		23,630	32,656	23,582	25,654	(2,072)	32,608
GST input tax credits from Australian Taxation Office (ATO)		13,731	12,234	13,007	..	13,007	11,510
Other		1,122	1,341	1,122	522	600	1,341
Interest received		7,990	8,175	..	..	..	..
Outflows							
Employee expenses		(157,529)	(202,240)	(157,529)	(165,700)	8,171	(202,240)
Supplies and services		(132,918)	(148,287)	(131,858)	(131,332)	(526)	(147,247)
Grants and subsidies		(10,979)	(11,626)	(10,979)	(6,487)	(4,492)	(11,626)
GST remitted to ATO		(2,028)	(7,898)	(1,304)	..	(1,304)	(7,171)
Income tax paid		(3,045)	(2,528)	..	..	..	..
Other		(5,006)	(7,635)	(5,006)	(4,211)	(795)	(7,635)
Net cash provided by/(used in) operating activities		24,477	28,893	20,544	14,270	6,274	24,241
Cash flows from investing activities							
Inflows							
Lease payments received		1,288	1,235	..	..	..	..
Proceeds from investments		5,500	5,000	..	..	..	..
Novation payments received		7,472	7,658	..	..	..	..
Dividends received		12,578	14,776	..	..	..	..
Outflows							
Payments for property, plant and equipment		(312)	(1,867)	(312)	(549)	237	(1,867)
Payments for investments		(20,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)
Payments for intangibles		(13,542)	(5,119)	(13,542)	(12,034)	(1,508)	(5,119)
Net cash provided by/(used in) investing activities		(7,016)	11,683	(33,854)	(22,583)	(11,271)	(16,986)
Cash flows from financing activities							
Inflows							
Equity injections		37,529	13,911	37,529	22,203	15,326	13,911
Outflows							
Repayment of borrowings		(8,759)	(8,892)	..	..	..	..
Interest paid		(6,102)	(6,517)	..	..	..	..
Dividend paid		(10,000)	..	..	..	..	..
Equity withdrawals		(24,424)	(5,960)	(24,424)	(7,543)	(16,881)	(5,960)
Net cash provided by/(used in) financing activities		(11,756)	(7,458)	13,105	14,660	(1,555)	7,951
Net increase/(decrease) in cash and cash equivalents		5,705	33,118	(205)	6,347	(6,552)	15,206
Cash and cash equivalents at beginning of financial year		130,229	97,111	53,116	25,729	27,387	37,910
Cash transfers from restructure		(15,664)	..	(15,664)	(16,221)	557	..
Cash and cash equivalents at end of financial year	14	120,270	130,229	37,247	15,855	21,392	53,116

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Reconciliation of Operating Surplus to Net Cash from Operating Activities
for the year ended 30 June 2018

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Operating surplus/(deficit)	(22,589)	39,223	..	(819)
Impairment expense	370	139	370	139
Gain/loss on shares – unrealised	56,574	(29,660)	..	..
Interest – loans and receivables	(7,687)	(7,202)	..	..
Dividend received	(12,578)	(14,775)	..	..
Amortisation of unearned income	(333)	(328)	..	..
Depreciation/amortisation expense	2,757	3,331	2,757	3,331
Interest expense	6,102	6,517	..	..
Change in assets and liabilities:				
(Increase)/decrease in appropriation receivable	..	(703)	..	(703)
(Increase)/decrease in trade debtors	2,469	7,652	1,785	7,082
(Increase)/decrease in annual leave reimbursements	1,767	(214)	1,767	(214)
(Increase)/decrease in other receivables	(1,310)	(424)	(1,310)	(424)
(Increase)/decrease in other assets	972	(995)	932	(1,097)
Increase/(decrease) in trade creditors	7,524	2,848	7,524	2,848
Increase/(decrease) in accrued employee benefits	(4,311)	1,336	(4,311)	1,336
Increase/(decrease) in other payables	(911)	12,085	(199)	12,762
Increase/(decrease) in tax provision	25	(607)	..	..
Increase/(decrease) in deferred tax liability	(16,972)	8,905	..	..
Decrease in deferred tax asset	1,380	1,765	..	..
Adjustment to various assets and liabilities due to MoG (non-cash items)	11,228	..	11,228	..
Net cash provided by/(used in) operating activities	24,477	28,893	20,543	24,241

Reconciliation of Liabilities Arising from Financing Activities
as at 30 June 2018

		Consolidated Entity^						
			Non-Cash Changes			Cashflows		
		Opening Balance	Transfers to/(from) other Queensland Government Entities	New Leases Acquired	Other	Cash Received	Cash Repayments	Closing Balance
	Notes	$'000	$'000	$'000		$'000	$'000	$'000
Current/non-current liabilities								
Interest bearing liabilities	23	130,385	..	..	..	..	(8,759)	121,626
		130,385	..	..	..	..	(8,759)	121,626

^There are no liabilities arising from Financing Activities in the Parent Entity accounts.

Queensland Treasury
Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2018

	Economic and Fiscal Co-ordination		Agency Performance		Commercial Services		Revenue Management		Industrial Relations		General – not attributed**		Inter-service/activity eliminations		Queensland Treasury	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income from continuing operations *																
Revenue																
Appropriation revenue	38,789	36,022	16,965	13,477	27,113	16,189	151,493	139,422	16,853	32,281	3,577	3,708	..	..	254,790	241,099
User charges and fees	5,986	6,432	330	331	1,942	6,838	3,879	4,254	6,957	13,156	617	941	(1,660)	(1,641)	18,051	30,311
Grants and other contributions	25	254	11	14	10	15	86	117	50,663	99,105	7	10	..	..	50,802	99,515
Other revenue	65	21	36	10	47	160	653	548	283	544	34	8	..	..	1,118	1,291
Total income from continuing operations	44,865	42,729	17,342	13,832	29,112	23,202	156,111	144,341	74,756	145,086	4,235	4,667	(1,660)	(1,641)	324,761	372,216
Expenses from continuing operations *																
Employee expenses	22,456	21,029	10,368	10,117	10,775	9,960	61,604	60,328	49,274	98,963	1,881	2,282	(9)	..	156,349	202,679
Supplies and services	13,605	13,373	3,889	3,401	11,575	12,612	81,731	70,964	19,423	36,813	1,889	2,119	(1,651)	(1,641)	130,461	137,641
Grants and subsidies	3,707	2,848	17	..	2,046	300	124	..	5,075	8,478	10	..	..	..	10,979	11,626
Depreciation and amortisation	227	164	121	132	159	117	1,403	1,476	732	1,310	115	132	..	..	2,757	3,331
Impairment expense	..	..	..	..	370	..	..	..	1	139	..	..	..	..	371	139
Other expenses	4,870	5,291	2,947	172	4,187	201	11,249	11,501	251	327	340	127	..	..	23,844	17,619
Total expenses from continuing operations	44,865	42,705	17,342	13,822	29,112	23,190	156,111	144,269	74,756	146,030	4,235	4,660	(1,660)	(1,641)	324,761	373,035
Total comprehensive income	..	24	..	10	..	12	..	72	..	(944)	..	7	..	..	..	(819)
* Allocation of income and expenses to corporate services (disclosure only):																
Income	6,819	5,600	3,133	2,744	2,978	2,753	19,249	16,818	39	103	2,094	2,250	..	..	34,312	30,268
Expenses	6,819	5,600	3,133	2,744	2,978	2,753	19,249	16,818	39	103	2,094	2,250	..	..	34,312	30,268

** 2018 and 2017 include corporate support allocated to Motor Accident Insurance Commission, Nominal Defendant and National Injury Insurance Agency Queensland (NIIAQ).

Accounting Policy – Allocation of revenues and expenses from ordinary activities of corporate services

The department allocates revenues and expenses attributable to corporate services to its controlled departmental services in the Statement of Comprehensive Income based on the average usage patterns of the services' key drivers of costs.

Queensland Treasury
Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2018

	Economic and Fiscal Co-ordination*		Agency Performance*		Commercial Services*		Revenue Management*		Industrial Relations		General – not attributed**		Queensland Treasury	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current assets														
Cash assets	21,741	20,716	1,203	1,790	1,886	2,936	12,098	17,193	..	9,905	318	576	37,247	53,116
Receivables	1,958	1,516	91	79	1,778	1,195	1,922	1,845	..	3,452	1,256	1,159	7,004	9,245
Other assets	44	42	..	..	..	..	2,254	2,281	..	813	695	789	2,993	3,925
Total current assets	23,743	22,274	1,294	1,869	3,664	4,131	16,274	21,319	..	14,170	2,269	2,524	47,244	66,286
Non-current assets														
Property, plant and equipment	5	9	..	..	..	..	84	30	..	4,172	..	..	89	4,211
Intangible assets	..	7	..	..	980	..	16,510	5,404	..	2,402	2,293	3,127	19,783	10,940
Other financial assets	..	..	..	..	39,630	20,000	6,833	6,833	..	..	..	..	46,463	26,833
Total non-current assets	5	16	..	..	40,610	20,000	23,427	12,267	..	6,574	2,293	3,127	66,335	41,984
Total assets	23,748	22,290	1,294	1,869	44,274	24,131	39,701	33,586	..	20,744	4,562	5,651	113,579	108,270
Current liabilities														
Payables	19,751	17,424	30	13	2,835	1,127	12,167	8,260	..	4,654	4,672	2,843	39,455	34,320
Accrued employee benefits	777	750	352	313	464	356	2,082	2,043	..	4,661	1,124	986	4,798	9,109
Other current liabilities	197	247	..	..	..	..	..	22	..	127	..	..	197	396
Total current liabilities	20,725	18,421	382	326	3,299	1,483	14,249	10,325	..	9,442	5,796	3,829	44,450	43,825
Non-current liabilities														
Payables	..	..	..	..	..	..	..	..	..	703	4,974	2,093	4,974	2,796
Total non-current liabilities	..	..	..	..	..	..	..	..	..	703	4,974	2,093	4,974	2,796
Total liabilities	20,725	18,421	382	326	3,299	1,483	14,249	10,325	..	10,145	10,770	5,922	49,424	46,621
Net assets	3,023	3,869	912	1,543	40,975	22,648	25,452	23,261	..	10,599	(6,208)	(271)	64,154	61,649

* The department has systems in place to allocate assets and liabilities by Major Departmental Service.

** Includes assets and liabilities associated with corporate support functions.

1 Basis of financial statements preparation

(a) Statement of compliance

Queensland Treasury (Treasury) has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, prepared in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year beginning 1 July 2017 and other authoritative pronouncements.

(b) The reporting entity

For financial reporting purposes, Treasury is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the Report on State Finances of the Queensland Government. The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entities that it controls. Details of the department's controlled entities are disclosed in note 26.

The department as an economic entity consists of the parent entity together with QTH. To provide enhanced disclosure, the department has adopted the principles outlined in Australian Accounting Standard AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interests in Other Entities. This approach is considered appropriate as it reflects the relationship between the department's core business activities and those of its controlled entities. In the process of reporting on the department as a single economic entity, all transactions and balances internal to the economic entity have been eliminated in full.

The accrual basis of accounting has been adopted for both controlled transactions and balances, and those administered by the department on a whole-of-Government (WoG) basis. Except when stated, the historical cost convention is used.

(c) Controlled and Administered transactions and balances

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

The department administers, but does not control, certain resources on behalf of the government such as the collection of grants, state taxes, royalties and State Penalties Enforcement Registry (SPER) fines. In doing so, it is responsible and accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

Transactions and balances relating to administered resources are not recognised as controlled revenues, expenses, assets or liabilities, but are disclosed separately as administered transactions and balances in the administered statements and associated notes.

If not otherwise stated the controlled accounting policies also apply to administered.

(d) Loans and receivables

The QTH consolidated entity carries long term loans and receivables at amortised cost. In 2011, QTH paid an amount of $121.2 million for licence fees receivable from Port of Brisbane Pty Ltd (PBPL). The licence fee is based on a revenue sharing arrangement whereby Brisbane Port Holdings Pty Ltd(BPH) will receive a percentage of revenue above a hurdle amount from PBPL for a period of 35 years. The QTH consolidated entity made an upfront payment to BPH for the rights to these cash flows using funds provided from QTC. The upfront payment was based on assumed volume growth for the Port of Brisbane using macroeconomic forecasts combined with analysis of local market and supply chain constraints. The licence fee which is payable up to 2050 has been discounted at a rate which takes into account the risks and uncertainties. Due to risks and uncertainties around the revalue forecasts, this exposes the QTH consolidated entity to volatility over future revenues and therefore the valuation of the investment. At each balance date the receivable is reviewed for impairment, incorporating current projections of trade volumes and price growth and where the carrying value of the receivable is not supported by these forecasts, an impairment is recognised (refer note 15).

(e) Deferred tax asset

The QTH consolidated entity has recognised a deferred tax asset in relation to the difference between the purchase price of a long-term receivable and its carrying amount. Between 2013 and 2016, QTH impaired a long-term receivable which relates to a licence fee arrangement with the Port of Brisbane. This receivable was originally recognised by QTH in 2011 at $121.2 million and is currently recognised at $52.7 million due to the timing of the related cash flows which have been forecast to 2050. The long-term receivable has been discounted at 9.55% based on a pre-tax discount rate. The associated deferred tax asset has not been discounted based on the requirement of AASB 112 *Income Taxes* (refer note 19).

(f) Australian Government Taxes

Treasury is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of fringe benefits tax (FBT) and goods and services tax (GST). As such, FBT and GST credits receivable from/payable to the ATO are recognised and accrued.

QTH is subject to the National Tax Equivalents Regime (NTER), and payments are made to the State Treasurer equivalent (Consolidated Fund) to the amount of Commonwealth income tax.

1 Basis of financial statements preparation (continued)

The QTH controlled entity falls under the Taxation of Financial Arrangements (TOFA) legislation and applies the default realisation and accrual methods.

(g) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been 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.

Comparative information reflects the audited 2016-17 financial statements.

(h) Issuance of financial statements

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

(i) Accounting estimates and judgements

Estimates and assumptions that have a potential significant effect are outlined in the following notes and categories on the face of the statements:

- notes 15 and 42 (Allowance for impairment)
- Notes 17, QIC investments (Allowance for impairment)
- notes 25 and 47 (Contingencies)
- note 29 (b) and (f) (Financial Instruments)
- note 48 (a) and (e) (Financial Instruments)

Further, the matters covered in each of those notes necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

(j) First year application of new accounting standards or change in accounting policy

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB107*

From 2017-18, this standard required additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of reconciliation in the notes to the statement of cash flows.

(k) 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 set out below:

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 with a 1 July 2018 date of transition. The main impact of the standards to the department is that it will change the requirements for 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 through the profit or loss. For financial liabilities, AASB 9 has largely adopted the classification and measurement criteria currently contained in AASB 139.

Under the new standard, the consolidated entity's licence fee receivable (refer note 15) which is currently recorded on an amortised cost basis, will be valued at fair value through profit or loss. This will change the nature of how this is recorded as well as the amount receivable. The estimated impact on the carrying amount on 1 July 2018 will reflect an increase from $52.714 million to $67.983 million, with an unrealised gain of $15.179 million recognised through profit and loss.

The new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department will be adopting the simplified approach under AASB 9. Analysis is still being undertaken by the department on whether to individually assess the debts or use a provision matrix to measure the impairment provision. The Office of State Revenue (OSR) will be adopting the provision matrix approach for payroll tax, land tax, duties and SPER. Trade receivables relating to the recovery of First Home Owners Grants (FHOG), Queensland Building Boost (QBB), gaming machine and royalties will be assessed individually due to low value write-offs and secured debts.

Applying this approach for the department has estimated the opening provision for the impairment of payroll tax receivables on 1 July 2018 to be $27.7 million, a decrease of $6.5 million compared to the amount reported at 30 June 2018. This will result in a net receivable of $866.6 million on transition. Land tax, duties, gaming, royalties and SPER have no significant material change in the provision for impairment from the 30 June 2018 balance.

1 Basis of financial statements preparation (continued)

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 is yet to form conclusions about significant impacts.

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 performance obligations. The department is yet to complete its analysis of existing arrangements and the impact, if any, on revenue recognition has not yet been determined.

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.

Treasury's current lease commitments (refer note 24) may include items that would be excluded under AASB16 because the low value or short-term lease exemption is satisfied. The department has analysed its existing operating lease commitments to estimate the expected impacts on transition based on information available at 30 June 2018. The department's leases with internal-to-government lessors include rental accommodation managed by the Queensland Government Accommodation Office. The department currently has two accommodation leases, the primary one being 1 William Street, Brisbane.

At 30 June 2018, the department has total operating lease commitments of $210.459 million (untill 2023-24, note 24(b)) and an annual accommodation lease payment of $11.984 million (2017-18, including Office of Industrial Relations (OIR)) for office accommodation.

Considering their operation and impact across WoG, the department is currently awaiting formal guidance from Treasury policy unit as to whether this arrangement should be accounted for on-balance sheet under AASB 16.

In the event these arrangements are to be accounted for on-balance sheet, the department estimates for office accommodation leases a right-of-use asset and lease liability. On transition these are expected to be different to the undiscounted amounts disclosed in the commitments note and will equal the amount calculated in accordance with AASB 16. Currently the transition value is not practically quantifiable due to key factors still requiring assessment including identification of an appropriate discount rate. There will be no material financial statement impact if these arrangements are not accounted for on-balance sheet.

2 Objectives and major activities of the department

Treasury's vision is to grow the Queensland economy and improve the wellbeing of all Queenslanders. It aims to support this through providing the government with trusted, impartial advice on state finances and the economy, innovative revenue and commercial services and support for fair, safe and productive workplaces. This includes managing the state's finances in line with the government's fiscal principles listed in the *Charter of Fiscal Responsibility*.

Treasury's strategic objectives are to:

- enable sustainable growth that supports current and future government objectives
- partner proactively to facilitate better outcomes for the community
- ensure our services are tailored, fit-for-purpose and easy to access
- develop a capable and flexible workforce that can lead in policy development and service delivery.

Details on Treasury's departmental service areas can be viewed in the department's Budget Paper 5 – Service Delivery Statements – Treasury, at https://budget.qld.gov.au/files/SDS-Treasury-2018-19.pdf

(a) Major activities of the department

Major activities of the department are detailed in the face of the statements by Major Departmental Services for both controlled and administered items.

The Financial Statements have been aggregated into the following disclosures (refer Notes 1(b) and 1(c) for full details of this aggregation):

1. Controlled

   (a) Treasury (as an entity in its own right and to which the remainder of this financial report refers) – column headed 'Parent Entity'.
   (b) Consolidated (Queensland Treasury and its controlled entity Queensland Treasury Holdings Pty Ltd (QTH) and its subsidiaries) – column headed 'Consolidated Entity'.

2. Administered on behalf of WoG – shaded statements and notes.

(b) Machinery-of-government changes

The following transfers, based on the *Administrative Arrangements Order (No.4 2017)* dated 21 December 2017 were made effective on 1 January 2018:

	Transferring area	Transferring to/(from)
1	The Office of Industrial Relations	Department of Education
2	Employment (Treasury)	Department of Employment, Small Business and Training
3	Market Led Proposals (Treasury)	Department of State Development, Manufacturing, Infrastructure and Planning
4	Cities Transformation Taskforce	(Former Department of Infrastructure, Local Government and Planning)

	Controlled					Administered				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	1	2	3	4	Total	1	2	3	4	Total
Current assets										
Cash assets	14,959	705	..	..	15,664		..	..	..	..
Receivables	13,942	34	..	..	13,976	8,408	..	..	..	8,408
Other assets	974	..	..	..	974		..	..	..	..
Total current assets	29,875	739	..	..	30,614	8,408	..	..	..	8,408
Non-current assets						..	..	..	..	
Other financial assets	..	..	..	..	..	..	..	..	..	..
Intangible assets	2,322	..	..	..	2,322	..	..	..	..	..
Property, plant and equipment	3,844	..	..	..	3,844	..	..	..	..	..
Total non-current assets	6,166	..	..	..	6,166	..	..	..	..	..
Total assets	36,041	739	..	..	36,780	8,408	..	..	..	8,408
Current liabilities										
Payables	6,343	677	..	..	7,020	8,408	..	..	..	8,408
Accrued employee benefits	4,568	62	..	..	4,630	..	..	..	..	..
Other current liabilities	13,829	..	..	..	13,829	..	..	..	..	..
Total current liabilities	24,740	739	..	..	25,479	8,408	..	..	..	8,408
Non-current liabilities										
Payables	701	..	..	..	701	..	..	..	..	..
Total non-current liabilities	701	..	..	..	701	..	..	..	..	..
Total liabilities	25,441	739	..	..	26,180	8,408	..	..	..	8,408
Net assets	10,600	..	..	..	10,600	..	..	..	..	..

The decrease in assets of $10.6 million has been accounted for as a decrease in contributed equity as disclosed in the Statement of Changes to Equity.

Budgeted appropriation revenue (controlled) of $22.1 million was reallocated from Treasury to the Department of Education ($12.955 million), the Department of Employment, Small Business and Training ($8.080 million) and the Department of State Development, Manufacturing, Infrastructure and Planning ($1.062 million) as part of the machinery-of-government changes. The former Department of Infrastructure, Local Government and Planning reallocated budgeted appropriation revenue of $2.250 million to Treasury for the Cities Transformation Taskforce.

3 Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the Statement of Comprehensive Income

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Budgeted appropriation revenue	265,008	251,486	265,008	251,486
Transfer (to)/from other departments	(19,847)	..	(19,847)	..
Transfer (to)/from other heading	(2,136)	(11,090)	(2,136)	(11,090)
Lapsed appropriation revenue	(4,179)	..	(4,179)	..
Total appropriation receipts	238,846	240,396	238,846	240,396
Less opening balance of appropriation revenue receivable	(703)	..	(703)	..
Plus non cash MoG transfer of appropriation revenue receivable	703	..	703	..
Plus opening balance of deferred appropriation payable	15,944	3,163	15,944	3,163
Less closing balance of deferred appropriation payable	(18,698)	(15,241)	(18,698)	(15,241)
Net appropriation revenue	236,092	228,318	236,092	228,318
Plus deferred appropriation payable to Consolidated Fund	18,698	12,781	18,698	12,781
Appropriation revenue recognised in Statement of Comprehensive Income	254,790	241,099	254,790	241,099
Reconciliation of payments from Consolidated Fund to appropriated equity adjustments recognised in contributed equity				
Budgeted equity adjustment appropriation	14,660	11,058	14,660	11,058
Unforeseen expenditure	..	..	..	..
Transfer (to)/from other heading	2,136	(607)	2,136	(607)
Total equity adjustment receipts	16,796	10,451	16,796	10,451
Appropriated equity adjustment recognised in contributed equity	16,796	10,451	16,796	10,451

Accounting Policy – Departmental service revenue
Appropriations provided under the Annual Appropriation Act are recognised as revenue when received or when approved as an accrual at year end. In some circumstances when approval is granted a deferred appropriation payable is recognised with a corresponding expense at year end.

4 User charges and fees

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Sale of services	18,028	30,304	18,028	30,304
Other fees	23	7	23	7
	18,051	30,311	18,051	30,311

Accounting Policy – User charges and fees
User charges and fees 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.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
5 Grants and other contributions				
Contributions from Workcover	44,039	84,099	44,039	84,099
Industry contributions	6,624	14,989	6,624	14,989
Resources received below fair value	139	427	139	427
	50,802	99,515	50,802	99,515

Accounting Policy – Grants and other contributions
Grants, donations, gifts and other contributions that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
6 Interest revenue				
Interest – loans and receivables **	7,687	7,202	..	..
Interest – lease receivables *	6,102	6,517	..	..
Interest – QTC	1,896	1,751	..	..
	15,685	15,470	..	..

* Relates to interest recognised on QTH Lease receivables by Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd (refer note 16).
** Relates to interest recognised on QTH financial assets acquired from Brisbane Port Holdings Pty Ltd (BPH) following the long-term lease of the Port of Brisbane (refer note 15).

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
7 Gain/(loss) on sale/fair value movement of investments				
Gain/(loss) on shares – unrealised *	(56,574)	29,660	..	..
	(56,574)	29,660	..	..

* Relates to the market movement on remaining shares held in Aurizon Holdings Ltd (AZJ) (formerly QR National Limited) recorded at fair value (recognised at the closing listed market price of $4.33 per share (2017: $5.36 per share)).

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
8 Employee expenses				
Salaries, wages and related - government employees	120,872	157,397	120,872	157,397
Annual leave	12,866	15,746	12,866	15,746
Employer contributions - Accumulation schemes	11,808	17,466	11,808	17,466
Employer contributions - Defined benefit scheme	4,197	2,979	4,197	2,979
Long service leave	2,547	3,024	2,547	3,024
Other employee-related expenses	2,530	3,466	2,530	3,466
Fringe benefits tax expense	695	1,167	695	1,167
Redundancy payments	584	1,786	584	1,786
Workers' compensation premium	251	437	251	437
Other employee-related expenses - non Long Service Leave (LSL) and Annual Leave Central Scheme (ALCS)	..	(789)	..	(789)
	156,349	202,679	156,349	202,679

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:

	Consolidated Entity 2018	Consolidated Entity 2017	Parent Entity 2018	Parent Entity 2017
Number of employees:	954	1,757	954	1,757

8 Employee expenses (continued)

Accounting Policy – Employee expenses
Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits. Workers' compensation insurance is a consequence of employing staff and are not included in an employee's total remuneration package as employee benefits and are recognised separately as employee related expenses.

Accounting Policy – Wages and salaries
Salaries and wages expenses are recognised at the current salary rates as it is expected these liabilities will be wholly settled within 12 months of year end.

Accounting Policy – Sick leave
History indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in 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.

Annual leave
No provision for annual leave has been recognised in the department's financial statements as the liability is held on a WoG basis and reported in those financial statements pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting,* under the Annual Leave Central Scheme (ALCS). A levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the department to cover the cost of employees' long service leave. Levies are expensed in the period in which they are paid or payable.

Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears. Therefore, no provision for long service leave is recognised in the department's financial statements, the liability being held on a WoG basis and reported in those financial statements prepared pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

Superannuation
Employer superannuation contributions are paid to QSuper and other members' choice superannuation funds, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper and other members' choice superannuation funds.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a WoG basis and reported in those financial statements pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

(a) Key management personnel and remuneration

From 2016-17, the department's Treasurer is identified as part of the department's key management personnel (KMP), consistent with additional guidance included in the revised version of AASB 124 Related Party Disclosures. This Minister is the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships – Jacklyn Anne Trad (formerly Curtis Pitt, Treasurer and Minister for Trade and Investment prior to the MoG change, refer note 2).

The Treasurer's 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 WoG Consolidated Financial Statements as from 2016–17, which are published as part of the Treasurer's Report on State Finances.

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

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

The following disclosures focus on the expenses incurred by the department during the respective reporting periods that are attributable to non-Ministerial KMP.

Transactions with people/entities related to KMP

There are no related party transactions with the Treasury consolidated entity that involve KMP, close family members and their personal business interests.

8 Employee expenses (continued)

The amounts disclosed below reflect expenses recognised in the Statement of Comprehensive Income.

1 July 2017 - 30 June 2018

Position (a)	Responsibilities	Date appointed to position (End date of position)	Short term employee expenses	Long term employee expenses	Post employment expenses	Termination benefits	Total expenses
			Monetary expenses * $'000	$'000	$'000	$'000	$'000
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management	09-Jun-15	612	12	76	..	**700**
Acting Deputy Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole of Government financial management for Economics and Fiscal Co-ordination	24-Aug-15 (29-Sept-17)	62	1	6	..	**69**
Deputy Under Treasurer	Responsible for Economics and Fiscal Coordination	25-Sep-17	195	4	15	..	**214**
Deputy Under Treasurer	Responsible for Agency Performance	06-Aug-15 (11-Dec-17)	111	2	13	..	**126**
Acting Deputy Under Treasurer	Responsible for Agency Performance	12-Dec-17	135	2	10	..	**147**
Acting Deputy Under Treasurer	Responsible for Commercial Services	05-Jun-17	269	5	29	..	**303**
Deputy Under Treasurer	Responsible for Commercial Services and Agency Performance	27-Aug-15 (27-May-18)	246	6	29	..	**281**
Commissioner	Responsible for the Office of State Revenue	10-Feb-14	294	6	32	..	**332**
Executive General Manager	Responsible for Operations and Change	15-Sep-16	202	4	22	..	**228**
Executive General Manager	Responsible for Risk and Intelligence	27-Jan-16	223	5	24	..	**252**
Deputy Director-General (b)	Responsible for the Office of Industrial Relations	09-Jan-14	121	2	14	..	**137**
Total expenses			2,470	49	270	..	**2,789**

* The department does not have any non-monetary benefits to disclose in relation to its KMP.

(a) Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.

(b) The Office of Industrial Relations was transferred to Department of Education via a MoG change effective 1 January 2018 (refer note 2).

8 Employee expenses (continued)

1 July 2016 - 30 June 2017

Position (a)	Responsibilities	Date appointed to position (End date of position)	Short term employee expenses	Long term employee expenses	Post employment expenses	Termination benefits	Total expenses
			Monetary expenses* $'000	$'000	$'000	$'000	$'000
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-government financial management	09-Jun-15	596	12	74	..	**682**
Acting Deputy Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole of Government financial management for Economics and Fiscal Coordination	24-Aug-15	238	5	26	..	**269**
Deputy Under Treasurer	Responsible for Agency Performance	6-Aug-15	233	4	26	..	**263**
Acting Deputy Under Treasurer	Responsible for Commercial Services	20-Apr-15 (16-Jun-17) (b)	..	..	..	..	**..**
Deputy Under Treasurer	Responsible for Commercial Services and Agency Performance	27-Aug-15	286	5	32	..	**323**
Commissioner	Responsible for the Office of State Revenue	10-Feb-14	284	6	32	..	**322**
Acting Executive General Manager	Responsible for Operations and Change	15-Sept-16 (c)	143	3	15	..	**161**
Executive General Manager	Responsible for Risk and Intelligence	27-Jan-16	219	4	24	..	**247**
Deputy Director-General	Responsible for the Office of Industrial Relations	09-Jan-14	245	5	27	..	**277**
Total expenses			2,244	**44**	**256**	**..**	**2,544**

* The department does not have any non-monetary benefits to disclose in relation to its KMP.
(a) Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.
(b) The former Acting Deputy Under Treasurer was remunerated by QTC and departed on a interchange agreement on 16 June 2017.
(c) Appointed as Acting Executive General Manager on 15 September 2016 following a departmental restructure. Previously in a non KMP position.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
9 Supplies and services				
Computer charges	33,712	30,810	33,712	30,810
Contractors and employment agency charges	27,952	24,737	27,952	24,737
Property leases	17,791	21,854	17,791	21,854
Administration and advertising	11,044	11,717	11,044	11,717
SPER call centre costs	10,892	10,881	10,892	10,881
Consultants	10,183	12,379	10,183	12,379
Other property charges	8,313	9,813	8,313	9,813
Professional legal fees, service fees and charges	7,056	10,284	7,056	10,284
Other supplies and services	3,517	5,166	3,517	5,166
	130,461	137,641	130,461	137,641

Accounting Policy – Supplies and services
The department recognises expenses when incurred, usually when goods are received or services are consumed, which may not be when the goods or services are actually paid for.

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. Property leases are recognised on a straight-line basis over the lease life including any applicable lease incentives and annual rent increments, in accordance with AASB 117 Leases.

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
10 Grants and subsidies				
Safe Work Australia	1,008	2,037	1,008	2,037
Anzac Day Trust	1,323	1,299	1,323	1,299
Financial Assurance	2,032	..	2,032	..
Back to Work	3,670	2,848	3,670	2,848
Queensland Ambulance Service	1,868	3,918	1,868	3,918
Other recurrent grants	1,078	1,524	1,078	1,524
	10,979	11,626	10,979	11,626
11 Impairment expense				
Impairment losses on receivables	1	139	1	139
Impairment losses on investments	370	..	370	..
	371	139	371	139
12 Other expenses				
Deferred appropriation payable to Consolidated Fund	18,698	12,781	18,698	12,781
Bank charges	1,763	1,750	1,763	1,750
Internal audit fees	1,376	1,525	1,376	1,525
Sundry expenses	1,375	802	1,076	485
External audit fees*	813	812	773	773
Company secretariat and accounting services – QTC	370	412	..	..
Qld Government Insurance Fund - insurance premiums	86	137	86	137
Sponsorships and special payments	73	168	73	168
	24,553	18,387	23,844	17,619

* Total audit fees quoted by the Queensland Audit Office relating to the 2017-18 financial statements for the parent entity is $500k (2017: $540k).

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
13 Income tax expense				
Current tax comprises:				
Current tax on profit for the year	3,072	2,499	..	..
	3,072	2,499	..	..
Deferred tax comprises:				
Decrease/(increase) in deferred tax asset	1,377	1,192	..	..
(Decrease)/increase in deferred tax liability	(16,972)	8,898	..	..
	(15,595)	10,090	..	..
Income tax expense/(benefit)	(12,523)	12,589	..	..
Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) before income tax expense	(35,112)	52,631	..	..
Less (profit)/loss of non taxable entities	(345)	(327)	..	..
Plus dividend received from AZJ	(6,289)	(10,343)	..	..
Profit/(loss) before income tax expense from taxable entities	(41,746)	41,961	..	..
Tax at the Australian company tax rate of 30%	(12,523)	12,589	..	..
Income tax expense/(benefit)	(12,523)	12,589	..	..
14 Cash and cash equivalents				
Cash on hand and at bank	37,250	53,117	37,247	53,116
QTC Cash Fund	83,020	77,112	..	..
Cash at the end of financial year	120,270	130,229	37,247	53,116

Accounting Policy – Cash and cash equivalents
Cash assets include all cash as well as deposits at call with financial institutions. Cash equivalents include investments with short periods to maturity that are readily convertible to cash on hand at the department's option and that are subject to a low risk of changes in value.

Bank accounts grouped within the WoG set-off arrangement with the Queensland Treasury Corporation (QTC) do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
15 Receivables				
Current				
Receivables of operating nature	1,267	3,362	1,267	3,362
Less allowance for impairment loss	..	(310)	..	(310)
	1,267	3,052	1,267	3,052
Annual leave claims receivable	1,486	2,876	1,486	2,876
Sundry receivable	2,131	1,595	2,131	1,595
GST input tax credits receivable	1,746	970	1,746	970
Long service leave claims receivable	375	752	375	752
Loan receivable*	5,808	5,324	..	..
	11,546	11,517	5,738	6,193
Total current	12,812	14,569	7,004	9,245
Ageing of past due but not impaired receivables**				
Overdue				
Less than 30 days	27	63	27	63
30-60 days	837	98	837	98
Greater than 90 days	1	262	1	262
Total overdue	865	423	865	423

** 2018 and comparative ageing of individually impaired financial assets are not disclosed as they are immaterial.

	Consolidated Entity 2018	Consolidated Entity 2017	Parent Entity 2018	Parent Entity 2017
Non-current*				
Loan receivable	41,726	44,614	..	..
Licence fee receivable	121,249	121,249	..	..
Interest revenue - accumulated	67,318	62,727	..	..
Impairment expense - accumulated	(135,853)	(135,853)	..	..
Total non-current	94,440	92,737	..	..

* The loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025. The licence fee receivable has been estimated based on projected trade volume and price growth and is discounted at a rate of 9.55% (2017: 9.54%). The discount rate is applied against expected cash flows under a revenue sharing arrangement based on a pre-tax discount rate.

Accounting policy - receivables
Debtors are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement of debtors is generally required within 30 days.

Licence fee receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using the effective interest rate method.

Credit risk exposure of receivables

Credit risk exposure refers to the situation where the department and its controlled entities may incur financial loss as a result of another party to a financial instrument failing to discharge its obligation.

Credit risk (receivables) is managed pursuant to internal policies. These focus on the prompt collection of revenues due and payable to the department and follow-up of outstanding fees and charges within specified timeframes. Any write-offs require high-level approval.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for impairments.

No collateral is held as security and no credit enhancements relate to the financial assets held by the department.

The QTH controlled entity is exposed to credit risk in relation to the receivables arrangements entered into with Brisbane Port Holding (BPH). BPH has assigned its rights to QTH to receive money payable to it by the Port Manager, Port of Brisbane Pty Ltd (PBPL).

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 and its controlled entities, according to the due date (normally terms of 30 days). Economic changes impacting debtors, and relevant industry data, also form part of the documented risk analysis.

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 and its controlled entities determine that an amount owing by such a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written off directly against receivables.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
16 Lease receivables	**$'000**	**$'000**	**$'000**	**$'000**
Current				
Finance lease receivable	1,351	1,288	..	..
Novation receivable	7,314	7,472	..	..
	8,665	8,760	..	..
Non-current				
Finance lease receivable	105,801	107,151	..	..
Novation receivable	7,160	14,474	..	..
	112,961	121,625	..	..
Total				
Lease receivable	107,152	108,439	..	..
Novation receivable	14,474	21,946	..	..
	121,626	130,385	..	..
Finance leases				
Minimum lease payments				
- Not later than one year	6,471	6,471	..	..
- Later than one year and not later than five years	25,882	25,882	..	..
- Later than five years	182,522	188,992	..	..
Minimum lease commitments receivable at balance date *	214,875	221,345	..	..
Less future finance charges	(107,723)	(112,906)	..	..
Total lease receivable	107,152	108,439	..	..
Present value of minimum lease payments				
- Not later than one year	6,281	6,281	..	..
- Later than one year and not later than five years	22,328	22,329	..	..
- Later than five years	78,543	79,829	..	..
	107,152	108,439	..	..

* These lease commitments receivable represent payments due from the primary lessee under the Plant lease, On-shore sub-lease, Off-shore sub-sub-lease and Road sub-sub-lease. The terms of the Plant lease and On-shore sub-lease are 50 years each, with options to renew for a further 49 years, while the Off-shore sub-sub-lease and Road sub-sub-lease terms are 99 years each. There are no guaranteed residuals for any of the leases.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
16 Lease receivables (continued)				
Novation receivable				
Operating lease				
Minimum lease payments				
- Not later than one year	7,877	8,391	..	..
- Later than one year and not later than five years	7,376	15,253	..	..
Minimum novation payments receivable at balance date *	15,253	23,644	..	..
Less: future finance charges	(779)	(1,698)	..	..
Total novation receivable	14,474	21,946	..	..
Present value of minimum lease payments				
- Not later than one year	7,648	8,147	..	..
- Later than one year and not later than five years	6,826	13,799	..	..
	14,474	21,946	..	..

* The novation receivable represents payments owing to North Queensland Bulk Ports Corporation Limited from DBCT Management Pty Ltd which has been novated to DBCT Holdings Pty Ltd. The novation payments to be made are set out in the Framework Agreement, with the final payment to be made on 30 June 2020.

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
17 Other financial assets				
Current				
Shares – AZJ *	237,830	294,404	..	..
	237,830	294,404	..	..
Non-current				
Shares held in unlisted company at cost	6,833	6,833	6,833	6,833
QIC investments (net) - Business Development Fund at cost **	39,630	20,000	39,630	20,000
	46,463	26,833	46,463	26,833

* The QTH controlled entity holds 54,926,186 shares (2017: 54,926,186 shares) in AZJ, purchased at the institutional price of $2.55 per share. The shares are market valued based on the closing listed share price of $4.33 per share (2017: $5.36).

Accounting Policy – Other financial assets
The department carries equity investments in unlisted companies at cost under AASB 139 Financial Instruments: Recognition and Measurement. The fair value of the investments cannot be reliably determined due to inactive markets for identical investments.

Impairment
**The assessment of impairment requires significant judgement as the investments are in businesses that are in a start-up phase with limited financial information available to assess future financial performance which would support the carrying value of the investment. Each investment is reviewed to identify if there are any indicators of impairment and if so a provision for estimated loss is assigned (currently set at 50% or 100%) based on information provided by the investees' management teams and may include valuations attributed to the investee as a result of subsequent funding rounds, audited or unaudited financial statements, cashflow projections and various other management reports. The impairment is reversed if the financial performance of the investor subsequently improves. Impairment expense for the 2018 financial year is $0.370 million (2017: nil), refer note 11.

Investments are fully impaired when the business is no longer operating or plans have commenced to wind up the entity.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000

18 Intangibles

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Internally generated software				
– at cost	18,703	11,092	18,703	11,092
– accumulated amortisation	(4,274)	(4,871)	(4,274)	(4,871)
	14,429	6,221	14,429	6,221
Other software/licences				
– at cost	10,091	10,250	10,091	10,250
– accumulated amortisation	(9,613)	(9,468)	(9,613)	(9,468)
	478	782	478	782
Work in progress				
– at cost	4,876	3,937	4,876	3,937
	4,876	3,937	4,876	3,937
Total intangibles				
– net book value	19,783	10,940	19,783	10,940

Accounting Policy – Intangibles

All intangible assets of the department have finite useful lives and are amortised on a straight-line basis.

For each class of intangible asset, the following amortisation rates were used:

Intangibles	Amortisation rates
– Internally generated software	7.14% - 20%
– Purchased software/licences	12.5% - 25%

Reconciliation	Internally generated software		Other software/licences		Software works in progress		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Carrying amount at 1 July	6,221	5,648	782	990	3,937	1,843	10,940	8,481
Acquisitions	10,715	..	..	500	2,828	4,619	13,543	5,119
MoG Transfer in	..	..	..	..	..	..	..	..
MoG Transfer out	(1,407)	..	(128)	..	(787)	..	(2,322)	..
Disposals	..	(404)	..	..	..	..	..	(404)
Transfers between asset classes	1,102	2,366	..	159	(1,102)	(2,525)	..	..
Amortisation *	(2,202)	(1,389)	(176)	(867)	..	..	(2,378)	(2,256)
Carrying amount at 30 June	14,429	6,221	478	782	4,876	3,937	19,783	10,940

* Amortisation of intangibles is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.

Treasury has intangibles which are fully amortised and still in use that had an original cost of $9.869 million (2016–17: $9.733 million).

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
19 Deferred tax asset				
The balance comprises temporary differences attributable to:				
Long term receivable – BPH licence fee	20,564	21,944	..	..
	20,564	21,944	..	..

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
20 Payables				
Current				
Payables of operating nature	20,525	16,281	20,525	16,281
Interdepartmental payable	..	2,147	..	2,147
Deferred appropriation for departmental services payable	18,698	15,241	18,698	15,241
FBT payable	202	387	83	289
GST payable	139	352	139	352
Sundry payables	353	359	11	10
	39,916	34,767	39,455	34,320
Non-current				
Payables of operating nature	4,974	2,796	4,974	2,796
	4,974	2,796	4,974	2,796

Accounting Policy - Payables

Creditors are recognised upon receipt of goods and services at the agreed purchase price. Amounts owing are generally settled on 30-day terms.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
21 Other current liabilities				
Current				
Unearned revenue	197	396	197	396
Sub-lease on land*	342	337	..	..
	539	733	197	396
Non-current				
Sub-lease on land*	2,039	2,378	..	..
	2,039	2,378	..	..

* The QTH controlled entity, through DBCTH, has deferred revenue resulting from an upfront payment on a long-term lease arrangement.

Accounting Policy – Lease receivables

Deferred Revenue

The QTH consolidated entity, through DBCTH has deferred revenue resulting from an upfront payment on a long-term lease arrangement. The deferred revenue is amortised in proportion to the relevant lease payments.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
22 Deferred tax liabilities				
Attributable to temporary differences:				
Financial assets at fair value – AZJ	29,330	46,302	..	..
Investments in subsidiaries – DBCTH	178	178	..	..
	29,508	46,480	..	..

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
23 Interest bearing liabilities				
Current loans with QTC				
Lease loan *	1,351	1,288	..	..
Novation loan *	7,314	7,472	..	..
	8,665	8,760	..	..
Non-current loans with QTC				
Lease loan *	105,801	107,151	..	..
Novation loan *	7,160	14,474	..	..
	112,961	121,625	..	..

* The long-term Lease Loan and Novation Loan from QTC, is for a period of 50 and 20 years, respectively for each loan, unless terminated earlier. Interest on the loans is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

24 Commitments for expenditure

(a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	419	414	..	..
Later than one year and not later than five years	1,677	1,656	..	..
Later than five years	13,871	14,906	..	..
Total commitments	15,967	16,976	..	..

(b) Non-Capital operating expenditure commitments

Material operating expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	62,268	68,602	62,268	68,602
Later than one year and not later than five years	86,886	130,469	86,886	130,469
Later than five years	141,071	146,867	141,071	146,867
Total commitments	290,225	345,938	290,225	345,938

(c) Capital expenditure commitments

Material capital expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	18,735	1,086	18,735	1,086
Later than one year and not later than five years	16,479	52	16,479	52
Later than five years	..	..	..	..
Total commitments	35,214	1,138	35,214	1,138

25 Contingencies

Environmental obligations

The QTH controlled entity has exposure to claims made against it through its subsidiaries and associated companies in relation to any pre-existing contamination of land assets. At balance date, there have been no claims made against the QTH controlled entity.

Land tax

Under the Port of Brisbane Share Sale and Purchase Agreement, the State has agreed to pay to the Port lessee any portion of the Port lessee's land tax liability in years the land tax assessment for the leased area exceeds the estimated land tax assessment. The obligations are subject to certain conditions, including the lessee pursuing any objection available to it in relation to an assessment, and are limited to assessment years up to and including 30 June 2025.

26 Controlled entities

QTH is controlled by the department and its revenues, expenses, assets, liabilities and equity have been included within these financial statements. The Under Treasurer, as Trustee for the Treasurer of Queensland, holds a 60% beneficial interest in QTH, which comprises ownership of "A" class capital. The remaining 40% interest is held by the QTC for and on behalf of the Under Treasurer as the corporation sole of QTC. QTH acts as a corporate vehicle through which the Queensland Government invests in assets of strategic importance to the State. The QTH controlled entity is audited by the Auditor-General of Queensland.

QTH summarised financial statements:	2018 $'000	2017 $'000
Income Statement		
Net income	(27,930)	60,282
Expenses	(7,182)	(7,651)
Income tax (benefit)/expense	(12,523)	12,589
Operating result for the year (after income tax)	**(22,589)**	**40,042**
Balance Sheet		
Total assets	543,008	600,268
Total liabilities	(133,412)	(158,083)
Net Assets	**409,596**	**442,185**

	Net Assets	
Name of Controlled Entity	**2018 $000**	**2017 $000**
Queensland Treasury Holdings Pty Ltd holds 100% ownership interest in the following material subsidiaries:		
Controlled Entities of QTH		
City North Infrastructure Pty Ltd *	..	..
Queensland Lottery Corporation Pty Ltd (QLC)	2,743	2,741
Queensland Airport Holdings (Cairns) Pty Ltd***	..	..
Queensland Airport Holdings (Mackay) Pty Ltd***	..	..
Network Infrastructure Company Pty Ltd **	..	..
Brisbane Port Holdings Pty Ltd (BPH)	18,859	18,593
DBCT Holdings Pty Ltd	7,304	7,225

* City North Infrastructure Pty Ltd did not trade during the year and the company is in the process of deregistering.
** Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.
*** Act as lessors for the Mackay and Cairns airport assets under 99-year finance lease arrangements. As such all airport assets were derecognised and upfront funds received were repatriated to the State Consolidated Fund in 2009.

27 Investments in entities which are not controlled entities or associated companies

Name of entity	Principal activities	Percentage ownership 2018 %	Percentage ownership 2017 %	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Property Exchange Australia Ltd*	Develop then operate the national e-Conveyancing system	3.87%	3.97%	6,833	6,833

*originally known as National e-Conveyancing Development Limited

28 Events occurring after balance date

Subsequent to the end of financial year, the directors of the QTH consolidated entity declared a dividend of $10.0 million to be paid to the State in 2018-19.

29 Financial instruments

(a) *Accounting policy*

Recognition

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

Classification
Financial instruments are classified and measured as follows:

1. Financial assets – held at cost
   - Cash and cash equivalents
2. Financial assets – amortised cost
   - Receivables (mostly held at cost)
   - Lease receivables
   - Loans and advances
3. Financial assets at fair value through profit or loss – held at fair value
   - Other financial assets – Shares in Aurizon Holdings Ltd (AZJ)
4. Equity Instrument – held at cost
   - Other financial assets
5. Financial liabilities – held at amortised cost
   - Payables (held at cost)
   - Interest bearing liabilities – Commonwealth, QTC borrowings and Advances payable to GOC's

Valuation
Interest bearing liabilities are initially recognised at fair value, plus any transaction costs directly attributable to the interest-bearing liability, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument. The consolidated entity's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk. For discussion on managing credit risk, refer to notes 15 and 42.

(b) *Categorisation of financial instruments*

The consolidated entity has the following categories of financial assets and financial liabilities:

Category	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	14	120,270	130,229
Receivables*	15	107,252	107,306
Finance lease receivables	16	121,626	130,385
Other financial assets	17		
Shares – AZJ		237,830	294,404
Shares held in unlisted company at cost		6,833	6,833
QIC investments, Business Development Fund		39,630	20,000
Total		633,440	689,157
Financial liabilities			
Payables	20	39,916	34,767
Interest bearing liabilities	23	121,626	130,385
Total		161,542	165,152

*The loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025.

(c) *Financial risk management*

The consolidated entity's activities expose it to a variety of financial risks – credit risk (refer notes 15 & 42), liquidity risk and market risk.

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

The department and its controlled entities manage exposure to these financial risks through advice and consultation with QTC primarily in relation to borrowing activities. Risk management parameters are reviewed regularly to reflect changes in market conditions and changes to the department and its controlled entities' activities.

29 Financial instruments (continued)

(d) 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 QTH controlled entity is exposed to liquidity risk through the normal course of business.

The department and its controlled entity manage liquidity risk by ensuring that it has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts to match the expected duration of the various employee and supplier liabilities.

The QTH controlled entity is exposed to liquidity risk through its borrowings with QTC however this is mitigated by back to back arrangements on debt obligations.

The following table sets out the liquidity risk in relation to financial liabilities held by the department and its controlled entity. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period.

	Note	2018 payable in			Total undiscounted cash flow	Carrying amount
		< 1 year $'000	1 - 5 years $'000	> 5 years $'000	$'000	$'000
Financial liabilities						
Payables	20	39,916	..	..	39,916	39,916
Interest bearing liabilities	23	14,348	33,528	182,521	230,397	121,626
Total		54,264	33,528	182,521	270,313	161,542

	Note	2017 payable in			Total undiscounted cash flow	Carrying amount
		< 1 year $'000	1 - 5 years $'000	> 5 years $'000	$'000	$'000
Financial liabilities						
Payables	20	34,767	..	..	34,767	34,767
Interest bearing liabilities	23	14,862	41,135	188,992	244,989	130,385
Total		49,629	41,135	188,992	279,756	165,152

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect the department and its controlled entities income or value of its holdings of financial instruments. The objective is to manage and control market risk exposure within acceptable parameters, while optimising return within desired frameworks.

Interest rate risk

The QTH controlled entity is exposed to interest rate risk through the QTC Cash Fund which is capital guaranteed. All other financial assets and financial liabilities are fixed in nature. The QTH controlled entity is also exposed to credit risk primarily through its investments in the QTC Cash Fund.

Credit risk

The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rated counterparties. Deposits with the QTC Cash fund are capital guaranteed.

Equities risk

The QTH controlled entity is exposed to equities risk through its investment in AZJ shares valued at market prices.

Sensitivity analysis

Interest rates

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date. The following interest rate sensitivity analysis depicts the effect that a reasonably possible change in interest rates (assumed to be 1%) would have on the operating result and equity, based on the carrying values at the end of the reporting period:

29 Financial instruments (continued)

(e) ***Market risk (continued)***

2018 Interest rate risk

Financial instruments	Carrying amount	-1%		1%	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Cash *	83,023	(830)	(830)	830	830
Potential impact		(830)	(830)	830	830

* excludes fixed rate or non-interest bearing assets

2017 Interest rate risk

Financial instruments	Carrying amount	-1%		1%	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Cash*	77,113	(771)	(771)	771	771
Potential impact		(771)	(771)	771	771

* excludes fixed rate or non-interest bearing assets

Equities

Sensitivity analysis for equity instruments is based on a reasonably possible change in the ASX200 share price which is estimated at +/- 10% (2017: +/- 10%).

2018 Equities

Financial instruments	Carrying amount	-10%		10%	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Other financial assets – Shares – AZJ	237,830	(23,783)	(23,783)	23,783	23,783
Potential impact		(23,783)	(23,783)	23,783	23,783

2017 Equities

Financial instruments	Carrying amount	-10%		10%	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Other financial assets – Shares – AZJ	294,404	(29,440)	(29,440)	29,440	29,440
Potential impact		(29,440)	(29,440)	29,440	29,440

(f) ***Fair value***

Fair value hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB *13 Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques.

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

29 Financial instruments (continued)

(f) Fair value (continued)

According to the above hierarchy, the fair values of each class of asset recognised at fair value are as follows:

Class		Classification according to fair value hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	2018 Carrying amount Total $'000
Financial assets					
Cash and cash equivalents		37,250	83,020	..	120,270
Other financial assets – Shares – AZJ		237,830	..	..	237,830
Total		275,080	83,020	..	358,100

Class		Classification according to fair value hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	2017 Carrying amount Total $'000
Financial assets					
Cash and cash equivalents		53,117	77,112	..	130,229
Other financial assets – Shares – AZJ		294,404	..	..	294,404
Total		347,521	77,112	..	424,633

Classification of instruments into fair value hierarchy levels is reviewed annually, and any transfers are deemed to occur at the end of the reporting period. There were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3 during the year ended 30 June 2018.

Level 2 instruments for the QTC Cash Fund are measured at net realisable value.

The fair values of financial assets and liabilities not carried at fair value at balance date are as follows:

	Note	2018 Carrying amount $'000	2018 Fair value $'000	2017 Carrying amount $'000	2017 Fair value $'000
Financial asset					
Loan receivable ^	15	47,534	54,243	49,938	57,894
Licence fee receivable ^	15	52,714	64,415	48,123	60,069
Total		100,248	118,658	98,061	117,963

^ QTH only

For financial assets and financial liabilities, fair values have been based on the following:

- Loans and advances are discounted to present value using a discount rate considering the entity specific risks and using valuation techniques.
- The lease receivable and associated interest-bearing liabilities (lease loan and novation loan) are back to back leasing arrangements held by DBCTH. Both the lease receivable and associated loan fair values are reasonably approximate to the carrying value at balance date due to the offsetting nature of these arrangements.

30 Budget vs Actual comparison - Controlled

NB. A budget vs actual comparison, and explanations of major variances, has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

Explanation of major variances for Statement of Comprehensive Income

Note 4. User charges and fees – The increase is primarily driven by the volume and values of reimbursable projects managed by the Commercial Group unknown during budget development ($1.030M). Also contributing is $0.389M in the OSR which primarily relates to greater than anticipated contribution to the QGrants system from other departments, $0.368M higher than expected corporate support charges and $0.184M unbudgeted salary reimbursements received. This is partially offset by $0.209M in lower than anticipated licencing charges and self-insurance levies in OIR.

Face Other revenue – The increase is primarily due to unbudgeted revenue of $0.242M from the Department of Natural Resources, Mines and Energy (DNRME) and OIR for works associated with finance systems, $0.199M higher than anticipated OIR fines and forfeiture revenue, and $0.178M in the OSR for proceeds of legal proceedings.

Note 10. Grants and subsidies – The increase is mainly due to greater than budgeted grant payments of $2.350M in the OIR primarily relates to grants paid to the Queensland Ambulance Service (QAS). Also contributing are grant payments of $2.032M to the Department of Environment and Science and DNRME for the Financial Assurance Framework Reforms.

Face Depreciation and amortisation – The decrease relates to $3.720M in the OSR due to a changed capitalisation schedule for capital expenditure associated with the OSR Transformation Program and Secure the Integrity of the State Revenue Base.

Note 11. Impairment expenses – The increase reflects the annual review of the Business Development Fund investments.

Note 12. Other expenses – The increase primarily relates to the recognition of appropriation payable resulting from the re-profiling of a number of departmental projects and initiatives from 2017-18 to future years, in accordance with section 3B.2 of the Financial Reporting Requirements.

Explanation of major variances for Statement of Financial Position

Note 14. Cash and cash equivalents – The increase is primarily due to increased payables ($37.816M) at 30 June, partially offset by cash returned to the Consolidated Fund as a result of conversion from equity to output funding ($14M).

Note 17. Other financial assets – The increase relates to investment by the Business Development Fund. The Fund supports the growth of angel and venture capital funding available to Queensland businesses, thereby strengthening Queensland's entrepreneurial and start-up ecosystem.

Note 18. Intangible assets – The increase is mainly due to lower than anticipated amortisation costs as a result of a changed amortisation schedule for capital expenditure associated with the OSR Transformation Program and Secure the Integrity of the State Revenue Base. Also contributing is unbudgeted capital expenditure associated with the Financial Assurance Framework Reforms.

Note 20. Payables (Current) - The increase is mainly due to $18.697M in appropriation payable resulting from re-profiling of a number of departmental programs and initiatives from 2017-18 to future years. Also contributing are higher than anticipated operational payables primarily in OSR and the State Penalties Enforcement Registry.

Face Payables (Non-current) – The increase is a result of the straight-line methodology adopted for lease expenses after assessing the application of AASB 117 to leased property portfolio.

Explanation of major variances for Statement of Cash Flows

Operating Activity inflows

GST input tax credits from ATO – The variance is due to the amount of Input tax credits paid by the Australian Taxation Office (ATO) for supplier invoices processed which were not budgeted for.

Other – The increase is primarily due to unbudgeted revenue of $0.242M from the DNRME and OIR for works associated with the finance systems, $0.199M in higher than anticipated OIR fines and forfeiture revenue, and $0.178M in unbudgeted OSR proceeds from legal proceedings.

Operating Activity outflows

Grants and subsidies – The increase is mainly due to greater than budgeted grant payments of $2.350M in OIR primarily relating to grants paid to QAS. Also contributing are grant payments of $2.032M to the Department of Environment and Science and DNRME associated with the Financial Assurance Framework Reforms.

GST remitted to ATO – The variance is due to GST input credit collected and remitted to the ATO for customer invoices processed which were not budgeted for.

Other – The increase primarily relates to the CleanCo project, unbudgeted goods and services received below fair value and a cost reimbursement paid to the Department of Justice and Attorney-General.

Investing Activity outflows

Payments for property, plant and equipment – The decrease is due to a lower than anticipated asset replacement.

Payments for investments – The increase relates to additional investment by the Business Development Fund.

Payments for intangibles – The increase primarily relates to $0.980M additional capital acquisition associated with the implementation of the Financial Assurance Framework Reforms. Also contributing is higher than expected capital acquisition associated with the OSR Transformation Program and a number of unbudgeted software acquisitions in OIR.

Financing Activity inflows

Equity injections – The increase primarily relates to $10M in additional investment by the Business Development Fund and $5.445M to implement the Financial Assurance Framework.

Financing Activity outflows

Equity withdrawals – The increase primarily relates to a conversion of $14M from equity to appropriation funding. Also contributing is the payments of $3.691M in capital funding associated with the Financial Assurance Framework Reforms to other Government departments through equity transfers.

	Notes	2018 Actual $'000	2018 Adjusted Budget $'000	2018 Budget Variance* $'000	2017 Actual $'000
Income and expenses administered on behalf of the whole-of-government					
Income from continuing operations					
Revenue					
Grants and other contributions	31	19,859,938	19,917,397	(57,459)	19,559,579
Taxes	32	10,818,926	10,925,654	(106,728)	10,630,683
Royalties	33	4,263,206	3,332,706	930,500	3,846,737
Interest	34	35,580	53,351	(17,771)	54,941
Appropriation revenue	35	5,944,629	6,124,065	(179,436)	6,082,395
User charges and fees		71,248	73,587	(2,339)	105,390
Other revenue	36	381,050	369,871	11,179	358,015
Total income from continuing operations		41,374,578	40,796,631	577,947	40,637,740
Expenses from continuing operations					
Supplies and services	37	157,855	160,221	(2,366)	167,796
Losses on receivables	38	88,014	57,844	30,170	10,042
Finance/borrowing costs	39	1,389,795	1,440,314	(50,519)	1,811,934
Grants and subsidies		296,563	355,577	(59,014)	221,531
Other expenses	40	4,070,449	4,167,953	(97,504)	3,865,550
Total expenses from continuing operations		6,002,677	6,181,909	(179,232)	6,076,853
Operating result from continuing operations before transfers to government		35,371,901	34,614,722	757,179	34,560,887
Operating result for the year before transfers to government		35,371,901	34,614,722	757,179	34,560,887
Transfers of administered revenue to government		35,371,901	34,614,722	757,179	34,560,887
Total administered comprehensive income		..	..	..	..

*** An explanation of major variances is included at Note 49.**

The accompanying notes form part of these statements.

	Notes	2018 Actual $'000	2018 Adjusted budget $'000	2018 Budget variance* $'000	2017 Actual $'000
Assets and liabilities administered on behalf of the whole-of-government					
Current assets					
Cash assets	41	(3,825,484)	(2,769,642)	(1,055,842)	(2,731,190)
Receivables	42	944,288	1,056,513	(112,225)	973,827
Other current assets	43	8,468	18,893	(10,425)	8,641
Total current assets		(2,872,728)	(1,694,236)	(1,178,492)	(1,748,722)
Non-current assets					
Receivables	42	75,672	91,105	(15,433)	88,471
Total non-current assets		75,672	91,105	(15,433)	88,471
Total administered assets		(2,797,056)	(1,603,131)	(1,193,926)	(1,660,251)
Current liabilities					
Payables	44	168,900	42,642	126,258	75,655
Transfer to government payable **		903,842	1,233,061	(329,219)	1,019,690
Interest bearing liabilities	45	2,298,345	516,628	1,781,717	1,359,316
Other liabilities	46	38,290	40,114	(1,824)	40,067
Total current liabilities		3,409,377	1,832,445	1,576,932	2,494,728
Non-current liabilities					
Interest bearing liabilities	45	28,250,395	30,623,173	(2,372,778)	30,329,534
Total non-current liabilities		28,250,395	30,623,173	(2,372,778)	30,329,534
Total administered liabilities		31,659,772	32,455,618	(795,846)	32,824,262
Administered net assets		(34,456,828)	(34,058,749)	(398,080)	(34,484,513)

*** An explanation of major variances is included at Note 49.**

The accompanying notes form part of these statements.

** Accounting Policy – Administered receipts

In accordance with the *Financial Accountability Act 2009*, all administered revenue is to be recorded as received in the Treasurer's consolidated fund operating account. The accounts are prepared on an accrual basis of accounting as outlined in note 1(b).

	Notes	2018 $'000	2017 $'000
Cash flows administered on behalf of the whole-of-government			
Cash flows from operating activities			
Inflows			
Administered item receipts		5,876,589	6,190,887
Grants and other contributions		19,859,938	19,574,309
Taxes		10,814,097	10,625,687
Royalties		4,393,695	3,848,675
Finance income		33,047	52,879
GST input tax credits from ATO		4,384	5,217
Other		404,653	470,907
Outflows			
Transfers to government		(35,479,344)	(34,603,883)
Grants and subsidies		(296,563)	(221,507)
Finance costs		(1,350,336)	(1,532,722)
Supplies and services		(162,197)	(173,005)
GST remitted to ATO		(19,126)	(18,936)
Other		(4,042,415)	(3,820,559)
Net cash provided by/(used in) operating activities		36,421	397,949
Cash flows from investing activities			
Inflows			
Loans and advances received		21,206	21,345
Outflows			
Loans and advances made		(3,935)	(445)
Net cash provided by/(used in) investing activities		17,271	20,900
Cash flows from financing activities			
Inflows			
Equity injections		112,870	1,008,736
Advances received from GOCs		3,213,790	1,398,212
Borrowings		159	18,534
Transfer from redraw		1,000,000	472,066
Outflows			
Borrowing redemptions		(12,276)	(1,019,472)
Transfer to redraw		(3,065,000)	(2,505,000)
Advance redemptions to GOCs		(2,312,342)	(53,153)
Equity withdrawals		(85,187)	(332,944)
Net cash provided by/(used in) financing activities		(1,147,986)	(1,013,021)
Net increase/(decrease) in cash and cash equivalents		(1,094,294)	(594,172)
Administered cash and cash equivalents at beginning of financial year		(2,731,190)	(2,137,018)
Administered cash and cash equivalents at end of financial year	41	(3,825,484)	(2,731,190)

The accompanying notes form part of these statements.

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Administered comprehensive income		
Non cash finance cost adjustments	(1,787)	(4,317)
QTC market value realisation charges	..	303,720
Interest expense on QTC loans	33,288	(24,774)
Change in assets and liabilities:		
(Increase)/decrease in receivables	29,128	(27,554)
(Increase)/decrease in appropriation receivable	..	108,491
(Increase)/decrease in other assets	173	11,975
Increase/(decrease) in payables	79,221	713
Increase/(decrease) in appropriation payable	14,024	68,040
Increase/(decrease) in transfers to government payable	(115,849)	(42,997)
Increase/(decrease) in other liabilities	(1,777)	4,652
Net cash provided by/(used in) operating activities	36,421	397,949

Reconciliation of Liabilities Arising from Financing Activities
for the year ended 30 June 2018

			Non-Cash Changes			Cashflows		
	Notes	Opening balance $'000	Transfers to/(from) other Queensland Government Entities $'000	New Leases Acquired $'000	Interest & Admin Fees $'000	Cash Received $'000	Cash Repayments $'000	Closing balance $'000
Assets and liabilities administered on behalf of the whole-of-government								
Current liabilities								
Interest bearing liabilities	45	1,359,316	..	..	49,858	3,213,790	(2,324,619)	2,298,345
Non-current liabilities								
Interest bearing liabilities	45	30,329,534	..	..	(14,298)	1,000,159	(3,065,000)	28,250,395
Total administered liabilities		31,688,850	..	..	35,560	4,213,949	(5,389,619)	30,548,740

	Economic and Fiscal Co-ordination		Revenue Management		Industrial Relations		Other *		Inter-service/activity eliminations		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income and expenses administered on behalf of the whole-of-government												
Income from continuing operations												
Revenue												
Grants and other contributions	19,859,938	19,544,833	..	..	..	..	..	14,746	..	..	19,859,938	19,559,579
Taxes	1,275	..	10,846,227	10,642,412	..	..	..	..	(28,576)	(11,729)	10,818,926	10,630,683
User charges and fees	..	..	47,891	48,632	23,357	56,758	..	..	..	..	71,248	105,390
Royalties	..	..	4,263,206	3,846,737	..	..	..	..	..	..	4,263,206	3,846,737
Interest	..	..	16,623	17,027	..	..	28,335	48,016	(9,378)	(10,102)	35,580	54,941
Appropriation revenue	184,314	180,009	234,246	179,833	..	..	5,526,069	5,722,553	..	..	5,944,629	6,082,395
Other revenue	142,263	119,877	223,394	221,778	..	..	15,393	16,360	..	..	381,050	358,015
Total income from continuing operations	20,187,790	19,844,719	15,631,587	14,956,419	23,357	56,758	5,569,797	5,801,675	(37,954)	(21,831)	41,374,577	40,637,740
Expenses from continuing operations												
Supplies and services	126,477	136,905	5,222	5,086	..	..	26,156	25,805	..	..	157,855	167,796
Losses on receivables	..	..	88,014	10,078	..	(36)	..	..	..	..	88,014	10,042
Grants and subsidies	50,567	34,539	200,242	162,899	..	..	45,754	24,093	..	..	296,563	221,531
Finance/borrowing cost	..	..	205	119	..	..	1,398,968	1,821,917	(9,378)	(10,102)	1,389,795	1,811,934
Other expenses	7,270	8,565	28,576	11,730	..	..	4,063,179	3,856,984	(28,576)	(11,729)	4,070,449	3,865,550
Total expenses from continuing operations	184,314	180,009	322,259	189,912	..	(36)	5,534,057	5,728,799	(37,954)	(21,831)	6,002,676	6,076,853
Operating result from continuing operations before transfers to government	20,003,476	19,664,710	15,309,328	14,766,507	23,357	56,794	35,740	72,876	..	..	35,371,901	34,560,887
Transfers of administered comprehensive income to government	20,003,476	19,664,710	15,309,328	14,766,507	23,357	56,794	35,740	72,876	..	..	35,371,901	34,560,887
Total administered comprehensive income	..	..	..	..	..	..	..	..	..	..	..	..

* Includes superannuation, whole-of-government offset account, central schemes (insurance, annual leave and long service leave), and other administered items.

Accounting Policy – Allocation of revenues and expenses from ordinary activities of corporate services

The department allocates revenues and expenses attributable to corporate services to its controlled departmental services in the Statement of Comprehensive Income based on the average usage patterns of the services' key drivers of costs.

	Economic and Fiscal Co-ordination		Revenue Management*		Industrial Relations*		Other **		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets and liabilities administered on behalf of the whole-of-government										
Current assets										
Cash and cash equivalents	(41,198)	(96,362)	91,864	68,086	..	..	(3,876,150)	(2,702,914)	(3,825,484)	(2,731,190)
Receivables	54,116	30,357	860,151	900,464	..	8,333	30,021	34,673	944,288	973,827
Other current assets	148	146	..	..	..	..	8,320	8,495	8,468	8,641
Total current assets	13,066	(65,859)	952,015	968,550	..	8,333	(3,837,809)	(2,659,746)	(2,872,728)	(1,748,722)
Non-current assets										
Receivables	..	..	..	..	..	..	75,672	88,471	75,672	88,471
Total non-current assets	..	..	..	..	..	..	75,672	88,471	75,672	88,471
Total administered assets	13,066	(65,859)	952,015	968,550	..	8,333	(3,762,137)	(2,571,275)	(2,797,056)	(1,660,251)
Current liabilities										
Payables	162,233	7,409	(22,547)	(24,083)	..	..	29,214	92,329	168,900	75,655
Transfer to government payable	(40,170)	35,727	935,826	952,120	..	8,333	8,186	23,510	903,842	1,019,690
Interest bearing liabilities	..	..	..	..	..	..	2,298,345	1,359,316	2,298,345	1,359,316
Other liabilities	..	..	38,290	40,067	..	..		..	38,290	40,067
Total current liabilities	122,063	43,136	951,569	968,104	..	8,333	2,335,745	1,475,155	3,409,377	2,494,728
Non-current liabilities										
Interest bearing liabilities	..	..	..	..	..	..	28,250,395	30,329,534	28,250,395	30,329,534
Total non-current liabilities	..	..	..	..	..	..	28,250,395	30,329,534	28,250,395	30,329,534
Total administered liabilities	122,063	43,136	951,569	968,104	..	8,333	30,586,140	31,804,689	31,659,772	32,824,262
Administered net assets	(108,997)	(108,995)	446	446	..	..	(34,348,277)	(34,375,964)	(34,456,828)	(34,484,513)

* The department has systems in place to allocate assets and liabilities by Major Departmental Services.

** Includes superannuation, whole-of-government offset account and central schemes (insurance, annual leave and long service leave), and other administered items .

	2018 $'000	2017 $'000

31 Grants and other contributions

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
GST revenue grant	15,128,564	13,939,043
National Partnership Payments - capital project	1,660,539	2,660,997
National Partnership Payments - recurrent project	477,773	557,297
Specific purpose - recurrent		
- Schools	1,551,299	1,414,448
- Skills and workforce development	299,240	296,292
- Disability services	406,317	341,285
- Affordable housing	272,138	269,497
Other	64,070	80,720
	19,859,938	19,559,579

* Refer note 5 accounting policy.

32 Taxes

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Taxes		
Duties	4,497,502	4,683,602
Payroll tax	3,947,625	3,735,578
Land tax	1,182,968	1,083,395
Gaming machine tax	715,054	683,767
Gold Lotto	221,960	206,793
Casino tax	104,092	98,466
Golden Casket	33,481	33,672
Keno tax	20,282	20,452
Wagering tax	9,452	9,917
Other taxes	1,961	2,241
	10,734,377	10,557,883
Levies		
Health services levy	84,549	72,800
	84,549	72,800
	10,818,926	10,630,683

Accounting Policy – Taxes
The main revenue streams and the governing Acts which underpin them include:

- *Duties Act 2001*
- *Payroll Tax Act 1971*
- *Land Tax Act 2010*
- *Taxation Administration Act 2001*
- *Local Government Act 2009, (National Tax Equivalents Regime (NTER))*
- *Gaming Machine Act 1991, Casino Control Act 1982, Keno Act 1996, Lotteries Act 1997 and Wagering Act 1998 (administered by The Office of Liquor and Gaming Regulation (OLGR))*

32 Taxes (continued)

Revenue is recognised when one or more of the following events are satisfied:

- the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably
- the assessment is raised by the self-assessor (a person who lodges transactions online), predominantly for payroll tax and duties. Additional revenue is recognised upon amended assessment
- the assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits, predominantly for land and gaming taxes
- tax penalty and interest revenue is recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

33 Royalties

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Mining royalties	4,263,206	3,846,737
	4,263,206	3,846,737

Accounting Policy – Royalties

The main revenue streams and the governing Acts which underpin them include:

- *Mineral Resources Act 1989, Petroleum and Gas (Production and Safety Act) 2004*
- *Taxation Administration Act 2001*

Revenue is recognised when one or more of the following events are satisfied:

- the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably
- the assessment is raised by the self-assessor (a person who lodges transactions online), additional revenue is recognised upon amended assessment
- the assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits
- tax penalty and interest revenue is recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

34 Interest

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Interest from investments	13,825	32,748
Interest from trust funds *	16,623	17,027
Time value financial assets (non-cash)	3,915	4,101
Interest from loans	1,097	952
Other	120	113
	35,580	54,941

* interest collected from Trust Funds under the *Property Occupations and Motor Dealers and Chattel Auctioneers Act 2014*.

35 Appropriation revenue

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Budgeted administered item appropriation and equity	6,194,203	5,762,535
Transfer (to)/from other departments	14,667	25,628
Transfer (to)/from other heading	..	11,697
Lapsed appropriation	(219,792)	..
Unforeseen expenditure	..	1,068,359
Total administered item receipts including equity	5,989,078	6,868,219
Less opening balance of administered item receivable	..	(108,491)
plus opening balance of administered deferred appropriation payable	68,040	..
Less closing balance of administered deferred appropriation payable	(82,064)	(68,040)
Net approriation revenue	5,975,054	6,691,688
Plus deferred appropriation expense payable to Consolidated Fund	82,064	68,040
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	6,057,118	6,759,728
This is represented by:		
Administered item revenue recognised in Statement of Comprehensive Income	5,944,629	6,082,395
Appropriated equity adjustment recognised in equity injection/(withdrawal)	112,489	677,333
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	6,057,118	6,759,728

36 Other revenue

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
SPER fines	219,731	218,130
Competitive neutrality fees	137,846	114,756
Proceeds of crime from the Public Trustee	8,137	11,103
Miscellaneous receipts	15,336	14,026
	381,050	358,015

Accounting Policy – Other revenue and user charges and fees

The *State Penalties Enforcement Act 1999* largely covers administrative arrangements for the enforcement and recovery of court ordered fines, related levies and unpaid infringement notices. Revenue is recognised when the unpaid penalty, fine or levy has been transferred and registered with SPER, such as court, traffic offences and tolling fines. Additional income from enforcement fees on overdue fines is recognised when they are subject to further enforcement action.

Administered user charges and fees primarily relate to SPER administration fees which are brought to account when the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably. This occurs on registration of the default certificate where the amount unpaid is increased by the amount of the registration fee.

Competitive neutrality fees are a requirement for Government business activities to pay taxes (or tax equivalents) to remove benefits (and costs) as a result of their public ownership which accrue to Government business activities when competing with the private sector.

	2018 $'000	2017 $'000

37 Supplies and services

Administered on behalf of the whole-of-government		
GST administration expense remitted to the Commonwealth	126,477	136,905
Reinsurance expense	25,213	25,403
Administration fees	1,432	916
Other	4,732	4,572
	157,855	167,796

38 Impairment losses on receivables

Administered on behalf of the whole-of-government		
Impairment losses on receivables – Taxation	10,571	1,174
Impairment Loss Reversals - SPER	(71,000)	(14,000)
Bad debts written off *	148,442	22,868
	88,014	10,042

* Debt Write Off Guidelines 1/2013, enables the SPER Registrar to write off bad debts in all circumstances in which it is unlikely the debts could be recovered cost effectively. Includes bad debts written off directly, not through provision for impairment, $128.4 million (refer to note 42).

39 Finance/borrowing costs

Administered on behalf of the whole-of-government		
Interest on loans – QTC	1,305,337	1,468,965
Interest paid by Treasury Offset Bank Account	1,856	1,871
Interest on loans – Commonwealth Government	1,063	914
Interest - other	57,565	12,630
Market Value Realisation charge on repayment of QTC borrowings	..	303,720
Administration fees	21,846	24,053
Unwind concessional loan discount - Commonwealth borrowings	2,295	1,005
Concessional loan discount - NDRRA loans *	(166)	(1,224)
	1,389,795	1,811,934

* represents the discount on initial recognition of NDRRA loans.

40 Other expenses

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Superannuation benefit payments	1,720,696	1,669,447
Annual leave central scheme claims paid	1,716,867	1,605,539
Long service leave reimbursements	411,868	372,644
Queensland Government Insurance Fund claims	131,209	121,956
Ex-gratia payments *	7,270	8,522
Sundry	82,539	87,442
	4,070,449	3,865,550

* A portion of dividends and tax equivalent payments received by the State under the National Tax Equivalents Regime are paid to local governments via ex gratia payments from Treasury administered.

41 Cash assets

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Cash at bank	(3,825,484)	(2,731,190)
Comprised of:		
Whole-of-Government Treasury Offset arrangement *	(3,899,974)	(2,735,481)
Other administered bank accounts	74,490	4,291
	(3,825,484)	(2,731,190)

* The WoG Treasury offset arrangement incorporates the Treasury Offset Bank Account which is an overdraft facility as required under section 49 (1) of the *Financial Accountability Act 2009* and a QTC Working Capital Facility. This overdraft facility is part of an offset arrangement with other departmental bank accounts and is considered in determining the interest earned on the WoG position. Cash at bank is an aggregate of Treasury administered bank accounts including the Treasury Offset Bank Account.

In addition, Treasury has established another offset arrangement with the Commonwealth Bank of Australia to maximise interest earned on surplus cash balances held by departmental bank accounts that do not fall within the WoG offset arrangement.

The QTC Cash Advances Fund is utilised to transfer government-owned corporations' surplus funds to the Treasury Offset arrangement (refer note 45).

The QTC Working Capital Facility is used for short term borrowings. The market value of the borrowings in the QTC Working Capital Facility at 30 June 2018 is represented by its book value (as notified by QTC). Interest is calculated daily based on the Reserve Bank's official cash rate. Interest is charged at rates between 1.5% and 1.8% (2017: between 2.05% to 1.5%) along with an administration margin of 0.10% (2017: 0.10%).

A post balance date transfer of $0.5b (2017: $1.0b) occurred from the QTC borrowings to the WoG Treasury Offset Arrangement in line with the department's operating requirements, also refer note 45.

42 Receivables

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Current		
Debtors*	1,250,928	1,367,712
Less allowance for impairment*	(390,258)	(450,803)
	860,670	916,909
Competitive neutrality fees	36,002	29,403
Other advances	19,672	20,084
Sundry receivable	27,695	7,209
GST input tax credits receivable	249	223
	83,618	56,919
	944,288	973,828
Non-current		
Other advances	75,003	87,058
Sundry receivable	669	1,413
	75,672	88,471
	1,019,959	1,062,299

* The debtors balance includes receivables of $1006.7 million (2017: $980.2 million) for SPER fines. As at 30 June 2018, $345.0 million of the fines receivable were impaired (2017: $416.0 million) representing 34% of the total amount receivable (2017: 42%).

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Overdue		
Less than 30 days	31,586	65,641
30 to 60 days	22,762	26,850
61 to 90 days	31,104	26,068
Greater than 90 days	679,185	686,155
Total overdue	764,637	804,714

	2018 $'000	2017 $'000
Movements in allowance for impairment of impaired receivables		
Balance at 1 July	450,803	463,629
Amounts written off during the year	(20,054)	(22,868)
OIR MoG transfer out	(117)	..
Increase/(decrease) recognised in Statement of Comprehensive Income *	(40,373)	10,042
Balance at 30 June	390,258	450,803

* does not include amounts written off directly to bad debts expense, $128.4 million, (refer note 38).

Accounting Policy - Receivables

Administered receivables are recognised in line with revenue criteria, explained in notes 32–33.

42 Receivables (continued)

Ageing of individually impaired Receivables

Administered on behalf of the whole-of-government	2018			2017		
	Gross Receivables*	Allowance for impairment	Carrying amount	Gross Receivables*	Allowance for impairment	Carrying amount
Not due/overdue	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Not yet due	200	(200)	..	32	(32)	..
Less than 30 days	844	(844)	..	194	(194)	..
30 to 60 days	530	(530)	..	1,049	(1,049)	..
61 to 90 days	533	(533)	..	610	(610)	..
Greater than 90 days	43,151	(43,151)	..	32,918	(32,918)	..
Total overdue	45,258	(45,258)	..	34,803	(34,803)	..

* gross receivables should be those receivables that have been individually impaired and not the total gross receivables in note 42 above.

Credit risk exposure of receivables

The department manages credit risk using a credit management strategy. This strategy focuses on the prompt collection of revenues due and payable to the department and follow up of outstanding fees and charges within specified timeframes. Exposure to credit risk is monitored on an ongoing basis.

Risk assessments are performed upon non-payment of debt and maintained in the State Revenue Risk Register with assigned risk ratings. Under this risk based revenue management framework compliance plans are developed with reference to the debt management strategies.

An allowance for impairment for tax collections is calculated based on the solvency status of the debtor and the age of the debt. SPER debts are impaired on consideration of the likelihood of collectability with reference to historical activity for the specific debt types being assessed. Historical activity of the specific debt is determined based on a debt resolution rate. Debt resolution rates include rates of debt resolved through payment, non-monetary satisfaction, recalled or withdrawn by issuing agencies, or written-off as unrecoverable. Management judgement is required in assessing the debt resolution rates.

A number of debt collection measures are undertaken including the exercising of legislative powers contained within the *Taxation Administration Act 2001* and the *State Penalties Enforcement Act 1999*, prior to impairing debt. 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, the amount is impaired, then subsequently 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 as a bad debt expense and written off directly against receivables.

3 Other current assets

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Accrued revenue	148	146
Prepayments	8,320	8,495
	8,468	8,641

4 Payables

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Deferred appropriation payable to Consolidated Fund	82,064	68,040
Grants payable	80,903	..
Trade creditors	931	1,039
Other creditors	5,002	6,576
	168,900	75,655

45 Interest Bearing Liabilities

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Current		
Advances payable to GOC's*	2,284,333	1,345,079
Commonwealth borrowings	14,011	14,237
	2,298,345	1,359,316
Non-current		
QTC borrowings **	28,195,628	30,265,029
Commonwealth borrowings	58,891	70,782
Less concessional loan discount and unwind	(4,123)	(6,277)
	28,250,395	30,329,534

* Government Owned Corporations (GOCs) are required to make any surplus cash available to the General Government Sector through modified set-off banking arrangements. Advances are made to the Treasury Offset Bank Account Arrangement (refer note 41). QTC charge interest at rates between 4.1% and 2.23% (2016–17: between 3.39% and 2.50%) along with an administration margin of 0.15% (2016–17: 0.15%).
** Interest of between 4.48% and 3.56% (2016-17: between 4.75% and 2.50%) is charged on WoG borrowings with QTC.

46 Other liabilities

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Unearned revenue	37,840	39,500
Sundry liabilities	450	567
	38,290	40,067

Accounting Policy – Unearned revenue

Administered unearned revenue are recognised when money is receipted prior to the recognition criteria being met for revenue, as explained in notes 32-33.

47 Contingencies

Administered on behalf of WoG

Litigation in progress

As at 30 June 2018, the following number of cases were filed in the courts:

	Cases	Estimated Amount $'000
Supreme Court	9	1,617
Civil and Administrative Tribunal	14	7,766
Total	23	9,383

These cases relate to revenue collected by the Office of State Revenue. The department's legal advisers and management believe there is insufficient information available to determine the outcome of the abovementioned cases. Accordingly, no provision has been taken up in Treasury's financial statements.

48 Financial instruments

(a) Categorisation of financial instruments

Administered on behalf of the whole-of-government			
Category	**Notes**	**2018 $'000**	**2017 $'000**
Financial assets			
Cash and cash equivalents	41	(3,825,484)	(2,731,190)
Receivables*	42	1,019,959	1,062,298
Other accrued revenue	43	148	146
Total		(2,805,377)	(1,668,746)
Financial liabilities			
Payables	44	168,900	75,655
Transfer to government payable		903,842	1,019,690
Advances payable to GOCs	45	2,284,333	1,345,079
QTC borrowings**	45	28,195,628	30,265,029
Commonwealth borrowings held at amortised cost*	45	68,779	78,742
Other liabilities	46	450	567
Total		31,621,932	32,784,762

* Natural Disaster Relief and Recovery Arrangements loans (NDRRA) are carried at amortised cost, $94.7 million (2017: $107.1 million). Interest is charged on NDRRA loans at a predetermined rate and recognised as an expense as it accrues. Repayments are received yearly in arrears. The Commonwealth Attorney-General's Department – Emergency Management Australia determines the annual interest rate to be applied to the loans. In the 2017–18 year the interest rate was 1.25% (2017: 1.16%), which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2017.

** Interest is charged on WoG borrowing with QTC at rates of between 3.56% and 4.48% (2017: between 2.50% and 4.75%) along with an administration margin at rates between 0.07% and 0.15% (2017: between 0.07% and 0.15%) which is accrued and paid quarterly to QTC.

(b) Financial risk management

The department's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk. For discussion on managing credit risk refer to note 42.

The department adopts a risk-based revenue management framework in conjunction with debt management strategies to manage credit risk, refer to note 42 Receivables for further information.

The management of financial risks is integral to Treasury's overall governance framework. The department has adopted various strategies for the mitigation of each risk category, including active monitoring by the Fiscal Strategy Division of borrowings by the State on behalf of WoG.

It is assisted in the discharge of these responsibilities through the provision of professional advice and assistance by the QTC (borrowings and short-term investments).

The department's internal financial reporting framework and oversight by the Executive Leadership Team also contribute to the effective management of financial risks.

(c) Liquidity risk

The department is exposed to liquidity risk in respect of its payables, Commonwealth borrowings, borrowings from QTC for the Floating Rate Government Debt Pools and Advances payable to GOCs.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on amortised cost.

QTC borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five-year time band with no interest payment assumed in this time band.

48 Financial instruments (continued)

(c) Liquidity risk (continued)

Administered on behalf of the whole-of-government

	Notes	2018 payable in < 1 year $'000	2018 payable in 1 - 5 years $'000	2018 payable in > 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	44	168,900	..	..	168,900	168,900
Transfer to government payable		903,842	..	..	903,842	903,842
Commonwealth borrowings*	45	14,923	40,425	20,618	75,966	72,902
Advances payable to GOCs	45	2,284,333	..	..	2,284,333	2,284,333
QTC borrowings	45	1,187,885	4,749,129	28,165,988	34,103,002	28,195,628
Other liabilities	46	450	..	..	450	450
Total		4,560,333	4,789,554	28,186,606	37,536,493	31,626,055

Administered on behalf of the whole-of-government

	Notes	2017 payable in < 1 year $'000	2017 payable in 1 - 5 years $'000	2017 payable in > 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	44	75,655	..	..	75,655	75,655
Transfer to government payable		1,019,690	..	..	1,019,690	1,019,690
Commonwealth borrowings*	45	15,579	42,387	30,657	88,623	85,019
Advances payable to GOCs	45	1,345,079	..	..	1,345,079	1,345,079
QTC borrowings	45	1,295,804	5,318,992	31,230,988	37,845,784	30,265,029
Other liabilities	46	567	..	..	567	567
Total		3,752,374	5,361,379	31,261,645	40,375,398	32,791,039

*Carrying amount excludes amortised cost component of Commonwealth borrowings.

(d) Market risk

Whilst Treasury (administered) does not trade in foreign currency, the mining industry is impacted by changes in the Australian dollar exchange rate and commodity prices, which may impact the royalty revenue received. The department is exposed to interest rate risk through its borrowings, loans and advances and cash deposited in interest bearing accounts.

(e) Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome on comprehensive income if interest rates were to change by +/- 1% from the year end rates applicable to the department's financial assets and liabilities. This is mainly attributable to the department's exposure to variable interest rates on its borrowings from QTC, the Commonwealth and cash holdings.

48 Financial instruments (continued)

(e) *Interest rate sensitivity analysis*

Administered on behalf of the whole-of-government

Financial instruments	Carrying amount	2018 Interest rate risk -1% Transfer to government	2018 Interest rate risk -1% Equity	2018 Interest rate risk 1% Increase in appropriation revenue	2018 Interest rate risk 1% Equity
	$'000	$'000	$'000	$'000	$'000
Cash	(3,899,974)	39,000	39,000	(39,000)	(39,000)
Receivables					
Loans and advances	72,902	(729)	(729)	729	729
Interest bearing liabilities					
Commonwealth borrowings	72,902	729	729	(729)	(729)
Advances payable to GOCs	2,284,333	22,843	22,843	(22,843)	(22,843)
QTC borrowings – Fixed Rate Debt Pool	7,898,663	..	..	..	..
QTC borrowings – General Debt Pool (floating rate)	20,296,965	14,073	14,073	(12,821)	(12,821)
Potential impact		75,916	75,916	(74,664)	(74,664)

Administered on behalf of the whole-of-government

Financial instruments	Carrying amount	2017 Interest rate risk -1% Transfer to government	2017 Interest rate risk -1% Equity	2017 Interest rate risk 1% Increase in appropriation revenue	2017 Interest rate risk 1% Equity
	$'000	$'000	$'000	$'000	$'000
Cash	(2,735,481)	27,355	27,355	(27,355)	(27,355)
Receivables					
Loans and advances	85,019	(850)	(850)	850	850
Interest bearing liabilities					
Commonwealth borrowings	85,019	850	850	(850)	(850)
Advances payable to GOCs	1,345,079	13,451	13,451	(13,451)	(13,451)
QTC borrowings – Fixed Rate Debt Pool	7,898,605	..	..	..	..
QTC borrowings – General Debt Pool (floating rate)	22,366,424	15,586	15,586	(14,241)	(14,241)
Potential impact		56,392	56,392	(55,047)	(55,047)

(f) *Fair value*

Fair value hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in *AASB 13 Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques.

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

48 **Financial instruments (continued)**

(f) Fair value (continued)

According to the above hierarchy, the fair values of each class of financial instrument carried at fair value are as follows:

Class		Classification according to fair value hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	2018 Total carrying amount $'000
Financial assets and liabilities					
Cash and cash equivalent					
Other administered bank accounts		74,490	..	..	74,490
Whole-of-government Treasury Offset Arrangement		(3,899,974)	..	..	(3,899,974)
Interest bearing liabilities – Advances payable to GOCs		2,284,333	..	..	2,284,333
Total		**(1,541,150)**	..	..	**(1,541,150)**

Class		Classification according to fair value hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	2017 Total Carrying Amount $'000
Financial assets and liabilities					
Cash and cash equivalent					
Other administered bank accounts		4,291	..	..	4,291
Whole-of-government Treasury Offset Arrangement		(2,735,481)	..	..	(2,735,481)
Interest bearing liabilities – Advances payable to GOCs		1,345,079	..	..	1,345,079
Total		**(1,386,111)**	..	..	**(1,386,111)**

The department does not recognise any financial assets or financial liabilities at fair value other than for cash and cash equivalents on its Statement of Financial Position.

The fair value of trade receivables, administered item revenue receivable, other accrued revenue, other assets, payables, transfer to government payable and other liabilities are assumed to approximate the value of the original transaction, less any provision for impairment.

The fair value of monetary financial assets and financial liabilities, other than QTC borrowings, is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of borrowings is notified by QTC. It is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below:

Administered on behalf of the whole-of-government				
Fair value	2018		2017	
Financial assets	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Receivables				
Loans and advances*	102,154	98,504	118,563	113,690
	102,154	98,504	118,563	113,690
Financial liabilities				
Interest bearing liabilities – Commonwealth borrowings*	72,902	70,468	85,019	82,653
Interest bearing liabilities – QTC borrowings	28,195,628	30,400,102	30,265,029	32,728,093
Total	28,268,530	30,470,570	30,350,048	32,810,746

* Carrying amount excludes amortised cost component of Loans and Advances and Commonwealth borrowings.

49 Budget vs Actual comparison

A budget vs actual comparison, and explanations of major variances, has not been included for the Statement of Cash Flows, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

Explanation of major variances for Statement of Comprehensive Income

Note 33. Royalties – The increase reflects the impact of higher coal prices on coal royalties.

Note 34. Interest – The decrease is mainly due to less than anticipated interest on trust fund, partially offset by higher than budgeted interest on Treasurer's Cash Balances.

Note 38. Losses of receivables – The increase is mainly due to higher than anticipated impairments in the OSR ($122M) arising in part from the finalisation of legal proceedings. This is partially offset by lower than anticipated impairment losses in the SPER ($91.8M) driven by an impairment loss reversal of $71M as a result of a review into collection rates.

Face Grants and subsidies – The decrease is mainly due to lower than anticipated grant payments associated with the Jobs and Regional Growth Fund ($88.833M) and realignment of grant payment to the Cross River Rail Delivery Authority from 2017-18 to future years ($22M). This is partially offset by increased payments for the First Home Owners' Grant ($47.565M) and the one-off State Government contribution to the Cairns Innovation Centre ($10M).

Explanation of major variances for Statement of Financial Position

Note 41. Cash and cash equivalents – The decrease is mostly attributable to the Treasury Offset Account (TOA). The purpose of TOA is to act as an offset account against departmental and consolidated fund cash balances under the WoG cash offset arrangements to facilitate the management of WoG cash position. As such, the balances in TOA fluctuate from year to year depending on the balances of other accounts within the WoG cash offset arrangements.

Note 42. Receivables (Current) – The decrease is primarily due to lower than anticipated mining royalties receivables recognised at year end, partially offset by lower than anticipated impairment losses in the SPER as a result of a review into collection rates.

Receivables (Non-Current) – The decrease is primarily due to reclassification of NDRRA Commonwealth and State loans from non-current to current ($18.697M).

Note 43. Other current assets - The decrease is primarily due to lower than anticipated recovery from the Queensland Reconstruction Authority for grant payments made to the Queensland Rural and Industry Development Authority.

Note 44. Payables (Current) - The increase is primarily due to unbudgeted appropriation payable to the Consolidated Fund and GST revenue to be returned to the Commonwealth Government.

Face The decrease reflects lower than expected administered revenue earned but yet to be transferred to Consolidated Fund at year end.

Note 45. Interest bearing liabilities – The increase mainly represents unbudgeted advances received from government-owned corporations as part of the Cash Management Strategy.

50 Related entity transactions with other government departments

The references to note numbers in the following disclosures may include other items to those listed below that are not classified as material or significant related entity transactions. Note 2 summarises the transfer of assets and liabilities arising from a MoG change.

Controlled transactions

The department paid grants to the Department of State Development, Manufacturing, Infrastructure and Planning and the Department of Education to support the objectives of the Back to Work Regional Employment package (note 10).

To support the Advance Queensland initiative the department holds an investment with QIC for the Business Development Fund, which provides early stage co-investment funding to promote angel and venture capital to Queensland Based businesses (note 17).

The department received revenue from the Department of Justice and Attorney-General to undertake analysis of workers' compensation and courts data, from the Department of Education for education planning services and from Queensland Health for surveys of maternity outpatient clinic experience and general surgery outpatient clinic experience (note 4).

The department engaged QFleet for OIR's motor vehicle leases (note 9).

The department paid the Department of Public Works for the management of accommodation leases, Queensland Shared Services(QSS) for business service fees and for outsourcing of SPER contact centre and OIR's IT works and services. (The SPER contact centre expenses and OIR's IT works and services were paid to the then Department of Science, Information Technology and Innovation which ceased as a result of the MoG changes). (Note 9)

OIR received workplace health and safety contributions from WorkCover Queensland and Queensland Health; and electrical safety industry contributions from Energy Queensland (note 5).

OIR paid grant funding to Queensland Ambulance Services to undertake transport and pre-hospital patient care for injured workers under the Queensland Workers' Compensation Scheme (note 10).

The department paid legal fees to the Department of Justice and Attorney-General for professional services rendered in relation to State Revenue legal cases (note 9).

The department paid grants and equity withdrawals for the development of an ICT system for the delivery of the Financial Assurance Framework Reforms to the Department of Environment and Science and DNRME (note 10).

The QTH consolidated entity invested funds with the QTC Cash Fund as at 30 June 2018 totalled $83.0 million (2017: $77.1 million) and interest revenue net of management fees received during the year totalled $1.8 million (2017: $1.6million).

The QTH consolidated entity has loan balances outstanding to QTC as at 30 June 2018 of $121.6 million ($2017: $130.4 million) with interest expense and fees totalling $6.1 million (2017: $6.5 million) capitalised against these loans.

QTC provides company secretariat and accounting services to the QTH consolidated entity. A fee of $370,240 (2017: $411,642) was charged for these services.

Administered transactions

The department administers the Queensland Government Insurance Fund, which receives premiums from and pays claims to member agencies relating to a full suite of insurance lines (note 40).

The department operates a WoG offset arrangement, which includes the Treasury Offset Bank Account and a Working Capital Facility. Note 41 outlines the key terms and conditions of these arrangements which covers advances and principal repayments from the General Government Debt Pool (GDP). This includes advances from GOC's under the GOC cash offset arrangements (Note 45)

The department administers the collection of competitive neutrality fees from GOCs under the National Competition Policy (Note 36).

The department's State Revenue collection is responsible for administering local government tax equivalents under the *Local Government Act 2009* (note 32). Commercialised business units that are in scope under these administrative arrangements are subject to payroll tax, land tax, vehicle registration duty, insurance duty and transfer duty.

The department receives appropriation revenue (note 3 and 35) provided in cash via the state's Consolidated Fund.

The department pays interest for borrowings it undertakes with QTC (note 39), note 41 outlines the key terms and conditions of those borrowings.

The department collects state revenues and transfers to the Consolidated Fund, refer to the Administered Statement of Comprehensive Income.

50 Related entity transactions with other government departments (continued)

The department administers the provision of State and Commonwealth loans and grants for NDRRA to Queensland Reconstruction Authority (QRA) and Queensland Rural and Industry Development Authority (QRIDA) (formerly Queensland Rural Adjustment Authority (QRAA), (note 42).

The department administered grant and equity withdrawal payments to statutory bodies including Queensland Productivity Commission (QPC), Queensland Competition Authority (QCA), Queensland Racing Integrity Commission (QRIC), Trade and Investment Queensland (TIQ), and the Cross River Rail Delivery Authorities. Refer to grants and subsidies on the Administered Statement of Comprehensive Income. Grant payments to TIQ and QRIC are only up to 31 December 2017 as a result of the MoG changes effective 1 January 2018.

The department administers the receipt of unclaimed money and proceeds of crime from the Public Trustee Office (PTO) for transfer to the Consolidated Fund (note 36).

51 Transfer payments

Payments under the Intergovernmental Agreement on Federal Financial Relations are made from the Commonwealth Treasury to the state and territory Treasuries. These payments represent Specific Purpose Payments, National Partnership Payments and general revenue assistance.

While most of these payments are receipted and paid out to departments via appropriation funding, some payments are passed on directly to the relevant entities. These payments occur where:

- the payment is ultimately for a third party, for example, non-government schools
- the payment is a reimbursement of expenditure incurred by the State after invoicing the Commonwealth, or
- the agreement with the Commonwealth requires the payment to be paid into an interest-bearing account held by the final recipient of the funding.

Amounts received from the Commonwealth for direct payments to the following entities in 2017-18 totalled $2.559 billion (2016–17: $2.403 billion):

- Department of Education (non-government schools, $2.548 billion (2016–17: $2.394 billion)
- Department of Agriculture and Fisheries (plant disease and eradication, $10.647 million) (2016–17: $2.245 million)
- (2016-17: National Insurance Affordability initiative, $7 million, former Department of Infrastructure, Local Government and Planning)

52 Agency transactions

Treasury currently acts as an agent and processes grant payments on behalf of a number of Queensland Government departments. These transactions do not form part of Treasury's accounts and are instead reported by the various departments. For the 2017–18 financial year the total value of grants paid was $249.462 million (2016–17: $219.507 million). The increase in 2017–18 is predominantly due to the inclusion of Back to Work grants paid from 1 January 2018 ($49.079 million), which following a MoG change, resulted in responsibility for the program moving to the Department of Employment, Small Business and Training (refer note 2).

QSuper operates the Employers Contribution bank account on behalf of Treasury, in accordance with the *Financial Accountability Act 2009*. The account is utilised to provide for the WoG Long Service and Annual Leave Central Schemes and Employer Superannuation Contributions. The account balance as at 30 June 2018 was $3.481million (2016–17 $4.082 million), which represents money in transit to be identified as owing to either the Consolidated Fund and/or other government agencies.

53 Queensland Government E-merchant program

Treasury acts as a custodian over the settlement account (held by the third party, Cuscal) for the Queensland Government's pre-paid debit card program. At reporting date, the balance in the account is $0.853 million (2016–17: $0.863 million) including interest earned for the year, $10,760.81 (2016–17: $15,946.02), which represents unspent funds advanced by agencies.

Accounting Policy

The department administers certain transactions and balances in a trust or fiduciary capacity such as the settlement account held by the third party Cuscal for the Queensland Government E-merchant program (note 53).

As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements. While these transactions and balances are in the care of the department, they are subject to the department's normal system of internal control and external audit by the Auditor-General (notes 51–54).

54 Trust transactions and balances

(a) Treasury also acts as an agent in the collection and distribution of unpaid infringement fines and court ordered monetary amounts for various external parties including local government bodies, universities and individuals.

	2018	2017
	$'000	$'000
Opening balance	17,415	14,670
Collections:		
Cash receipts	43,831	41,434
Debtor overpayments	(973)	(273)
Cash not receipted	(626)	(137)
Cash not banked	107	(124)
Other	37	(6)
Distributions to principals	(44,565)	(38,148)
Balance 30 June	15,226	17,415

CERTIFICATE OF QUEENSLAND TREASURY

These consolidated general purpose financial statements have been prepared pursuant to section 62(1) (a) of the *Financial Accountability Act 2009* (the Act), relevant sections of 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 prescribed accounting standards, of the transactions of Treasury for the financial year ended 30 June 2018 and of the financial position of the department at the end of that year.

The assertions in this certificate 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.

D. Brooks BComm, FCPA
Chief Finance Officer

30 August 2018

J. Murphy BA, LLB, Master of Public Law
Under Treasurer

30 August 2018

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Queensland Treasury

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Treasury (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2018, and their financial performance and cash flows for the year then ended
b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2018, the statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the Under Treasurer and the Chief Finance Officer.

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

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

Key audit matters

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

Completeness of payroll tax revenue ($3.948 billion at 30 June 2018)

Refer to note 32 in the financial report

Key audit matter	How my audit addressed the key audit matter

Payroll tax is a material balance of the department. The self-assessed nature of payroll tax increases the risk over completeness of payroll tax revenue collected and accrued, as reported in the administered statement of comprehensive income.
Completeness of revenue recognised is dependent on whether:
• all liable taxpayers have registered to pay payroll tax
• the amounts disclosed by taxpayers accurately reflect their operations, and thus the calculation base for the tax is complete.
The department verifies taxpayer compliance using a risk-management approach, to ensure taxpayers are paying the correct amount of tax.
The department has implemented an annual compliance program to address this risk.
	My procedures included, but were not limited to:
	• Testing the controls within the revenue management system to confirm the accuracy of the payroll tax calculation.
	• Reviewing outcomes of Queensland Treasury's compliance program for payroll tax and assessing the extent of historical recoveries to determine the impact on the overall payroll tax revenue.
	• Performing the following analytical review over payroll tax income:
	  • analysing and corroborating the year on year trends at business partner level to identify any unusual movements/relationships
	  • comparing the trends in external data such as wage growth rate and employment rate to the movement in payroll tax income, and corroborating any unusual movements/relationships
	  • analysing and corroborating the year on year trends between the payroll tax revenue, budgeted payroll tax revenue and the Mid-Year Fiscal and Economic Review (that provides update on the State's economic and fiscal and Economic Review (that provides update on the State's economic and fiscal position since the original budget).

Impairment of State Penalties Enforcement Registry (SPER) Fines Receivable
(SPER fines revenue $219.731 million for 2017-18; receivables of $1,006.7 million at 30 June 2018)

Refer to notes 36, 38 and 42 in the financial report

Key audit matter	How my audit addressed the key audit matter
SPER debts are impaired on consideration of the likelihood of collectability with reference to historical activity for the specific debt types being assessed. Management judgement is required in assessing the extent to which debts may be impaired.	My procedures included but were not limited to: • Assessing management's controls over SPER collection and finalisation rates of the referred debts as these impact the determination of the long-term debt finalisation, withdrawal and recall rates. • Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness. • Recalculating the long-term debt finalisation, withdrawal and recall rates to validate the mathematical accuracy of the model. • Recalculating the impairment charge by applying the longterm debt finalisation, withdrawal and recall rates to the debt pool and comparing the impairment charge to the general ledger.

Responsibilities of the accountable officer 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 parent's and group'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 parent or group 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 parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group'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 parent's or group'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 parent or group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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.

30 August 2018

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

APPENDICES

PUBLICATIONS

We produce a range of publications, guidelines, and other useful resources about:

- each year's Queensland Budget cycle
- financial and economic policy
- government-owned corporations
- economic, statistical and demographic research
- infrastructure projects
- state revenue, including land tax, payroll tax and duties
- the first Home Owners' Grant
- advice on paying infringement notices and fines.

Many of these are available through **www.treasury.qld.gov.au** or by contacting us.

GOVERNMENT BODIES

A report on the activities of the Business Development Fund Investment Panel is available at **www.treasury.qld.gov.au.**

CONSULTANCIES, LANGUAGE SERVICES, OVERSEAS TRAVEL

Reports of Treasury's expenditure on consultancies, language services and overseas travel are published on the Open Data website **data.qld.gov.au**

LEGISLATION ADMINISTERED BY TREASURY

Aboriginal Land Act 1991 (Part 18 to the extent that it is relevant to royalties)

Airport Assets (Restructuring and Disposal) Act 2008

Alcan Queensland Pty. Limited Agreement Act 1965 (to the extent that it is relevant to royalties)

Appropriation Act 2016

Appropriation Act 2017

Appropriation Act (No. 2) 2016

Appropriation Act (No. 2) 2017

Appropriation (Parliament) Act 2016

Appropriation (Parliament) Act 2017

Appropriation (Parliament) Act (No. 2) 2015

Appropriation (Parliament) Act (No. 2) 2017

Betting Tax Act 2018

Brisbane Trades Hall Management Act 1984

Building Boost Grant Act 2011

Central Queensland Coal Associates Agreement Act 1968 (to the extent that it is relevant to royalties); (Sch pt V)

Commonwealth Aluminium Corporation Pty. Limited Agreement Act 1957 (to the extent that it is relevant to royalties)

Commonwealth Places (Mirror Taxes Administration) Act 1999

Community Ambulance Cover Levy Repeal Act 2011

Competition Policy Reform (Queensland) Act 1996

Cross River Rail Delivery Authority Act 2016

Dalrymple Bay Coal Terminal (Long-term Lease) Act 2001

Duties Act 2001

Financial Accountability Act 2009

Financial Agreement Act 1994

Financial Intermediaries Act 1996

Financial Sector Reform (Queensland) Act 1999

First Home Owner Grant Act 2000

Fossicking Act 1994 (to the extent that it is relevant to royalties)

Fuel Subsidy Repeal Act 2009

Gaming Machine Act 1991 (s 322(a))

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Geothermal Energy Act 2010 (to the extent that it is relevant to royalties)

Government Owned Corporations Act 1993

GST and Related Matters Act 2000

Infrastructure Investment (Asset Restructuring and Disposal) Act 2009

Judges (Pensions and Long Leave) Act 1957 (s17)

Land Tax Act 2010

Mineral Resources Act 1989 (to the extent that it is relevant to royalties)

Motor Accident Insurance Act 1994

Mount Isa Mines Limited Agreement Act 1985 (to the extent that it is relevant to royalties)

Mutual Recognition (Queensland) Act 1992

National Injury Insurance Scheme (Queensland) Act 2016

Occupational Licensing National Law (Queensland) Act 2010

Offshore Minerals Act 1998 (to the extent that it is relevant to royalties)

Payroll Tax Act 1971

Petroleum Act 1923 (to the extent that it is relevant to royalties)

Petroleum and Gas (Production and Safety) Act 2004 (to the extent that it is relevant to royalties)

Petroleum (Submerged Lands) Act 1982 (to the extent that it is relevant to royalties)

Public Officers Superannuation Benefits Recovery Act 1988

Queensland Competition Authority Act 1997

Queensland Investment Corporation Act 1991

Queensland Nickel Agreement Act 1970 (all financial and related matters); (to the extent that it is relevant to royalties)

Queensland Productivity Commission Act 2015

Queensland Treasury Corporation Act 1988

South East Queensland Water (Restructuring) Act 2007 (including as a responsible Minister for the purposes of Chapter 2 of the Act)

State Financial Institutions and Metway Merger Facilitation Act 1996

State Penalties Enforcement Act 1999 (except to the extent administered by the Attorney-General and Minister for Justice and Minister for Training and Skills)

Statistical Returns Act 1896

Statutory Authorities (Superannuation Arrangements) Act 1994

Statutory Bodies Financial Arrangements Act 1982

Superannuation (Public Employees Portability) Act 1985

Superannuation (State Public Sector) Act 1990

Taxation Administration Act 2001

Thiess Peabody Coal Pty. Ltd. Agreement Act 1962 (to the extent that it is relevant to royalties)

Thiess Peabody Mitsui Coal Pty. Ltd. Agreements Act 1965 (to the extent that it is relevant to royalties)

Torres Strait Islander Land Act 1991 (Part 13 to the extent that it is relevant to royalties)

Trans-Tasman Mutual Recognition (Queensland) Act 2003

EXTERNAL SCRUTINY

External audits and reviews aid transparency in government, help us improve our performance, and help us monitor our progress in advancing Queensland's priorities.

The following reports of independent reviews were tabled in Parliament during 2017–18:

Auditor-General Report to Parliament No. 11 for 2017–18 Queensland State Government 2016–17 results of financial audits Tabled 22 February 2018

Recommendations

No key audit matters identified with Treasury's 2016–17 financial audit.

Our response

This report noted the following issues which Treasury will address:

- additional expenditure expected in 2017–18 for the Gold Coast Commonwealth Games and the response to recent disaster events
- that the 2017–18 Queensland Budget and Mid Year Fiscal and Economic Review to include estimates of this expenditure
- Both Treasury and the Department of the Premier and Cabinet will work to assess any additional process required to collect information on key management personnel.

Auditor-General Report to Parliament Finalising unpaid fines Tabled 22 February 2018

Recommendations

That the State Penalties Enforcement Registry (SPER):

- adopt processes and measures to assess cost and effectiveness of its enforcement actions
- seeks revised and debt write-off guidelines in accordance with the State Penalties Enforcement Act from the Minister
- assesses and writes off aged and unrecoverable debt in accordance with the revised debt write-off guidelines.

Our response

SPER is in the process of implementing a new business model with a new supporting ICT system that will have more capacity around management reporting. The revised approach will be reflected in the new business processes and practise that will commence with the implementation of the new ICT system.

Parliamentary Committees – Report No. 51 Consideration of the recommendations of the Strategic Review of the Queensland Audit Office October 2017

Recommendation

That the Premier and Treasurer advise all Ministers and departments of their expectation that they will ensure timely preparation and submission of financial statements to the Queensland Audit Office.

Our response

The Under Treasurer wrote to all accountable officers concerning their obligations for financial statements under the *Financial Accountability Act 2009*.

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GLOSSARY

Additional foreign acquirer duty
An additional amount of duty paid by foreign acquirers (usually purchasers, either directly or indirectly) of residential property (see Duties below).

BDF
Business Development Fund

Duties
A state tax on certain transactions including transfer of property (transfer duty), vehicle registration, insurance contracts and other acquisitions.

ELT
Treasury's Executive Leadership Team

GOC
Government-owned corporation

Horizontal fiscal equalisation (HFE)
A process to address the differences between states' and territories' ability and capacity to raise revenue. Australia's Commonwealth Grants Commission states that HFE 'aims to put all states on a level fiscal playing field'.

Land tax
State tax on freehold land, assessed on the taxable value of an owner's total land holdings.

LGBTIQ+
Lesbian, gay, bisexual, transgender, intersex, queer, and inclusiveness of other identities and experiences.

Market-Led Proposal
A proposal from the private sector seeking an exclusive commercial arrangement with government to deliver a service or infrastructure to meet a community need.

NAIF
Northern Australia Infrastructure Facility

Nominal Defendant
A statutory body that compensates people injured by unidentified and/or uninsured vehicles.

OSR
Office of State Revenue

Payroll tax
State tax paid if an employer, or group of employers, pays more than $1.1 million per year in total Australian taxable wages.

Productivity
A measure of how efficiently an economy uses resources (e.g., labour and capital) to produce outputs (goods and services). Productivity growth reflects the extent to which additional output is generated from managing the resources or inputs more effectively. Increased productivity is a key factor in long-term economic growth, which in turn results in greater prosperity and improvements in living standards.

Project proponent
In the context of major infrastructure, a proponent is one who puts forward a proposition or proposal.

QAO
Queensland Audit Office

QCA
Queensland Competition Authority, an independent economic regulator, whose primary role is to ensure monopoly businesses operating in Queensland, particularly those that provide key infrastructure (for example rail, water or transport infrastructure), do not abuse their market power through unfair pricing or restrictive access arrangements.

QPC
Queensland Productivity Commission, a body established to drive economic growth and lift productivity and living standards by advising on complex economic and regulatory issues.

Royalty revenue
Royalties are payments to the owners of a resource for the right to sell, dispose of or use that resource. In the context of Treasury's revenue management service, these resources are usually from petroleum, coal and other mining activities.

State Penalties Enforcement Registry (SPER)
Part of the Office of State Revenue, SPER collects and enforces unpaid infringement notice fines, court ordered monetary fines and offender recovery orders issued in Queensland.

Third party access
Third party access provides a (legislated) right for a party (the third party) to use another person's infrastructure. For example, a mining company may seek to transport minerals from its mines to a port via a rail line owned and operated by someone else. Third party access may need to be regulated where owners or operators of significant natural monopoly infrastructure have the potential to deny access to their facilities or charge excessive prices, which would hinder or prevent competition in a dependent market.

VISS
Vehicle Immobilisation Seizure and Sale program, in which vehicles of high-value fine debtors (those owing $5,000 or more) are immobilised through wheel clamping, removed from the owner and/or sold to recoup unpaid penalty debt.

Work and development order (WDO)
A means for resolving penalty debt. WDOs allow debtors experiencing hardship to undertake activities such as financial or other counselling, education, vocational or life-skills programs, and unpaid community work, when they cannot afford to pay the debt.

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Feedback

Help us improve our annual report by sharing your feedback with us through the government's Get Involved website – **www.qld.gov.au/annualreportfeedback**

QUEENSLAND TREASURY ANNUAL REPORT 2017–18 COMPLIANCE CHECKLIST

Requirement		Basis for requirement	AR page ref.
Letter of compliance	From accountable officer to relevant Minister/s	ARRs[1] – section 7	Inside front cover
Accessibility	Table of contents	ARRs – section 9.1	1
	Glossary	ARRs – section 9.1	110
	Public availability	ARRs – section 9.2	Inside front cover
	Interpreter statement	*Queensland Government Language Services Policy* ARRs – section 9.3	Inside front cover
	Copyright notice	Copyright Act 1968 ARRs – section 9.4	Inside front cover
	Information licensing	QGEA – *Information Licensing* ARRs – section 9.5	Inside front cover
General information	Introductory information	ARRs – section 10.1	2, 7-17
	Agency role and main functions	ARRs – section 10.2	7-8
	Operating environment	ARRs – section 10.3	23-39
Non-financial performance	Government's objectives for the community	ARRs – section 11.1	10-11
	Other whole-of-government plans/specific initiatives	ARRs – section 11.2	27,40
	Agency objectives and performance indicators	ARRs – section 11.3	3-5, 23-39
	Agency service areas and service standards	ARRs – section 11.4	3-5
Financial performance	Summary of financial performance	ARRs – section 12.1	40-44
Governance – management and structure	Organisational structure	ARRs – section 13.1	14-15
	Executive management	ARRs – section 13.2	12-15
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	105
	Public Sector Ethics Act 1994	*Public Sector Ethics Act 1994* ARRs – section 13.4	22
	Queensland public service values	ARRs – section 13.5	7,18,22
Governance – risk management and accountability	Risk management	ARRs – section 14.1	16-17
	Audit committee	ARRs – section 14.2	16-17
	Internal audit	ARRs – section 14.3	16-17
	External scrutiny	ARRs – section 14.4	107
	Information systems & recordkeeping	ARRs – section 14.5	17
Governance – human resources	Workforce planning and performance	ARRs – section 15.1	18-22
	Early retirement, redundancy and retrenchment	Directive 11/12 *Early Retirement, Redundancy and Retrenchment* Directive 16/16 *Early Retirement, Redundancy and Retrenchment* (20/5/16) ARRs – section 15.2	19
Open Data	Statement advising publication of information	ARRs – section 16	105
	Consultancies	ARRs – section 33.1	Open Data Portal
	Overseas travel	ARRs – section 33.2	Open Data Portal
	Queensland Language Services Policy	ARRs – section 33.3	Open Data Portal
Financial statements	Certification of financial statements	FAA[2] – section 62 FPMS[3] – sections 42, 43 and 50 ARRs – section 17.1	101
	Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	102

[1]ARRs Annual report requirements for Queensland Government agencies

[2]FAA Financial Accountability Act 2009

[3]FPMS Financial and Performance Management Standard 2009