Financial statements

Department of Transport and Main Roads Financial Statements as at 30 June 2020

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Department of Transport and Main Roads
Statement of comprehensive income
for the year ended 30 June 2020

OPERATING RESULT	**Note**	**2020 $'000**	**2019 $'000**
Income			
Appropriation revenue	2	5,440,647	5,274,759
User charges and fees	3	671,121	711,380
Grants and other contributions	4	269,614	106,959
Other revenue		43,200	46,316
Total revenue		**6,424,582**	**6,139,414**
Gains on disposal of assets		3,384	5,021
Total income		**6,427,966**	**6,144,435**
Expenses			
Employee expenses	5	633,538	571,425
Supplies and services	7	3,719,341	3,671,862
Grants and subsidies	8	610,219	593,073
Depreciation and amortisation	13, 14, 20	1,156,399	1,178,722
Finance and borrowing costs	9	121,778	104,339
Impairment losses	11	2,651	1,847
Other expenses	10	50,426	42,922
Total expenses		**6,294,352**	**6,164,190**
Operating result before income tax equivalent expense		**133,614**	**(19,755)**
Income tax equivalent expense	19	7,541	8,690
OPERATING RESULT FOR THE YEAR		**126,073**	**(28,445)**
Items not reclassified to operating result			
Increase in asset revaluation surplus	14	3,703,762	1,390,601
Total other comprehensive income		**3,703,762**	**1,390,601**
TOTAL COMPREHENSIVE INCOME		**3,829,835**	**1,362,156**

The accompanying notes form part of these financial statements.

Department of Transport and Main Roads
Statement of financial position
as at 30 June 2020

	Note	2020 $'000	2019 $'000
Assets			
Current assets			
Cash		338,495	571,529
Receivables	11	122,913	152,074
Inventories		13,681	12,281
Prepayments	12	28,470	15,034
Non-current assets classified as held for sale		2,587	8,763
Total current assets		**506,146**	**759,681**
Non-current assets			
Receivables	11	3,285	-
Prepayments	12	171,264	104,410
Intangible assets	13	76,198	75,302
Property, plant and equipment	14	71,854,798	66,316,278
Deferred tax assets	19	5,942	6,077
Right-of-use assets	20	211	-
Investment in subsidiary	24	5,601	601
Total non-current assets		**72,117,299**	**66,502,668**
Total assets		**72,623,445**	**67,262,349**
Liabilities			
Current liabilities			
Payables	15	602,853	607,011
Provisions	16	228,440	146,762
Accrued employee benefits	17	72,978	38,616
Current tax liabilities	19	473	-
Lease liabilities	20	44,249	22,416
Other	18	93,686	94,833
Total current liabilities		**1,042,679**	**909,638**
Non-current liabilities			
Provisions	16	254,567	368,499
Lease liabilities	20	1,264,304	1,215,300
Other	18	-	14,636
Total non-current liabilities		**1,518,871**	**1,598,435**
Total liabilities		**2,561,550**	**2,508,073**
NET ASSETS		**70,061,895**	**64,754,276**
Equity			
Contributed equity		60,953,656	59,492,190
Accumulated surplus		2,167,063	2,024,672
Asset revaluation surplus		6,941,176	3,237,414
TOTAL EQUITY		**70,061,895**	**64,754,276**

The accompanying notes form part of these financial statements.

Department of Transport and Main Roads

Statement of comprehensive income by major departmental services

for the year ended 30 June 2020

OPERATING RESULT	Transport system investment planning and programming 2020 $'000	Transport infrastructure management and delivery 2020 $'000	Transport safety and regulation 2020 $'000	Customer experience 2020 $'000	Passenger transport services 2020 $'000	Transport infrastructure construction and maintenance 2020 $'000	Inter-departmental services eliminations 2020 $'000	Total 2020 $'000
Income								
Appropriation revenue	112,639	2,135,405	14,734	264,885	2,912,984	-	-	**5,440,647**
User charges and fees	40,516	52,132	249,262	10,760	303,713	573,207	(558,469)	**671,121**
Grants and other contributions	300	220,334	6,838	6	42,136	-	-	**269,614**
Other revenue	728	50,468	2,794	70	8,171	2,914	(21,945)	**43,200**
Total revenue	**154,183**	**2,458,339**	**273,628**	**275,721**	**3,267,004**	**576,121**	**(580,414)**	**6,424,582**
Gains on disposal of assets	2,477	33	20	-	-	854	-	**3,384**
Total income	**156,660**	**2,458,372**	**273,648**	**275,721**	**3,267,004**	**576,975**	**(580,414)**	**6,427,966**
Expenses								
Employee expenses	70,499	170,805	75,357	165,637	98,320	147,011	(94,091)	**633,538**
Supplies and services	44,819	738,792	174,978	102,102	2,732,480	390,548	(464,378)	**3,719,341**
Grants and subsidies	22,161	340,635	9,298	234	237,891	-	-	**610,219**
Depreciation and amortisation	6,255	1,035,143	10,410	7,004	90,034	7,553	-	**1,156,399**
Finance and borrowing costs	2	23,232	4	4	99,057	1,359	(1,880)	**121,778**
Impairment losses	529	1,674	(176)	14	182	428	-	**2,651**
Other expenses	12,395	22,705	3,777	726	9,040	21,848	(20,065)	**50,426**
Total expenses	**156,660**	**2,332,986**	**273,648**	**275,721**	**3,267,004**	**568,747**	**(580,414)**	**6,294,352**
Operating result before income tax equivalent expense	**-**	**125,386**	**-**	**-**	**-**	**8,228**	**-**	**133,614**
Income tax equivalent expense	-	-	-	-	-	7,541	-	**7,541**
OPERATING RESULT FOR THE YEAR	**-**	**125,386**	**-**	**-**	**-**	**687**	**-**	**126,073**
Items not reclassified to operating result								
Increase in asset revaluation surplus	1,619	3,671,109	1,260	10	29,753	11	-	**3,703,762**
Total other comprehensive income	**1,619**	**3,671,109**	**1,260**	**10**	**29,753**	**11**	**-**	**3,703,762**
TOTAL COMPREHENSIVE INCOME	**1,619**	**3,796,495**	**1,260**	**10**	**29,753**	**698**	**-**	**3,829,835**

Department of Transport and Main Roads
Statement of comprehensive income by major departmental services (continued)
for the year ended 30 June 2020

OPERATING RESULT	Transport system investment planning and programming	Transport infrastructure management and delivery	Transport safety and regulation	Customer experience	Passenger transport services	Transport infrastructure construction and maintenance	Inter-departmental services eliminations	Total
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Income								
Appropriation revenue	77,632	2,140,482	15,233	255,417	2,771,823	-	14,172	**5,274,759**
User charges and fees	44,574	22,370	246,768	9,104	368,892	580,513	(560,841)	**711,380**
Grants and other contributions	-	62,058	4,087	-	40,812	2	-	**106,959**
Other revenue	605	61,894	2,051	47	6,678	2,715	(27,674)	**46,316**
Total revenue	**122,811**	**2,286,804**	**268,139**	**264,568**	**3,188,205**	**583,230**	**(574,343)**	**6,139,414**
Gains on disposal of assets	2,978	378	155	39	467	1,004	-	**5,021**
Total income	**125,789**	**2,287,182**	**268,294**	**264,607**	**3,188,672**	**584,234**	**(574,343)**	**6,144,435**
Expenses								
Employee expenses	63,443	163,331	70,441	153,267	90,827	129,629	(99,513)	**571,425**
Supplies and services	51,732	701,943	174,227	96,617	2,696,377	412,294	(461,328)	**3,671,862**
Grants and subsidies	2,044	344,999	10,871	10	235,149	-	-	**593,073**
Depreciation and amortisation	6,153	1,058,763	8,498	13,341	82,566	9,401	-	**1,178,722**
Finance and borrowing costs	-	22,434	1,580	-	81,888	1,480	(3,043)	**104,339**
Impairment losses	883	679	200	12	61	12	-	**1,847**
Other expenses	1,534	20,602	2,477	1,360	1,804	25,604	(10,459)	**42,922**
Total expenses	**125,789**	**2,312,751**	**268,294**	**264,607**	**3,188,672**	**578,420**	**(574,343)**	**6,164,190**
Operating result before income tax equivalent expense	**-**	**(25,569)**	**-**	**-**	**-**	**5,814**	**-**	**(19,755)**
Income tax equivalent expense	-	-	-	-	-	8,690	-	**8,690**
OPERATING RESULT FOR THE YEAR	**-**	**(25,569)**	**-**	**-**	**-**	**(2,876)**	**-**	**(28,445)**
Items not reclassified to operating result								
Increase in asset revaluation surplus	2,475	1,328,440	2,550	302	56,823	11	-	**1,390,601**
Total other comprehensive income	**2,475**	**1,328,440**	**2,550**	**302**	**56,823**	**11**	**-**	**1,390,601**
TOTAL COMPREHENSIVE INCOME	**2,475**	**1,302,871**	**2,550**	**302**	**56,823**	**(2,865)**	**-**	**1,362,156**

Department of Transport and Main Roads

Statement of assets and liabilities by major departmental services

as at 30 June 2020

	Transport system investment planning and programming	Transport infrastructure management and delivery	Transport safety and regulation	Customer experience	Passenger transport services	Transport infrastructure construction and maintenance	Inter-departmental services eliminations	Total
	2020	2020	2020	2020	2020	2020	2020	2020
Assets	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets								
Cash	8,359	61,019	16,632	17,571	185,869	49,045	-	**338,495**
Receivables	5,685	44,194	35,430	1,483	48,448	63,957	(76,284)	**122,913**
Inventories	-	4	1,131	161	2,980	59,855	(50,450)	**13,681**
Prepayments	1,314	1,933	3,097	557	20,770	799	-	**28,470**
Non-current assets classified as held for sale	2,534	47	-	-	6	-	-	**2,587**
Total current assets	**17,892**	**107,197**	**56,290**	**19,772**	**258,073**	**173,656**	**(126,734)**	**506,146**
Non-current assets								
Receivables	138	1,073	861	36	1,177	-	-	**3,285**
Prepayments	34	556	296	157	170,221	-	-	**171,264**
Intangible assets	24,166	4,161	29,017	16,755	2,099	-	-	**76,198**
Property, plant and equipment	67,787	69,255,131	105,577	186,568	2,187,307	52,428	-	**71,854,798**
Deferred tax assets	-	-	-	-	-	5,942	-	**5,942**
Right-of-use assets	1	158	1	2	20	29	-	**211**
Investment in subsidiary	-	5,601	-	-	-	-	-	**5,601**
Total non-current assets	**92,126**	**69,266,680**	**135,752**	**203,518**	**2,360,824**	**58,399**	**-**	**72,117,299**
Total assets	**110,018**	**69,373,877**	**192,042**	**223,290**	**2,618,897**	**232,055**	**(126,734)**	**72,623,445**
Liabilities								
Current liabilities								
Payables	19,545	345,446	20,024	8,462	290,327	26,783	(107,734)	**602,853**
Provisions	-	161,065	-	-	67,375	-	-	**228,440**
Accrued employee benefits	7,653	18,542	8,180	17,980	10,673	9,950	-	**72,978**
Current tax liabilities	-	-	-	-	-	473	-	**473**
Lease liabilities	-	9,242	-	-	34,984	23	-	**44,249**
Other	758	1,232	1,658	-	89,634	404	-	**93,686**
Total current liabilities	**27,956**	**535,527**	**29,862**	**26,442**	**492,993**	**37,633**	**(107,734)**	**1,042,679**
Non-current liabilities								
Provisions	-	120,605	-	-	133,962	-	-	**254,567**
Lease liabilities	-	414,623	-	-	849,681	-	-	**1,264,304**
Total non-current liabilities	**-**	**535,228**	**-**	**-**	**983,643**	**-**	**-**	**1,518,871**
Total liabilities	**27,956**	**1,070,755**	**29,862**	**26,442**	**1,476,636**	**37,633**	**(107,734)**	**2,561,550**

Department of Transport and Main Roads

Statement of assets and liabilities by major departmental services (continued)

as at 30 June 2020

	Transport system investment planning and programming 2019 $'000	Transport infrastructure management and delivery 2019 $'000	Transport safety and regulation 2019 $'000	Customer experience 2019 $'000	Passenger transport services 2019 $'000	Transport infrastructure construction and maintenance 2019 $'000	Inter-departmental services eliminations 2019 $'000	Total 2019 $'000
Assets								
Current assets								
Cash	13,360	101,408	28,291	28,760	319,263	80,447	-	**571,529**
Receivables	8,285	26,834	46,382	1,678	76,362	62,092	(69,559)	**152,074**
Inventories	-	47	1,163	160	3,064	51,343	(43,496)	**12,281**
Prepayments	1,323	2,931	4,542	574	4,976	688	-	**15,034**
Non-current assets classified as held for sale	7,244	981	39	38	461	-	-	**8,763**
Total current assets	**30,212**	**132,201**	**80,417**	**31,210**	**404,126**	**194,570**	**(113,055)**	**759,681**
Non-current assets								
Prepayments	40	793	85	83	103,409	-	-	**104,410**
Intangible assets	30,910	4,454	21,110	15,846	2,982	-	-	**75,302**
Property, plant and equipment	72,859	64,055,116	105,678	98,511	1,939,541	44,573	-	**66,316,278**
Deferred tax assets	-	-	-	-	-	6,077	-	**6,077**
Investment in subsidiary	-	601	-	-	-	-	-	**601**
Total non-current assets	**103,809**	**64,060,964**	**126,873**	**114,440**	**2,045,932**	**50,650**	**-**	**66,502,668**
Total assets	**134,021**	**64,193,165**	**207,290**	**145,650**	**2,450,058**	**245,220**	**(113,055)**	**67,262,349**
Liabilities								
Current liabilities								
Payables	13,041	324,338	22,671	9,178	284,691	47,147	(94,055)	**607,011**
Provisions	-	130,783	-	-	15,979	-	-	**146,762**
Accrued employee benefits	4,017	10,340	4,460	9,703	5,750	4,346	-	**38,616**
Lease liabilities	-	914	-	-	21,502	19,000	(19,000)	**22,416**
Other	1,016	1,540	3,791	73	88,413	-	-	**94,833**
Total current liabilities	**18,074**	**467,915**	**30,922**	**18,954**	**416,335**	**70,493**	**(113,055)**	**909,638**
Non-current liabilities								
Provisions	-	167,162	-	-	201,337	-	-	**368,499**
Lease liabilities	-	423,822	-	-	791,478	-	-	**1,215,300**
Other	300	5,496	637	628	7,575	-	-	**14,636**
Total non-current liabilities	**300**	**596,480**	**637**	**628**	**1,000,390**	**-**	**-**	**1,598,435**
Total liabilities	**18,374**	**1,064,395**	**31,559**	**19,582**	**1,416,725**	**70,493**	**(113,055)**	**2,508,073**

Department of Transport and Main Roads
Statement of changes in equity
for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Contributed equity			
Opening balance		59,492,190	57,439,789
Transactions with owners as owners:			
Appropriated equity injections	2	1,489,060	1,922,776
Net asset transfer from/(to) other Queensland Government entities		(27,594)	129,625
Closing balance		**60,953,656**	**59,492,190**
Accumulated surplus/(deficit)			
Opening balance		2,024,672	2,053,117
Net effect of changes on application of AASB 16 *Leases*	1	16,318	-
Operating result for the year		126,073	(28,445)
Closing balance		**2,167,063**	**2,024,672**
Asset revaluation surplus			
Opening balance		3,237,414	1,846,813
Increase in asset revaluation surplus	14	3,703,762	1,390,601
Closing balance		**6,941,176**	**3,237,414**
TOTAL EQUITY		**70,061,895**	**64,754,276**

The closing balance of Asset revaluation surplus comprises:

Land		1,746,408	1,722,694
Buildings		114,193	103,432
Heritage and cultural		3,273	2,840
Leased assets		113,676	83,616
Infrastructure		4,963,626	1,324,832
Closing balance		6,941,176	3,237,414

The accompanying notes form part of these financial statements.

Accounting policy

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities are adjusted to contributed equity. These adjustments are made in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

Department of Transport and Main Roads
Statement of cash flows
for the year ended 30 June 2020

	2020 $'000	2019 $'000
Cash flows from operating activities		
Inflows:		
Service appropriation receipts	5,487,765	5,332,788
User charges and fees	705,713	718,388
Grants and other contributions	265,169	101,794
GST input tax credits from ATO	697,544	688,219
GST collected from customers	74,760	64,112
Other	26,106	27,773
Outflows:		
Employee expenses	(595,881)	(571,137)
Supplies and services	(3,941,695)	(3,737,445)
Grants and subsidies	(584,124)	(585,466)
Finance and borrowing costs	(124,953)	(91,051)
GST paid to suppliers	(700,299)	(680,773)
GST remitted to ATO	(75,833)	(68,797)
Income tax equivalent paid	(4,440)	(9,713)
Other	(37,473)	(16,734)
Net cash provided by operating activities	**1,192,359**	**1,171,958**
Cash flows from investing activities		
Inflows:		
Sales of property, plant and equipment	11,493	32,248
Outflows:		
Payments for property, plant and equipment	(2,754,720)	(2,460,399)
Payments for intangibles	(18,834)	(9,000)
Payment for investment in subsidiary	(5,000)	-
Net cash used in investing activities	**(2,767,061)**	**(2,437,151)**
Cash flows from financing activities		
Inflows:		
Equity injections	2,633,647	3,067,363
Outflows:		
Equity withdrawals	(1,144,587)	(1,144,587)
Borrowing redemptions	-	(11,719)
Finance lease payments	(145,542)	(450,858)
Other	(1,850)	(1,500)
Net cash provided by financing activities	**1,341,668**	**1,458,699**
Net increase/(decrease) in cash	(233,034)	193,506
Cash – opening balance	571,529	378,023
CASH – CLOSING BALANCE	**338,495**	**571,529**

The accompanying notes form part of these financial statements.

Cash disclosures

Cash represents all cash on hand, cash at bank and cheques receipted but not banked at 30 June.

The departmental bank accounts are grouped within the whole of government banking set-off arrangement with Queensland Treasury Corporation and do not earn interest. The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of $200m (2019: $200m). There is no interest charged on this overdraft facility.

Department of Transport and Main Roads
Notes to the Statement of cash flows
for the year ended 30 June 2020

	2020 $'000	2019 $'000
RECONCILIATION OF OPERATING RESULT TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING RESULT	126,073	(28,445)
Non-cash items included in operating result		
Goods, services and assets received at below fair value	(5,037)	(5,579)
Gains on disposal of assets	(3,384)	(5,021)
Gain on finance lease modification	(8,952)	(4,833)
Assets provided at below fair value	10,772	522
Depreciation and amortisation	1,156,399	1,178,722
Loss on disposed assets	12,953	12,016
Change in assets and liabilities:		
(Increase)/decrease in receivables	25,876	63,396
(Increase)/decrease in inventories	(1,400)	(274)
(Increase)/decrease in prepayments	(80,290)	(93,342)
Increase/(decrease) in deferred income tax equivalents	135	850
Increase/(decrease) in payables	(62,440)	46,086
Increase/(decrease) in accrued employee benefits	34,362	1,220
Increase/(decrease) in current tax liabilities	473	-
Increase/(decrease) in other liabilities	(13,181)	6,640
Net cash provided by operating activities	**1,192,359**	**1,171,958**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings 2020 $'000	Lease liabilities Note 20 2020 $'000
Opening balance	-	1,237,716
New leases	-	222,443
Accrued repayments	-	(3,362)
Remeasurement of liability	-	(2,702)
Non-cash changes	-	216,379
Cash repayments	-	(145,542)
Closing balance	**-**	**1,308,553**

	2019 $'000	2019 $'000
Opening balance	644,314	785,421
New leases	-	1,480,277
Accrued repayments	-	486
Prepayments applied to finance lease	-	(572,777)
Remeasurement of liability	-	(4,833)
Transfers to/(from) other Queensland Government entities	(632,595)	-
Non-cash changes	(632,595)	903,153
Cash repayments	(11,719)	(450,858)
Closing balance	**-**	**1,237,716**

1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION

Refer to individual notes for specific accounting policies.

STATEMENT OF COMPLIANCE

The department has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations and requirements applicable to not-for-profit entities. Except where stated, historical cost is used as the measurement basis in the financial statements.

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

THE REPORTING ENTITY

The Department of Transport and Main Roads is a Queensland Government department established under the *Public Service Act 2008*. The department is controlled by the State of Queensland which is the ultimate parent. The principal address of the department is:

61 Mary Street
Brisbane, Queensland 4000

The objectives of the department are:
- Accessible – Tailored connections for our customers and workforce to create an integrated and inclusive network
- Safe – Safe and secure customer journeys and TMR workplaces
- Responsive – Our network, services and workforce respond to current and emerging customer expectations
- Efficient – Partnerships, integration, innovation and technology advance the movement of people and goods
- Sustainable – Planning, investment and delivery outcomes support a more liveable and prosperous Queensland.

The financial statements include the value of all income, expenses, assets, liabilities and equity of the Department of Transport and Main Roads.

The department has elected not to consolidate its investment in the controlled entity Transmax Pty Ltd in accordance with AASB 127 *Separate Financial Statements*. Refer to Note 24.

DEPARTMENTAL SERVICES AND PRINCIPAL ACTIVITIES

The identity and purpose of the services and principal activities undertaken by the Department of Transport and Main Roads during the reporting period are as follows:

Transport system investment planning and programming

The objective of this service area is to provide the direction for a single integrated transport network in Queensland, including the policy and planning framework to make informed investment decisions.

Transport infrastructure management and delivery

The objective of this service area is to construct, maintain and operate an integrated transport network accessible to all.

Transport safety and regulation

The objective of this service area is to regulate the transport system safely, economically and sustainably without imposing unnecessary red tape.

Customer experience

The objective of this service area is to put customers at the centre of the design and delivery of the department's products and services, to understand evolving customer needs and expectations, to improve customer experiences and reduce complaints.

Passenger transport services

The objective of this service area is to connect Queensland through the delivery of customer focused passenger transport services.

Transport infrastructure construction and maintenance (RoadTek)

RoadTek provides transport infrastructure solutions, including construction and maintenance services to enable the department to deliver on government priorities and community outcomes.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION (continued)

AGENCY ARRANGEMENTS

The department performs certain transactions in an agent capacity, and the receipts of such funds are not considered to be revenue for the department, nor are payments of these amounts considered to be expenses of the department. These transactions are not recognised in the financial statements but are disclosed in these notes for the information of users.

In 2020 Compulsory Third Party (CTP) insurance premiums collected on behalf of licensed CTP insurers totalled $1.1b (2019: $1.0b). Levies collected on behalf of the Motor Accident Insurance Commission totalled $128m (2019: $126m) and National Injury Insurance Scheme Queensland totalled $427m (2019: $404m), and stamp duty collected on behalf of the Office of State Revenue totalled $534m (2019: $556m). Registration fees collected on behalf of the National Heavy Vehicle Regulator totalled $42m (2019: $42m).

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Note 11 Receivables
- Note 13 Intangible assets
- Note 14 Property, plant and equipment
- Note 16 Provisions.

CURRENCY, ROUNDING AND COMPARATIVES

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1000, or where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information is restated where necessary to be consistent with disclosures in the current reporting period.

CLIMATE RISK DISCLOSURE

The department has not identified any material climate related risks relevant to the financial statements at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year.

FINANCIAL IMPACTS FROM THE COVID-19 PANDEMIC

The department has assessed the impacts of the COVID-19 pandemic to the 2019–20 financial statements and identified no material impacts other than that disclosed in Note 28.

NEW AND REVISED ACCOUNTING STANDARDS

No Australian Accounting Standards have been early adopted in 2019–20.

Effective for the first time in 2019–20

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

These standards require revenue to be recognised progressively as control of a good or service transfers to customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised based on the transfer of promised goods or services to customers.

AASB 1058 is relevant in circumstances where AASB 15 does not apply and applies to transactions where the consideration to acquire an asset is significantly less than fair value, principally to enable the department to further its objectives.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION (continued)

NEW AND REVISED ACCOUNTING STANDARDS (continued)

Effective for the first time in 2019–20 (continued)

Under the new revenue recognition model the department shall determine whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific' to a transaction or part of a transaction. The department applies the AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, the department shall consider whether AASB 1058 applies.

The department has analysed the new revenue recognition requirements under these standards and has determined that capital grants and developers' contributions received may need to be recognised over the term of the arrangement, depending on individual circumstances. The impact of this change is immaterial to the department's financial statements and no transition adjustment was made to retained earnings at 1 July 2019.

AASB 16 *Leases*

This standard requires the department, as lessee, to recognise a right-of-use asset, representing a right to use the underlying leased asset, and a liability, representing the obligation to make lease payments, for all leases with a non-cancellable term of more than 12 months, unless the underlying assets are below the threshold of $10,000 set by Queensland Treasury.

In accordance with the accounting standard, the department is not required to value concessionary (peppercorn) leases. The right-of-use assets from these leases are valued at cost in accordance with Queensland Treasury policy. Currently the department's peppercorn leases comprise only legislative perpetual leases.

Queensland Treasury has advised that the following arrangements will be exempt from lease accounting under AASB 16 and costs for these services will continue to be expensed as supplies and services when incurred:

- Commercial office accommodation leases from the Department of Housing and Public Works under the Queensland Government Accommodation Office (QGAO)
- Residential accommodation through the Government Employee Housing program
- Motor vehicles provided under the Department of Housing and Public Works Qfleet program.

On the adoption of AASB 16 the department recognised right-of-use assets and lease liabilities in relation to leases of plant and equipment, land and staff accommodation, which had previously been classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the department's incremental borrowing rates. The rates ranged from 1.2% and 2.7%.

In applying AASB 16 for the first time, the department has used the following practical expedients permitted by the accounting standard:

- To not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on our previous assessment of whether leases are onerous immediately before the date of initial application, as an alternative to performing an impairment review
- To not recognise a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The transactional impact of the adoption of AASB 16 as at 1 July 2019 is as follows:

Category	$'000
Assets	
Receivables	3,380
Property, plant and equipment	244
Total assets	**3,624**
Liabilities	
Leases	(3,620)
Derecognised lease incentives	16,314
Total liabilities	**12,694**
Equity	
Retained earnings	16,318

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION (continued)

NEW AND REVISED ACCOUNTING STANDARDS (continued)

Effective for the first time in 2019–20 (continued)

Former finance leases recognised as a finance lease in accordance with AASB 117 *Leases* have not been reassessed under AASB 16 *Leases* in accordance with AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*. These arrangements are disclosed in Note 20 and will be accounted for under AASB 1059 *Service Concession Arrangements: Grantors* when this accounting standard comes into effect on 1 July 2020.

New Australian Accounting Standards issued but not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standard issued but with future effective dates is set out below:
AASB 1059 *Service Concession Arrangements: Grantors*

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

With the exception of the Brisbane Airport Rail Link arrangement assessment has been completed for each public private partnership agreement reported in Note 21 of the department's 2019–20 financial statements. This assessment concludes that each of the arrangements, except for the New Generation Rollingstock (NGR), are subject to the accounting standard and that the department controls each of these arrangements in terms of the accounting standard's definition of control. For the NGR arrangement, as the private party in the agreement does not operate the services on behalf of the department, AASB 1059 is therefore not applicable.

This accounting standard will produce an estimated increase in assets greater than $6 billion and liabilities greater than $5 billion, with current off-balance sheet agreements for the Gateway and Logan Motorways, Airportlink toll road and Port Drive being recognised for the first time on the implementation of AASB 1059.

2 APPROPRIATIONS

	2020 $'000	2019 $'000
Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in Statement of comprehensive income		
Budgeted appropriation revenue	5,369,201	5,131,477
Treasurer's advance	4,400	-
Transfers from other headings	114,164	-
Unforeseen expenditure	-	201,311
Total appropriation receipts	5,487,765	5,332,788
Less: Opening balance of appropriation revenue receivable	-	(58,029)
Plus: Closing balance of appropriation revenue receivable	-	-
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	14,172	-
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(61,290)	(14,172)
Net appropriation revenue	5,440,647	5,260,587
Plus: Deferred appropriation payable to Consolidated Fund (expense in 2018–19)	-	14,172
Appropriation revenue recognised in Statement of comprehensive income	**5,440,647**	**5,274,759**
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	1,628,456	1,514,142
Transfers to other headings	(119,164)	-
Lapsed equity adjustment	(20,232)	-
Unforeseen expenditure	-	408,634
Equity adjustment receipts	1,489,060	1,922,776
Equity adjustment recognised in contributed equity	**1,489,060**	**1,922,776**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

2 APPROPRIATIONS (continued)

Accounting policy

Appropriations provided under the *Appropriation Act 2019* and the *Appropriation (COVID-19) Act 2020* are recognised as revenue when received. Where the department has an obligation to return unspent or unapplied appropriation receipts to the Consolidated Fund at year end, a deferred appropriation repayable liability to the Consolidated Fund is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with the Consolidated Fund for the reporting period. Prior to 1 July 2019, any liability at the end of the financial year for deferred appropriation repayable was debited to expense under the requirements of the superseded AASB 1004 *Contributions*. Refer to Note 10. Capital appropriations are recognised as adjustments to equity.

3 USER CHARGES AND FEES

	2020 $'000	2019 $'000
Compulsory third party administration fees	36,943	32,784
Fare revenue	288,690	359,976
Merchant fees collected	8,001	5,871
National Heavy Vehicle Regulator	21,302	22,135
Personalised plates sales	53,423	47,419
Pilotage	98,265	102,460
Property rental	32,158	33,692
Recoverable works	4,440	9,793
Registration fee surcharge	20,907	22,810
Services rendered	40,858	35,883
Toll revenue	9,302	-
Other	56,832	38,557
Total	**671,121**	**711,380**

Accounting policy

User charges and fees are recognised as performance obligations are met and as goods and services are provided to the customer.

4 GRANTS AND OTHER CONTRIBUTIONS

	2020 $'000	2019 $'000
Goods, services and assets received at below fair value	4,445	5,165
Grants from Queensland Reconstruction Authority *	180,002	20,726
Grants from Queensland Investment Corporation **	29,887	31,755
Grants from Motor Accident Insurance Commission ***	10,159	6,002
Subsidies from Department of Education for students with disabilities	39,221	38,228
Other	5,900	5,083
Total	**269,614**	**106,959**

* Grants received for the rebuilding of transport infrastructure following natural disasters under the Natural Disaster Relief and Recovery Arrangements (NDRRA) and Disaster Recovery Funding Arrangements (DRFA).

** Grants related to the Gateway Upgrade North project which was completed in 2018–19.

*** Grants received for road safety campaigns.

Accounting policy

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

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the department to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.

Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets controlled by the department. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as the department satisfies its obligations under the grant through construction of the asset.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

4 GRANTS AND OTHER CONTRIBUTIONS (continued)

Accounting policy (continued)

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

Contributed physical assets are recognised at their fair value.

5 EMPLOYEE EXPENSES

	2020 $'000	2019 $'000
Employee benefits		
Annual leave levy	47,310	42,199
Employer superannuation contributions	57,820	55,368
Long service leave levy	12,564	10,116
Wages and salaries *	496,226	447,284
Other employee benefits	4,158	2,418
Employee related expenses		
Workers' compensation premium	3,197	2,735
Other employee related expenses	12,263	11,305
Total	**633,538**	**571,425**

* Wages and salaries includes $7.899m of $1,250 one-off pro-rata payments announced in September 2019 for 6,320 full-time equivalent employees.

The department's total employee expenditure was $849.508m in 2020 (2019: $775.744m). Of this $215.970m (2019: $204.319m) was capitalised to construction work in progress leaving $633.538m (2019: $571.425m) reported as employee expenses.

Number of full-time equivalent employees	**7333**	**7199**

Refer to Note 17 for the policies related to employee entitlements.

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES

Key management personnel

The department's responsible Minister, the Minister for Transport and Main Roads, is identified as part of the department's key management personnel, consistent with guidance included in AASB 124 *Related Party Disclosures*.

The following details for non-Ministerial key management personnel include those positions that form the department's Executive Leadership Team (ELT) that had authority and responsibility for planning, directing and controlling the activities of the department during the financial year. Further information on these positions can be found in the Annual Report under the section titled Our Organisation.

Remuneration expenses

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration for the Minister. 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 key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts may provide for other benefits including a motor vehicle allowance, however they do not provide for the provision of performance payments.

The following disclosures focus on the expenses incurred by the department for non-Ministerial personnel during the reporting period attributable to the key management positions.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

Remuneration expenses (continued)

Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position
  - non-monetary benefits and any applicable fringe benefits tax.
- Long term and post employment expenses including:
  - amounts expensed in respect of long service leave entitlements earned
  - amounts expensed in respect of employer superannuation obligations.
- Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements payable on termination of employment.

1 July 2019 – 30 June 2020

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	556	76	-	**632**
Acting Director-General (31.07.2019–01.09.2019)	26	3	-	**29**
Deputy Director-General (Customer Services, Safety and Regulation)	291	34	-	**325**
Deputy Director-General (Infrastructure Management and Delivery)	294	35	-	**329**
Deputy Director-General (Policy, Planning and Investment)	277	33	-	**310**
Acting Deputy Director-General (Policy, Planning and Investment) (31.07.2019–15.08.2019) (19.09.2019–06.10.2019)	22	3	-	**25**
Deputy Director-General (TransLink)	316	39	-	**355**
Acting Deputy Director-General (TransLink) (23.08.2019–26.08.2019) (14.10.2019–05.11.2019)	24	3	-	**27**
Deputy Director-General (Corporate)	272	34	-	**306**
Chief Operations Officer	239	29	-	**268**

1 July 2018 – 30 June 2019

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	578	79	-	**657**
Deputy Director-General (Customer Services, Safety and Regulation)	296	36	-	**332**
Deputy Director-General (Infrastructure Management and Delivery) (Appointed July 2018)	277	31	-	**308**
Acting Deputy Director-General (Infrastructure Management and Delivery) (01.07.2018 – 27.07.2018)	20	2	-	**22**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

Remuneration expenses (continued)

1 July 2018 – 30 June 2019 (continued)

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Acting Deputy Director-General (Infrastructure Management and Delivery) (02.01.2019–29.01.2019)	16	2	-	**18**
Deputy Director-General (Policy, Planning and Investment)	289	34	-	**323**
Acting Deputy Director-General (Policy, Planning and Investment) (01.07.2018–15.07.2018) (07.12.2018–21.12.2018) (12.04.2019–26.04.2019)	29	4	-	**33**
Deputy Director-General (TransLink)	287	35	-	**322**
Deputy Director-General (Corporate)	284	35	-	**319**
Acting Deputy Director-General (Corporate) (17.12.2018–18.01.2019)	23	2	-	**25**
Chief Operations Officer	140	15	-	**155**
Acting Chief Operations Officer (03.12.2018–30.06.2019)	137	17	-	**154**

Performance payments

None of the non-Ministerial key management personnel remuneration packages provide for performance or bonus payments.

Transactions with related parties of key management personnel

There are no related party transactions for non-Ministerial key management personnel during the period, other than domestic transactions that form part of the usual course of business, which are not required to be reported as related party disclosures.

7 SUPPLIES AND SERVICES

	2020 $'000	2019 $'000
Administration	60,932	62,340
Contractors – including service contracts:		
Administrative and professional	95,808	89,235
Information technology	120,559	96,024
Repairs and maintenance	260,488	280,007
Staff replacement	7,282	6,956
Transport services – Queensland Rail *	1,794,172	1,777,558
Transport services – other	1,022,518	1,005,903
Other	47,210	52,958
Communication equipment and service charges	50,679	45,610
Motor vehicles – Qfleet	9,981	10,493
Office accommodation	48,635	48,048
Payments to other government agencies **	46,330	42,991
Utilities	46,374	46,943
Other	108,373	106,796
Total	**3,719,341**	**3,671,862**

Department of Transport and Main Roads

Notes to the financial statements 2019–20 (continued)

7 SUPPLIES AND SERVICES (continued)

* The department has a contract with Queensland Rail to provide rail passenger services in suburban and regional Queensland, and to ensure the Queensland Rail network can support safe and reliable passenger and freight services.

** Queensland Government services include payments to Queensland Shared Services and the Queensland Government's primary information services provider CITEC.

The department's total supplies and services expenditure was $6.317b in 2020 (2019: $7.090b). Of this $2.598b (2019: $3.418b) was capitalised to construction work in progress leaving $3.719b (2019: $3.672b) reported as supplies and services.

8 GRANTS AND SUBSIDIES

	2020 $'000	2019 $'000
Assets provided to third parties at below fair value	10,772	522
Public transport	85,053	78,217
School transport	156,786	151,392
Transport infrastructure	244,605	283,973
Transport Infrastructure Development Scheme (TIDS)	97,717	78,525
Other	15,286	444
Total	**610,219**	**593,073**

9 FINANCE AND BORROWING COSTS

	2020 $'000	2019 $'000
Administration charges	-	247
Interest on lease liabilities	121,778	95,391
Interest on borrowings *	-	8,701
Total	**121,778**	**104,339**

* The department no longer incurs interest on borrowings following Queensland Treasury's centralisation of borrowings in November 2018.

Accounting policy

Finance costs are recognised as an expense in the period in which they are incurred.

No borrowing costs are capitalised into qualifying assets.

10 OTHER EXPENSES

	2020 $'000	2019 $'000
Deferred appropriation payable to Consolidated Fund	-	14,172
Queensland Audit Office – external audit fees *	686	676
Audit fees – other **	1,699	510
Fees, permits and other charges	1,102	1,215
Insurance premiums	8,001	8,055
Loss on disposal of property, plant and equipment	8,828	10,144
Losses:		
Public monies	356	450
Public property	291	193
Special payments:		
Ex gratia payments ***	10,753	533
Court awarded damages ***	6,587	489
Compensation claims	7,370	4,102
Other	4,753	2,383
Total	**50,426**	**42,922**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

10 OTHER EXPENSES (continued)

* Total audit fees quoted by the Queensland Audit Office relating to the 2020 financial statements are $0.712m. Actual fees paid relating to the 2019 audit were $0.662m.

** Relates mainly to probity audits associated with road infrastructure projects.

*** Significant special payments made in 2020 relate to an ex-gratia payment for a transit development project and an court awarded settlement for a roadworks project.

The department's total other expenses was $64.626m in 2020 (2019: $53.525m). Of this $14.200m (2019: $10.603m) was capitalised to construction work in progress leaving $50.426m (2019: $42.922m) reported as other expenses.

Insurance

The department's road assets are not insured. The risk associated with these assets is therefore borne by government. In certain circumstances, damage to the road network may be proportionally covered through the Australian Government's *Disaster Recovery Funding Arrangements* (previously *Natural Disaster Relief and Recovery Arrangements).*

The department insures its open tender road construction contract activities for both material damage and product liability under the Principal Arranged Insurance Program. As well as providing cover for the department and its employees, it also covers the other parties to open tender construction contracts such as contractors, superintendents and sub-contractors.

The department's project risks and other non-current physical assets are insured through the Queensland Government Insurance Fund, with the exception of land, and New Generation Rollingstock assets which are insured by the service operator. Premiums are paid on a risk assessment basis. Under this scheme the department's liability is limited to $10,000 for each claim.

In addition, the department pays premiums to WorkCover Queensland for its obligations for employee compensation.

11 RECEIVABLES

	2020 $'000	2019 $'000
Current		
Trade debtors	44,579	76,609
Other debtors	4,059	4,429
Less: Allowance for impairment loss *	(10,050)	(8,172)
	38,588	**72,866**
GST receivable	72,615	69,860
GST payable	(6,788)	(7,861)
	65,827	**61,999**
Annual leave reimbursements	8,936	11,540
Long service leave reimbursements	2,467	3,158
Other	7,095	2,511
	18,498	**17,209**
Total	**122,913**	**152,074**
Non-current		
Sublease receivable	3,285	-
Total	**3,285**	**-**

*** Movements in the allowance for impaired receivables**

	2020	2019
Opening balance	8,172	8,157
Increase/(decrease) in allowance recognised in the operating result	2,651	1,847
Amounts written off during the year	(783)	(1,835)
Amounts recovered during the year previously written off	10	3
Closing balance **	10,050	8,172

** Individually impaired financial assets are more than 90 days overdue.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

11 RECEIVABLES (continued)

Receivables credit risk – ageing analysis

Past due but not impaired	Overdue				
	1-30 days $'000	31-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
2020					
Trade debtors	3,633	177	37	7,810	**11,657**
2019					
Trade debtors	4,143	490	567	2,721	**7,921**

Accounting policy

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement on these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with an allowance being made for impairment.

The loss allowance for trade receivables is no longer recognised on an incurred loss model, but instead using the simplified approach for lifetime expected credit losses. Under AASB 9 *Financial instruments* the department uses a provision matrix to assess the historical trend of its receivables to calculate loss rates adjusted for forward-looking information. Historical rates are calculated using credit losses experienced during the past 10 years preceding 30 June 2020, adjusted by the unemployment rate, which is determined to be the most relevant forward-looking indicator for the department. The calculated lifetime expected credit loss allowance has been applied to trade receivables. No additional loss allowance has been recognised in the current financial year based on materiality.

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

The department's annual and long service leave receivables relate to the Queensland Government's Annual Leave and Long Service Leave Central Schemes which are administered by QSuper on behalf of the state. Refer to Note 17.

12 PREPAYMENTS

	2020 $'000	2019 $'000
Current		
Insurance	313	574
New Generation Rollingstock accessibility works *	12,743	-
Pilotage	2,030	3,380
Software and data agreements	11,339	9,532
Other	2,045	1,548
Total	**28,470**	**15,034**
Non-current		
New Generation Rollingstock accessibility works *	168,503	102,266
Software and data agreements	2,642	2,080
Other	119	64
Total	**171,264**	**104,410**

* Milestone payments on rectification works for New Generation Rollingstock train sets made in accordance with the variation deed entered into with the vendor. Residual payments have been recognised as a provision. Refer to Note 16.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

13 INTANGIBLE ASSETS

	Software purchased 2020 $'000	Software internally generated * 2020 $'000	Software work in progress 2020 $'000	Other 2020 $'000	Total 2020 $'000
Gross value	26,254	279,152	23,290	4,211	**332,907**
Less: Accumulated amortisation	(14,215)	(242,490)	-	(4)	**(256,709)**
	12,039	**36,662**	**23,290**	**4,207**	**76,198**
Reconciliation					
Opening balance	5,850	43,616	21,629	4,207	**75,302**
Acquisitions (including upgrades)	-	-	18,834	-	**18,834**
Transfers between classes	7,870	2,178	(10,048)	-	**-**
Transfers from/(to) property, plant and equipment	88	939	(3,075)	-	**(2,048)**
Projects written off	-	-	(4,050)	-	**(4,050)**
Amortisation	(1,769)	(10,071)	-	-	**(11,840)**
Closing balance	**12,039**	**36,662**	**23,290**	**4,207**	**76,198**

	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Gross value	18,295	276,952	21,629	4,211	**321,087**
Less: Accumulated amortisation	(12,445)	(233,336)	-	(4)	**(245,785)**
	5,850	**43,616**	**21,629**	**4,207**	**75,302**
Reconciliation					
Opening balance	5,832	60,100	13,934	4,207	**84,073**
Acquisitions (including upgrades)	-	-	9,941	-	**9,941**
Transfers from/(to) property, plant and equipment	1,353	-	(1,305)	-	**48**
Disposals	(58)	(870)	-	-	**(928)**
Projects written off	-	-	(941)	-	**(941)**
Amortisation	(1,277)	(15,614)	-	-	**(16,891)**
Closing balance	**5,850**	**43,616**	**21,629**	**4,207**	**75,302**

* The department holds significant internally generated software assets as follows:

- Portfolio, Program, Project and Contract Management software that has a carrying amount of $20.888m (2019: $25.065m) and a remaining amortisation period of 5 years.
- New Queensland Drivers Licence software that has a carrying amount of $5.066m (2019: $7.582m) and a remaining amortisation period of 2 years.

Accounting policy

Intangible assets with a cost equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser cost are expensed.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Any training costs are expensed as incurred.

The department’s intangible assets are not revalued as there is no active market for any of these assets. Such assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

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

Class	Amortisation method	Average useful life
Intangibles – purchased	Straight-line	10
Intangibles – internally generated	Straight-line	14
Intangibles – work in progress	Not amortised	–
Intangibles – other	Not amortised	Indefinite life

The estimation of useful life and the resulting amortisation rates applied are based on a number of factors including expected usage, obsolescence, past experience and the department's planned replacement program. These are reviewed on an annual basis.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

14 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Heritage and cultural	Plant and equipment	Leased assets	Infrastructure *	Work in progress	Total
	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Gross value	4,828,042	892,614	8,350	642,928	3,466,172	78,830,535	4,234,847	**92,903,488**
Less: Accumulated depreciation	-	(233,309)	-	(443,984)	(243,130)	(20,128,267)	-	**(21,048,690)**
	4,828,042	**659,305**	**8,350**	**198,944**	**3,223,042**	**58,702,268**	**4,234,847**	**71,854,798**
Reconciliation								
Opening balance	4,746,483	615,685	7,918	193,888	2,385,104	53,836,421	4,530,779	**66,316,278**
Acquisitions (including upgrades)	79,550	277	-	24,139	218,481	46	2,714,609	**3,037,102**
Assets received at below fair value	2,807	-	-	-	-	-	451	**3,258**
Transfers from/(to) other Queensland Government entities	(28,157)	2,412	-	-	-	-	-	**(25,745)**
Transfers between classes	19,809	87,679	-	15,371	674,783	2,203,615	(3,001,257)	**-**
Transfers from/(to) intangibles	-	-	-	2,048	-	-	-	**2,048**
Disposals	(215)	(1,490)	-	(1,311)	-	(2,683)	-	**(5,699)**
Assets provided to third parties at below fair value	(636)	(2,456)	-	(229)	-	-	(7,451)	**(10,772)**
Assets reclassified as held for sale	(15,313)	(3,543)	-	-	-	-	-	**(18,856)**
Projects written off	-	-	-	-	-	-	(2,284)	**(2,284)**
Net revaluation increments **	23,714	10,761	432	-	30,060	3,638,795	-	**3,703,762**
Depreciation	-	(50,020)	-	(34,962)	(85,386)	(973,926)	-	**(1,144,294)**
Closing balance	**4,828,042**	**659,305**	**8,350**	**198,944**	**3,223,042**	**58,702,268**	**4,234,847**	**71,854,798**

Fair value reconciliation for land and building assets classified as level 3 – fair value substantially derived from unobservable inputs (refer to the following accounting policy)

	Land	Buildings
	2020 $'000	2020 $'000
Opening balance	11,948	318,484
Transfer from level 2 to level 3	-	2,820
Transfers from/(to) other Queensland Government entities	(2)	2,412
Transfers between classes	-	60,133
Assets provided to third parties at below fair value	-	(2,456)
Assets reclassified as held for sale	(65)	-
Net revaluation increments/(decrements)	229	5,033
Depreciation	-	(15,375)
Closing balance	12,110	371,051

* Infrastructure consists of roads $46.313b, structures $12.068b and other infrastructure $0.321b.

** Infrastructure assets includes an increase of $3.297b in 2020 mainly arising from the application of improved information used in the assumptions for estimating the remaining useful life of complex infrastructure assets. This change in estimates is prospective in nature and includes the re-assessment of depreciable earthworks in accordance with Interpretation 1055 *Accounting for Road Earthworks*. The department's experts have considered market fluctuations from COVID-19 and other global market changes and their impact on oil-based products in the short to medium term. Due to the short-term nature of these market fluctuations compared with the long-term nature of the department's infrastructure assets, there is limited impact on the department's asset values. The department will continue to monitor the future impact from these global market changes.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Heritage and cultural	Plant and equipment	Leased assets	Infrastructure *	Work in progress	Total
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Gross value	4,746,483	827,506	7,918	620,391	2,539,750	76,362,676	4,530,779	**89,635,503**
Less: Accumulated depreciation	-	(211,821)	-	(426,503)	(154,646)	(22,526,255)	-	**(23,319,225)**
	4,746,483	**615,685**	**7,918**	**193,888**	**2,385,104**	**53,836,421**	**4,530,779**	**66,316,278**
Reconciliation								
Opening balance	4,484,483	757,309	7,488	204,084	1,369,736	52,592,223	2,984,477	**62,399,800**
Acquisitions (including upgrades)	40,390	562	-	16,579	1,557,500	98	2,606,797	**4,221,926**
Assets received at below fair value	1,260	49	-	-	-	1,856	-	**3,165**
Transfers from/(to) other Queensland Government entities	(20,322)	(150,987)	-	-	-	(330,160)	-	**(501,469)**
Transfers between classes	49,205	47,151	-	8,588	(519,902)	1,474,101	(1,059,143)	**-**
Transfers from/(to) intangibles	-	-	-	1,304	-	-	(1,352)	**(48)**
Disposals	-	(7,885)	-	(1,546)	-	(1,151)	-	**(10,582)**
Assets provided to third parties at below fair value	(117)	(120)	-	-	-	(285)	-	**(522)**
Assets reclassified as held for sale	(20,852)	(3,910)	-	-	-	-	-	**(24,762)**
Net revaluation increments/(decrements)	212,436	26,294	430	-	37,142	1,114,299	-	**1,390,601**
Depreciation	-	(52,778)	-	(35,121)	(59,372)	(1,014,560)	-	**(1,161,831)**
Closing balance	**4,746,483**	**615,685**	**7,918**	**193,888**	**2,385,104**	**53,836,421**	**4,530,779**	**66,316,278**

Fair value reconciliation for land and building assets classified as level 3 (fair value substantially derived from unobservable inputs)

	Land	Buildings
	2019 $'000	2019 $'000
Opening balance	11,965	298,650
Acquisitions	578	-
Transfer from level 2 to level 3	-	155,172
Transfers from/(to) other Queensland Government entities	(834)	(151,131)
Transfers between classes	-	21,629
Disposals	-	(70)
Assets reclassified as held for sale	(5)	-
Net revaluation increments/(decrements)	244	19,549
Depreciation	-	(25,315)
Closing balance	11,948	318,484

* Infrastructure consists of roads $42.110b, structures $11.420b and other infrastructure $0.306b.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy

Recognition thresholds

All items of property, plant and equipment are recognised when the cost exceeds the following thresholds:

- Land $1
- Buildings $10,000
- Heritage and cultural $5000
- Plant and equipment $5000
- Infrastructure $10,000

The threshold for assets subject to a finance lease varies dependent on the property, plant and equipment class components contained within the lease.

All other items with a cost less than the above thresholds are expensed.

Acquisition

Actual cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs directly attributable to the acquisition, including all other costs incurred in preparing the assets ready for use.

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

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

Depreciation

For each class of property, plant and equipment other than infrastructure assets, the following depreciation rates are used:

Class	Depreciation method	Average useful life
Land	Not depreciated	Indefinite life
Buildings	Straight-line	35
Heritage and cultural	Cultural and preservation policies – not depreciated	Indefinite life
Plant and equipment	Straight-line	10
Work in progress	Not depreciated	–

Property, plant and equipment subject to a finance lease is depreciated on a straight line basis over the expected useful life of the asset.

Complex assets consist of significant separately identifiable components with different service lives, which are subject to regular replacement during the life of the complex asset. When the change in depreciation expense from separately identifying significant components is material to the class to which the assets relate, the significant components are separately identified and depreciated. The department's road infrastructure has a componentised structure as shown below.

The following depreciation rates are used for infrastructure sub-components:

Component	Sub-component	Depreciation method	Average useful life
Roads	Surfaces	Straight-line	21
	Pavements	Straight-line	52
	Formation earthworks	Not depreciated	Indefinite life
	Formation earthworks	Straight-line	Assessed on an individual basis
Structures – bridges, tunnels and major culverts	–	Straight-line	99
Other – mainly marine infrastructure	–	Straight-line	40

The estimation of useful life and resulting depreciation rates are based on a number of factors including the department's past experience, the planned replacement program and expected usage, wear and tear, obsolescence and expected funding availability to the department. Useful lives are reviewed on an annual basis.

Where the confirmed available funding for the renewal and replacement of the department's road infrastructure assets varies from one year to the next, the sub-component remaining useful lives are subject to change as a consequence of the altered works program.

Accordingly an increase in funding allocated to asset renewal or replacement is likely to result in a corresponding proportionate increase in depreciation expense, and in accumulated depreciation, with a reduction in useful lives.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)
Depreciation (continued)

A reduction in funding is likely to have a similar impact in reducing depreciation expense and accumulated depreciation, and increasing expected useful lives.

Formation earthworks initially have an indefinite life irrespective of work carried out on the surface and pavement components. Earthworks that are expected to be taken out of service or reconstructed are allocated a limited life and are depreciated in accordance with the requirements of AASB 116 *Property, Plant and Equipment*.

Land under roads

The aggregate value of land under roads is measured and disclosed as land until road declarations for each land portion are confirmed.

Where a road declaration is confirmed, the title is extinguished and ownership reverts to the state represented by the Department of Natural Resources, Mines and Energy in accordance with Queensland Government policy.

Non-current assets classified as held for sale

Non-current assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition, and for which their sale is highly probable within the next twelve months.

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* when an asset is classified as held for sale its value is measured at the lower of the asset's carrying amount and fair value less costs to sell. Such assets are no longer amortised or depreciated upon being classified as held for sale.

Fair value measurement

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

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

Valuation of property, plant and equipment

Plant and equipment assets and capital work in progress are measured at cost in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

Land, buildings, heritage and cultural and infrastructure assets are measured and reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent relevant accumulated depreciation and accumulated impairment.

Leased assets are revalued on the same basis as the underlying property, plant and equipment class they would otherwise be reported in.

The cost of items acquired during the financial year materially represent their fair value at the end of the reporting period.

Heritage and cultural assets are independently valued on an annual basis. Road infrastructure assets are valued on an annual basis by suitably qualified departmental officers. Land, buildings and other infrastructure assets are assessed by qualified valuers at least once every five years with appropriate indices being applied in the intervening years.

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

For assets revalued using a cost valuation approach accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount.

For assets revalued using a market or income based valuation approach accumulated depreciation is eliminated against the gross amount of the asset prior to restating for the revaluation.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)
Valuation of property, plant and equipment (continued)
Land

The department's land was last revalued based on specific appraisals by registered valuers from the department's Strategic Property Management unit and various external valuers effective June 2016. During 2019–20 the fair values were updated using appropriate indices obtained from the Department of Natural Resources, Mines and Energy - State Valuation Service.

The State Valuation Service has provided an individual factor change per property. In determining indices, the valuation incorporated market sales data, land valuations issued by the Valuer-General, the location of the department's land, its size, shape, street or road frontage and access and any other significant restrictions.

Indices supplied are tested for reasonableness and the State Valuation Service has provided a statement of assurance of their robustness, validity and appropriateness for application to the relevant assets.

In accordance with AASB 13 *Fair Value Measurement,* the department's land assets are generally categorised as level 2.

Land subject to restrictions due to its size or use, and or ability to be sold, such as land located in areas where there is not an active market, has been classified as level 3.

Buildings

The department's buildings were last revalued based on specific appraisal by registered valuers from the department's Strategic Property Management unit and various external valuers effective June 2016.

During 2019–20 the fair values of residential buildings were updated using the Cordell Housing Price Index supplied by the State Valuation Service. This index is specific to Queensland house price movements and is based on observable inputs that are developed using publicly available information on market transactions. Indices supplied are tested for reasonableness and the State Valuation Service have provided an assurance of their robustness, validity and appropriateness for application to residential buildings.

General non-residential building assets have been updated using a Building Price Index supplied by Gray Robinson Cottrell (GRC) Pty Ltd, Quantity Surveyors. This index is based on recent tenders for typical specialised buildings and is considered to be the most appropriate index to apply for specialised government assets.

The department's building assets are categorised as a combination of level 2 and level 3 in accordance with AASB 13 *Fair Value Measurement.*

Heritage and cultural

The department's heritage collection was subject to specific appraisal by Waterhouse Property Valuers in March 2020. As there is no active market for the department's heritage assets, their fair value is determined by estimating the cost to reproduce the items with the features and materials of the original items, with adjustments made to take into account the items' heritage restrictions and characteristics.

The department’s artwork was revalued based on specific appraisal by MacAulay Partners in March 2020. The fair value of the artwork was based on sales data on similar artwork by the respective artists. Factors such as condition, size and medium of artwork were also taken into consideration during this specific appraisal.

In accordance with AASB 13 *Fair Value Measurement,* heritage and cultural assets are categorised as level 3.

Infrastructure

A full management valuation of the road infrastructure network asset as at 30 June 2020 was completed by suitably qualified and experienced departmental engineers and staff. The valuation methodology adopted to calculate fair value is based on the cost to acquire the service potential embodied in an asset and adjusted to reflect the asset’s present condition, functionality, technological and economic obsolescence. This is the estimated cost to replace an asset with an appropriate modern equivalent using current construction materials and standards, adjusted for changes in utility and service level.

The valuation involves a resource-based assessment to develop unit rates that provide a sound representation of the cost of replacing the service potential embodied in the asset. This process utilises the following key assumptions and judgements:

- Stereotypical roads – The road network is broken down into stereotypical roads as a way of standardising the complexities involved in road construction. The department estimates 13 different road stereotypes based on the road segments' complexity in relation to the number and width of traffic lanes, standard of construction (based on date), number of carriageways, age of construction, and location (rural or urban). Stereotypes range from unformed roads through to major motorways and busways and are further defined by complex category and sub-category mapping (for example, terrain – rolling, level, mountainous).

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)
Valuation of property, plant and equipment (continued)
Infrastructure (continued)

- Project work breakdown structure (WBS) – Each stereotype is supported by a complex breakdown of WBS schedules representing the types of projects that would be undertaken to replace and renew relevant asset components. As WBS represent a standardised road construction, assumptions are made on the area used for each WBS. The areas have been determined by a firm of consultant engineers and are reviewed and updated as necessary. There is a small number of derived WBS schedules that are based on other similar WBS instead of their own schedule of work activities.
- Unit rates – The unit rates applied to stereotypical roads are priced by an expert estimating firm using current market rates of inputs such as raw materials, plant and labour to underpin the detailed WBS schedules representing the way in which certain stereotypical roads would be replaced. Inputs are sourced directly from suppliers and subcontractors competing in the marketplace in Queensland.
  The unit rates, including underlying assumptions and specific details contained in the stereotypes, are ratified annually by an expert panel consisting of engineers and staff from a range of disciplines across the department in conjunction with local government and industry.

Remaining useful lives are estimated using past experience as detailed in the department's road condition models and in the extensive rule set that is applied to determine when an appropriate works intervention will occur. Consideration is also given to planned replacement programs as a result of observation of road use deterioration and environmental factors such as:

- Traffic volume
- Rutting
- Cracking
- Roughness
- Safety
- Number of years in use.

As there is no active market for the department's infrastructure assets, the valuation approach used is current replacement cost. This is the assets' measurement of their highest and best use. While the unit rates database consists of market derived component costs which includes raw materials and other costs of construction (level 2 inputs), there are also significant level 3 unobservable inputs such as useful life and asset condition which require extensive professional judgement. Differences in the assessment of these level 3 inputs would not result in material changes in the reported fair value.

The department determines the current replacement cost of structures on the infrastructure network through an approach that takes into consideration an expert review of actual construction costs and resource rates to replace existing bridges, tunnels and major culverts. This is achieved by referencing past works of similar construction method and moderating for changes in market movements through a combination of market indexation and referencing of recent actual construction costs and resource rates.

Unit rates for the current replacement cost of bridges and tunnels are derived from a combination of the current and prior four years' project costs and other departmental system reports, and market indexation, moderated by internal engineering experts. Unit rates for the current replacement cost of major culverts are derived from resource rates and use of the Expert Estimation tool, moderated by internal engineering experts. These unit rates are then certified by the department's Deputy Chief Engineer (Structures).
The department's other infrastructure was revalued during 2015–16 based on specific appraisal by AssetVal Pty Ltd using a costing database similar to the unit rates process used for road infrastructure.

During 2020 the fair values of other infrastructure assets were updated using an appropriate Building Price Index provided by Gray Robinson Cottrell (GRC) Pty Ltd, Quantity Surveyors.

As with the department's road infrastructure assets, there is no active market for other infrastructure. Therefore current replacement cost is the measurement of the other infrastructure assets highest and best use.

In accordance with AASB 13 *Fair Value Measurement*, the department's infrastructure assets are categorised as level 3.

As the department is a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise, since property, plant and equipment is carried at fair value or an amount that approximates fair value in rare circumstances.

Department of Transport and Main Roads

Notes to the financial statements 2019–20 (continued)

15 PAYABLES

	2020 $'000	2019 $'000
Current		
Departmental services appropriation payable	61,290	14,172
Grants and subsidies payable	46,290	30,967
Trade creditors	471,915	541,007
Other	23,358	20,865
Total	**602,853**	**607,011**

Accounting policy

Trade creditors are recognised on receipt of the goods or services ordered and are measured at the agreed purchase or contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 28 day terms, with the exception of a range of transport service contracts which have varying settlement terms.

Other payables such as grants and subsidies and property resumptions have varying settlement terms.

16 PROVISIONS

	2020 $'000	2019 $'000
Current		
Property resumptions	161,065	130,783
New Generation Rollingstock rectification works	67,375	15,979
Total	**228,440**	**146,762**
Non-current		
Property resumptions	120,605	167,162
New Generation Rollingstock rectification works	133,962	201,337
Total	**254,567**	**368,499**

Movements in provision for Property resumptions

	2020 $'000	2019 $'000
Current		
Opening balance	130,783	134,080
Restatement of provision	29,500	(6,295)
Additional provision recognised	14,567	13,088
Reduction in provision as a result of payments	(43,428)	(46,892)
Reclassification from/(to) non-current provision	29,643	36,802
Closing balance	161,065	130,783
Non-current		
Opening balance	167,162	154,271
Restatement of provision	(23,905)	(19,199)
Additional provision recognised	18,371	70,620
Reduction in provision as a result of payments	(11,380)	(1,728)
Reclassification (to)/from current provision	(29,643)	(36,802)
Closing balance	120,605	167,162

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

16 PROVISIONS (continued)

Provision for property resumptions

The department acquires property through compulsory acquisition in accordance with the *Acquisition of Land Act 1967*, the *Transport Infrastructure Act 1994* and the *Transport Planning and Coordination Act 1994*. The department recognises a provision to account for compensation it expects to pay for all property resumptions, with the exception of hardship resumptions which are recognised immediately as a payable. The department's advisors determine a value for the acquisition amount which, with timing of the settlement, is dependent on the outcome of negotiation between both parties.

	2020 $'000	2019 $'000
Movements in provision for New Generation Rollingstock rectification works		
Current		
Opening balance	15,979	-
Additional provision recognised	-	15,979
Reduction in provision as a result of payments	(15,979)	-
Reclassification from/(to) non-current provision	67,375	-
Closing balance	67,375	15,979
Non-current		
Opening balance	201,337	-
Additional provision recognised	-	201,337
Reclassification (to)/from current provision	(67,375)	-
Closing balance	133,962	201,337

Provision for New Generation Rollingstock rectification works

The department undertook a review of the New Generation Rollingstock (NGR) train sets' compliance with the disability legislation and functional requirements in June 2017 and it was identified that the train sets required rectification works to be undertaken to ensure compliance with the *Disability Standards for Accessible Public Transport 2002 (Cth)*. In 2018 the Minister for Transport and Main Roads committed to working with the disability sector to modify the trains. Rectification works are scheduled to be completed by 2024. This gives rise to a constructive obligation as there is an expectation that the department will honour this commitment. The department recognises a provision to account for the remainder of the rectification works it expects to pay for NGR train sets based on the variation deed entered into with the vendor.

Accounting policy

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Provisions are reviewed at each reporting date to ensure the amounts accurately reflect the best estimate available.

17 ACCRUED EMPLOYEE BENEFITS

	2020 $'000	2019 $'000
Current		
Annual leave levy payable	19,553	15,798
Long service leave levy payable	4,902	3,613
Salaries and wages outstanding	46,451	17,268
Other	2,072	1,937
Total	**72,978**	**38,616**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

17 ACCRUED EMPLOYEE BENEFITS (continued)

Accounting policy

Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' annual leave and long service leave entitlements. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears. These schemes are administered by QSuper on behalf of the Queensland Government.

No provision for annual leave or long service leave is recognised in these financial statements. The liabilities are held on a whole-of-government basis and are reported by Queensland Treasury.

Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue 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.

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

18 OTHER LIABILITIES

	2020 $'000	2019 $'000
Current		
go card deposits held	42,466	41,657
go card stored value – unearned revenue *	46,818	45,563
Lease incentives **	-	1,678
Other	4,402	5,935
Total	**93,686**	**94,833**
Non-current		
Lease incentives **	-	14,636
Total	**-**	**14,636**

* Represents unused go card balances which are recognised as revenue as patrons undertake travel.

** Incentives received in relation to properties leased from the Department of Housing and Public Works were derecognised in 2020 at transition to AASB 16 *Leases* . Refer to Note 1 for details of the accounting standards effective for the first time in 2019–20.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

19 INCOME TAX EQUIVALENTS

	2020 $'000	2019 $'000
Income tax equivalent expense		
Current tax equivalents	7,544	7,779
Deferred tax equivalent expense/(income) relating to temporary differences	(3)	852
Under provision in previous years	-	59
Income tax equivalent expense attributable to profit from ordinary activities	**7,541**	**8,690**
Numerical reconciliation of income tax equivalent expense to prima facie tax payable		
Accounting profit before tax	25,130	28,771
Prima facie tax at applicable rate of 30%	7,539	8,631
Adjustments for non-temporary differences and excluded temporary differences:		
Other non-deductible expenses	2	-
Under provision in previous years	-	59
Income tax equivalent expense attributable to profit from ordinary activities	**7,541**	**8,690**
Deferred tax equivalent expense/(income) included in income tax equivalent expense comprises:		
Deferred tax assets opening balance	6,077	6,927
Increase/(decrease) in deferred tax assets	(135)	(850)
Deferred tax assets at 30 June	**5,942**	**6,077**
Proof of deferred tax assets		
Deferred tax assets:		
Property, plant and equipment	5,011	6,359
Other items	931	(282)
Net deferred tax assets at 30 June	**5,942**	**6,077**
Reconciliation of current tax (receivable)/payable		
Opening balance	(2,493)	(620)
Net movements	2,966	(1,873)
Current tax (receivable)/payable at 30 June	**473**	**(2,493)**

Accounting policy

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is generally exempt from Australian Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

The RoadTek business unit is subject to the requirements of the National Tax Equivalents Regime (NTER). The liability for income tax equivalents under NTER is calculated substantially on the same basis as a corporate tax payer. The department remits its tax equivalents to Queensland Treasury in accordance with NTER arrangements.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities compared to their respective tax bases, in the ordinary course of business.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the tax asset can be used. Deferred tax assets and liabilities are set off on the basis that they relate to income taxes levied by the same taxation authority and the department has a legally enforceable right to set off current tax assets against current tax liabilities.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

20 LEASES

SERVICE CONCESSIONS – FINANCE LEASES AS LESSEE

The following service concessions were recognised as a finance lease in accordance with AASB 117 *Leases* and have not been reassessed under AASB 16 *Leases* in accordance with AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*. These arrangements are disclosed in Note 21 and, with the exception of the New Generation Rollingstock arrangement, will be accounted for under AASB 1059 *Service Concession Arrangements: Grantors* when the accounting standard comes into effect on 1 July 2020.

Gold Coast Light Rail – G:link

The Gold Coast Light Rail system was recognised as a finance lease in accordance with AASB 117 *Leases* at inception with a lease term of 15 years at an implicit interest rate of 9.22%.

Future minimum lease payments payable under the lease together with their present value are as follows:

	2020 $'000	2019 $'000
Minimum lease payable		
Not later than one year	47,232	46,700
Later than one year and not later than five years	195,128	192,813
Later than five years	198,984	248,530
Minimum future lease payable	441,344	488,043
Less: future finance charges	(140,519)	(168,471)
Total minimum future lease payable	**300,825**	**319,572**
Present value of minimum lease payable		
Not later than one year	21,039	18,747
Later than one year and not later than five years	112,826	100,988
Later than five years	166,960	199,837
Present value of total minimum future lease payable	**300,825**	**319,572**

New Generation Rollingstock (NGR)

The NGR arrangement was recognised in full as a finance lease in accordance with AASB 117 *Leases* at inception with a lease term of 32 years at an implicit interest rate of 12.13%. A total of 75 train sets and a purpose-built maintenance centre at Wulkuraka have been recognised as part of the finance lease.

Future minimum lease payments payable under the lease together with their present value are as follows:

	2020 $'000	2019 $'000
Minimum lease payable		
Not later than one year	83,198	61,632
Later than one year and not later than five years	290,226	246,096
Later than five years	1,493,455	1,327,735
Minimum future lease payable	1,866,879	1,635,463
Less: future finance charges	(1,286,531)	(1,142,055)
Total minimum future lease payable	**580,348**	**493,408**
Present value of minimum lease payable		
Not later than one year	13,737	2,755
Later than one year and not later than five years	19,026	15,029
Later than five years	547,585	475,624
Present value of total minimum future lease payable	**580,348**	**493,408**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

20 LEASES (continued)

SERVICE CONCESSIONS – FINANCE LEASES AS LESSEE (continued)

Toowoomba Bypass

The Toowoomba Bypass was recognised in full as a finance lease in accordance with AASB 117 *Leases* at inception with a lease term of 25 years at an implicit interest rate of 5.32%. In December 2018 the first stage of the road was opened to traffic and therefore recognised as a finance lease. The remaining section of road was opened in September 2019.

Future minimum lease payments payable under the lease together with their present value are as follows:

	2020 $'000	2019 $'000
Minimum lease payable		
Not later than one year	31,375	23,531
Later than one year and not later than five years	125,500	125,500
Later than five years	585,725	617,101
Minimum future lease payable	742,600	766,132
Less: future finance charges	(318,779)	(341,396)
Total minimum future lease payable	**423,821**	**424,736**
Present value of minimum lease payable		
Not later than one year	9,199	914
Later than one year and not later than five years	42,088	39,913
Later than five years	372,534	383,909
Present value of total minimum future lease payable	**423,821**	**424,736**

LEASES AS LESSEE

A new accounting standard AASB 16 *Leases* came into effect on 1 July 2019, resulting in changes to the department's accounting for leases for which it is a lessee. The transitional impacts of the new standard are disclosed in Note 1. Right-of-use assets include land, staff accommodation (buildings) and plant and equipment. Lease terms vary from 12 months to 46 years and interest rates range between 0.526% and 2.71%.
Leased assets previously recognised in accordance with AASB 117 *Leases* are not reassessed under AASB 16 *Leases*. This is in accordance with AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*. These assets continue to be reported within the Leased assets class in Note 14.

Right-of-use assets	Land 2020 $'000	Buildings 2020 $'000	Plant and equipment 2020 $'000	Total 2020 $'000
Opening balance	125	103	16	**244**
Additions	133	99	-	**232**
Depreciation charge	(132)	(125)	(8)	**(265)**
Closing balance	**126**	**77**	**8**	**211**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

	2020 $'000	2019 $'000
20 LEASES (continued)		
LEASES AS LESSEE (continued)		
Lease liabilities subject to AASB 16 *Leases*		
Current		
Lease liabilities	274	-
Non-current		
Lease liabilities	3,285	-
Total	**3,559**	

There was no lease liabilities under AASB 16 *Leases* in 2019.

Accounting policy

In accordance with Queensland Treasury policy, the department does not recognise right-of-use assets and lease liabilities from short-term leases and leases of low value assets. Short term leases are for periods less than 12 months and low value assets are those that cost less than $10,000 when new. Payments for these leases are expensed on a straight-line basis over the lease term.

When measuring the lease liability, the department uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all of the department's leases under AASB 16 *Leases*. To determine the incremental borrowing rate, the department uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Details of leasing arrangements as lessee

Land	The department enters into land leases as a lessee at commercial terms in order to carry out its community objectives. Where lease terms are fixed they range from 2 to 46 years and contain extension options. The department also enters into legislative perpetual leases principally to further enhance the department's objectives.
Buildings	The department enters into residential property leases to accommodate its employees when government employee housing facilities are not readily available. The majority of staff accommodation is in regional Queensland. The lease terms range from 12 months to 2 years.
Plant and equipment	The department enters into plant and equipment lease agreements with external parties to fulfil its operational requirements. The lease terms range from 12 months to 2 years.

Office accommodation, employee housing and motor vehicles

The Department of Housing and Public Works (DHPW) provides the department with access to office accommodation, employee housing and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note 7.

Amounts recognised in profit or loss

	2020 $'000	2019 $'000
Interest expense on lease liabilities	(94)	-
Depreciation expense of right-of-use assets	(265)	-
Expenses relating to short-term and low value leases	(988)	-
Income from subleasing right-of-use assets	174	-
Total amount recognised in the Statement of comprehensive income	**(1,173)**	**-**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

20 LEASES (continued)

LEASES AS LESSEE (continued)

	2019 $'000
Published 2018–19 operating lease commitments under AASB 117 *Leases*	
Not later than one year	44,695
Later than one year but not later than five years	157,489
Later than five years	170,629
Total *	**372,813**

* Operating lease commitments in 2019 are predominantly made up of office accommodation and employee housing provided through the Department of Housing and Public Works. These arrangements are categorised as procurement of services and are not in scope of AASB 16 *Leases*.

LEASES AS LESSOR

Accounting policy
The department recognises lease payments from operating leases as income on a straight-line basis over the lease term.

Details of leasing arrangements as lessor

State-owned boat harbours	The department owns and maintains public boating infrastructure in Queensland such as boat ramps, floating walkways, pontoons, jetties and breakwaters. The department is also responsible for maintaining the entrance and internal public navigation channels to those facilities. These facilities are leased to commercial operators and boat clubs to promote boating activities along the Queensland coast. Lease income from state-owned boat harbours is reported as Property rental in Note 3.
Sublease of land	The department's lease with Brisbane Airport Corporation Limited is subleased to Airtrain Citylink Limited (Airtrain) for the design, construction, operation and maintenance of the Brisbane Airport Rail Link.

Maturity analysis
The following table sets out a maturity analysis of future undiscounted lease payments receivable for the department from State-owned boat harbours and Airtrain.

	2020 $'000	2019 $'000
Less than one year	3,108	3,178
One to two years	3,986	4,217
Two to three years	3,847	3,960
Three to four years	3,678	3,678
Four to five years	3,678	3,678
More than five years	37,469	40,968
Total	**55,766**	**59,679**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

21 SERVICE CONCESSION ARRANGEMENTS

Gold Coast Light Rail – G:link

In May 2011 the department entered into a contractual arrangement with GoldLinQ Consortium to finance, design, build, operate and maintain a 13 kilometre light rail system linking key activity centres from Griffith University (Gold Coast Campus) and the Gold Coast University Hospital to Broadbeach via Southport. On 20 July 2014 construction was completed and the G:link commenced operations.

On 28 April 2016 the department entered into a contractual arrangement with GoldLinQ for stage two of the Gold Coast Light Rail system. Stage two connects the existing light rail system at Southport to heavy rail at the Helensvale station. The 7.3km route runs from Helensvale heavy rail station on the Gold Coast Line, adjacent to the Smith Street Motorway to connect with stage one at the Gold Coast University Hospital light rail station. Stage two of the system commenced operations on 18 December 2017.

During the 15 year operations period, GoldLinQ is paid monthly performance based payments for operations, maintenance and repayment of the debt finance used to construct the system. The state receives fare-box and advertising revenue generated by the system.

Since inception this arrangement has been recognised as a leased asset at fair value in accordance with AASB 117 *Leases,* which is depreciated over the life of the assets, and a corresponding lease liability, which is reduced by monthly repayments. This arrangement will fall within the scope of the upcoming accounting standard AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 1 for details of new accounting standards not yet effective.
At the expiry of the concession period the department will retain ownership of the system.

The department has begun preparation for the next stage of the Gold Coast Light Rail system to extend the light rail from Broadbeach South Station to Burleigh Heads. The announcement of a successful bidder is expected towards the end of 2020.

The estimated cash flows, excluding GST and inflows from land sales are detailed below:

Estimated cash flows	2020 $'000	2019 $'000
Inflows:		
Not later than one year	30,933	28,500
Later than one year but not later than five years	149,924	139,235
Later than five years but not later than ten years	192,797	234,419
Later than ten years	-	-
*Outflows: **		
Not later than one year	(108,350)	(104,655)
Later than one year but not later than five years	(458,381)	(450,186)
Later than five years but not later than ten years	(506,877)	(627,279)
Later than ten years	-	-
Estimated net cash flow	**(699,954)**	**(779,966)**

* Includes $441.344m in 2020 (2019: $488.043m) of finance lease commitments.

New Generation Rollingstock (NGR)

In January 2014 the department entered into a contractual arrangement with NGR Project Company Pty Ltd (Bombardier NGR Consortium) for the design, construction and maintenance of 75 new six-car train sets for south-east Queensland and a new purpose-built maintenance centre at Wulkuraka in Ipswich, over 32 years.

The arrangement involves the department paying the consortium a series of availability payments over the concession period.

Since inception this arrangement has been recognised as a leased asset at fair value which will be depreciated over the life of the asset, and a lease liability in accordance with AASB 117 *Leases,* which will be reduced by the repayments representing the capital component of the monthly availability payments following delivery of individual train sets. Maintenance payments are expensed during the relevant year.

In June 2016 the maintenance centre was accepted by the department and a lease asset and lease liability have been recognised. All 75 train sets have been accepted and recognised by December 2019.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

21 SERVICE CONCESSION ARRANGEMENTS (continued)

New Generation Rollingstock (NGR) (continued)

In March 2019, an amendment deed was signed by NGR Project Company Pty Ltd to modify the trains in accordance with the *Disability Standards for Accessible Public Transport 2002 (Cth)*. Modification to the trains is expected to be completed by 2024. The first modified train is planned to return to service in late 2020.

At the expiry of the concession period the department will retain ownership of the trains and the maintenance centre.

The NGR agreement is not in scope of AASB 1059 *Service Concession Arrangements: Grantors* as the elements of a service concession arrangement do not exist in the agreement.

NGR assets will be transferred from the finance lease asset class to the classes relevant to the underlying assets from 1 July 2020 in accordance with AASB 116 *Property, Plant and Equipment*. The related liability will be disclosed as a borrowing in accordance with AASB 101 *Presentation of Financial Statements*.

The estimated cash flows, excluding GST, are detailed below:

	2020 $'000	2019 $'000
Estimated cash flows		
Inflows:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
*Outflows: **		
Not later than one year	(130,479)	(310,870)
Later than one year but not later than five years	(502,942)	(501,996)
Later than five years but not later than ten years	(813,850)	(736,974)
Later than ten years	(3,020,451)	(3,134,341)
Estimated net cash flow	**(4,467,722)**	**(4,684,181)**

* Includes $1.867b in 2020 (2019: $1.665b) of finance lease commitments.

Toowoomba Bypass

In August 2015 the department entered into a contractual arrangement with Nexus Infrastructure Consortium to finance, design, build, operate and maintain a range crossing connecting the Warrego Highway at Helidon Spa in the east with the Gore Highway at Athol in the west, via Charlton. The bypass opened to traffic in September 2019 and toll collection commenced in December 2019, with Transurban Queensland contracted to provide the tolling collection service on behalf of the department. The department will make ongoing quarterly service payments over the 25 year operation and maintenance period, which includes repayment of the debt finance used to construct the bypass. Maintenance payments will be expensed during the relevant year.

The department has recognised, in accordance with AASB 117 *Leases,* a lease asset at fair value which will be depreciated over the life of the asset, and a corresponding lease liability which will be reduced by quarterly repayments. This arrangement will fall within the scope of the upcoming accounting standard AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 1 for details of new accounting standards not yet effective.
The estimated cash flows, excluding GST, are detailed below:

	2020 $'000	2019 $'000
Estimated cash flows		
Inflows:		
Not later than one year	12,617	-
Later than one year but not later than five years	55,425	-
Later than five years but not later than ten years	82,403	-
Later than ten years	358,925	-
*Outflows: **		
Not later than one year	(44,555)	(33,591)
Later than one year but not later than five years	(188,172)	(185,069)
Later than five years but not later than ten years	(269,361)	(260,146)
Later than ten years	(839,854)	(914,303)
Estimated net cash flow	**(832,572)**	**(1,393,109)**

* Includes $742.600m in 2020 (2019: $766.132m) of finance lease commitments.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

21 SERVICE CONCESSION ARRANGEMENTS (continued)

Airportlink

In 2008 the state entered into a 45 year service concession arrangement with BrisConnections to design, construct and maintain Airportlink, a 6.7km toll road, connecting the Clem 7 Tunnel, Inner City Bypass and local road network at Bowen Hills, to the northern arterials of Gympie Road and Stafford Road at Kedron, Sandgate Road and the East West Arterial leading to the airport. In April 2016 Transurban Queensland assumed responsibility for Airportlink and now operates Airportlink under the service concession arrangement.

In return for collecting the tolls, Transurban Queensland must maintain, operate and manage the toll road for the concession period and also assume the demand and patronage risk.

The department does not currently recognise any assets associated with this arrangement. This arrangement will fall within the scope of the upcoming accounting standard AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 1 for details of new accounting standards not yet effective.

Gateway and Logan motorways

A Road Franchise Agreement (RFA) was established between the state and Queensland Motorways Limited (QML) in 2011 to operate, maintain and manage the Gateway and Logan motorways for a period of 40 years. In 2014, Transurban Queensland acquired QML and now operates the Gateway Motorway and Logan Motorway toll roads under the RFA with the state.

In return for collecting the tolls, Transurban Queensland must maintain, operate and manage the toll roads for the period of the franchise and also assume the demand and patronage risk for the franchise period.

The department does not currently recognise any assets associated with this arrangement. This arrangement will fall within the scope of the upcoming accounting standard AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 1 for details of new accounting standards not yet effective.

Brisbane Airport Rail Link

In 1998, the state entered into a 35 year concession arrangement with Airtrain Citylink Limited (Airtrain) to design, construct, maintain and operate the Brisbane Airport Rail Link (BARL), a public passenger rail system connecting the Queensland Rail City network to the Brisbane Domestic and International Airports. The BARL is currently in the maintain and operation phase of the agreement after commencement of operations on 7 May 2001.

In return for collecting passenger fares, Airtrain Citylink Limited must maintain, operate and manage the rail link for the period of the concession and also assume the demand and patronage risk for the concession period.

The department does not recognise any assets associated with this arrangement. This arrangement is being assessed against the requirements of upcoming accounting standard AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 1 for details of new accounting standards not yet effective.

22 COMMITMENTS FOR EXPENDITURE

Commitments inclusive of non-recoverable GST input tax credits but not recognised in the financial statements are payable as follows:

Finance lease commitments

Refer to Note 21 for commitments for service concession arrangements.

	2020 $'000	2019 $'000
Property, plant and equipment commitments		
Not later than one year	759,715	612,198
Later than one year and not later than five years	1,055,828	963,797
Later than five years	-	-
Total	**1,815,543**	**1,575,995**
Grants and subsidies commitments		
Not later than one year	459,112	398,103
Later than one year and not later than five years	925,766	1,033,984
Later than five years	-	2,250
Total	**1,384,878**	**1,434,337**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

22 COMMITMENTS FOR EXPENDITURE (continued)

Other commitments

	2020 $'000	2019 $'000
Not later than one year	1,514,677	3,313,101
Later than one year and not later than five years	2,805,707	2,950,346
Later than five years	3,172,228	3,302,848
Total	**7,492,612**	**9,566,295**

23 CONTINGENCIES

Contingent liabilities

At balance date the department has been named as defendant in two cases and 72 other claims not yet subject to court action. The department's legal advisers and management believe it would be misleading to estimate the final amounts payable for litigation filed in the courts.

The Queensland Government Insurance Fund limits the department's liability in a majority of these cases to $10,000.

24 INVESTMENT IN SUBSIDIARY

Transmax Pty Ltd

Transmax Pty Ltd (Transmax) was established to enhance and market the STREAMS traffic management system. STREAMS is a multifunctional intelligent transport system that provides freeway, traffic signal and incident management as well as driver and passenger information capabilities.

The department exercises control over Transmax through 100 percent ownership of all its issued shares. This investment is recognised at cost and is valued at $5.601m (2019: $0.601m). The department received issued shares from Transmax during 2020 in exchange for a $5 million capital injection. The amount of the investment and transactions relating to Transmax are not material to these financial statements, and the department has elected not to prepare consolidated financial statements in accordance with AASB 127 *Separate Financial Statements*.

The department engaged Transmax for the provision of software licencing, technical support and related professional services to the value of $14.700m (GST inclusive) during the financial year, of which $0.211m remains unpaid at 30 June 2020.

Transmax prepares separate financial statements which are audited by the Queensland Audit Office and are tabled in parliament in accordance with government policy.

25 FINANCIAL INSTRUMENTS

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

CATEGORISATION OF FINANCIAL INSTRUMENTS

The department has the following categories of financial assets and financial liabilities:

Financial assets	**Note**	2020 $'000	2019 $'000
Cash		338,495	571,529
Financial assets at amortised cost:			
Receivables	11	126,198	152,074
Total		**464,693**	**723,603**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

25 FINANCIAL INSTRUMENTS (continued)

CATEGORISATION OF FINANCIAL INSTRUMENTS (continued)

Financial liabilities	**Note**	**2020 $'000**	**2019 $'000**
Financial liabilities measured at amortised cost:			
Payables	15	602,853	607,011
Leases – service concessions	20	1,304,994	1,237,716
Leases – AASB 16 *Leases*	20	3,559	-
Total		**1,911,406**	**1,844,727**

FINANCIAL RISK MANAGEMENT

The department's activities have the potential to expose it to a variety of financial risks such as interest rate risk, credit risk, liquidity risk and market risk. Financial risk management is implemented pursuant to government and departmental policy and seeks to minimise possible adverse effects on the financial performance of the department.

All financial risk is managed by each division under policy established by the Finance and Procurement Branch.

CREDIT RISK EXPOSURE

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

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment less any collateral held as security, such as deposits.

The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring the department invests in secure assets and monitors all funds owed. Exposure to credit risk is monitored on an ongoing basis.

Refer to Note 11 for receivables credit risk ageing analysis.

LIQUIDITY RISK

The department manages liquidity risk through regular fortnightly appropriation payments from the Consolidated Fund. This strategy reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet its obligations when they fall due.

The following maturity analysis measures the liquidity risk of financial liabilities held by the department:

Financial liabilities	**Note**	**Payable in**			
		< 1 year $'000	**1-5 years $'000**	**> 5 years $'000**	**Total $'000**
2020					
Payables	15	602,853	-	-	**602,853**
Leases – service concessions	20	161,805	610,854	2,278,164	**3,050,823**
Leases – AASB 16 *Leases*		364	704	3,854	**4,922**
Total		**765,022**	**611,558**	**2,282,018**	**3,658,598**
2019					
Payables	15	607,011	-	-	**607,011**
Leases – service concessions	20	131,863	564,409	2,193,366	**2,889,638**
Total		**738,874**	**564,409**	**2,193,366**	**3,496,649**

MARKET RISK

The department does not trade in foreign currency and is not materially exposed to commodity price changes.

INTEREST RATE SENSITIVITY ANALYSIS

The department is not exposed to interest rate sensitivity. Borrowings are now centrally managed by Queensland Treasury following a government decision in November 2018.

FAIR VALUE

The department does not recognise any financial assets or financial liabilities at fair value.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

26 SCHEDULE OF ADMINISTERED ITEMS

The department administers, but does not control, certain resources on behalf of the government. In doing so, it has responsibility and is accountable for administering related transactions and balances, but does not have the discretion to deploy these resources for the achievement of the department's objectives.

The majority of administered revenue is recognised upon receipt, with the exception of Penalty Infringement Notices and Traffic Offence Notices for which an administered receivable is recognised at 30 June. If the notice is not paid within 56 days, the debt is transferred to Queensland Treasury and is not reported in the financial statements.

The following balances are administered by the department on behalf of the state and relate directly to the Transport Safety and Regulation departmental service area, with the exception of land assets which relate to the Transport Infrastructure Management Delivery departmental service area:

	2020 $'000	2019 $'000
Administered income		
User charges, fees and fines *	2,712,779	2,659,865
Other	8,894	8,703
Total income	**2,721,673**	**2,668,568**
Administered expenses		
Impairment losses on trade receivables	9	9
Other	570	985
Transfers of administered revenue to government	2,721,630	2,668,540
Total expenses	**2,722,209**	**2,669,534**
OPERATING RESULT FOR THE YEAR	**(536)**	**(966)**
* User charges, fees and fines includes:		
Fines and forfeiture	166,720	191,542
Motor vehicle registration	1,918,870	1,858,997
Transport and traffic fees	465,639	446,367
Other registration	83,797	83,992
Other regulatory fees	76,677	77,692
Other	1,076	1,275
Total	2,712,779	2,659,865
Administered assets		
Current		
Cash	36,592	65,449
Receivables	41,926	44,700
Total current assets	**78,518**	**110,149**
Non-current		
Land	272,089	263,786
Total non-current assets	**272,089**	**263,786**
Total assets	**350,607**	**373,935**
Administered liabilities		
Current		
Payables	57,491	104,062
Unearned revenue	5,793	5,854
Total liabilities	**63,284**	**109,916**
NET ADMINISTERED ASSETS	**287,323**	**264,019**
Administered equity		
Contributed equity	44,314	29,334
Accumulated surplus/(deficit)	(2,604)	(2,068)
Asset revaluation surplus	245,613	236,753
TOTAL ADMINISTERED EQUITY	**287,323**	**264,019**

Department of Transport and Main Roads

Notes to the financial statements 2019–20 (continued)

27 ADMINISTERED APPROPRIATIONS

	2020 $'000	2019 $'000
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	40,000	-
Transfers from other headings	5,000	-
Unforeseen expenditure	-	89,817
Equity adjustment recognised in contributed equity	**45,000**	**89,817**

28 BUDGETARY REPORTING

STATEMENT OF COMPREHENSIVE INCOME

	Original budget 2020 $'000	Actual result 2020 $'000	Variance $'000
Income			
Appropriation revenue	5,369,201	5,440,647	71,446
User charges and fees	752,843	671,121	(81,722)
Grants and other contributions	255,003	269,614	14,611
Other revenue	11,815	43,200	31,385
Total revenue	**6,388,862**	**6,424,582**	**35,720**
Gains on disposal of assets	3,455	3,384	(71)
Total income	**6,392,317**	**6,427,966**	**35,649**
Expenses			
Employee expenses	608,161	633,538	25,377
Supplies and services	3,819,223	3,719,341	(99,882)
Grants and subsidies	450,332	610,219	159,887
Depreciation and amortisation	1,154,210	1,156,399	2,189
Finance and borrowing costs	120,090	121,778	1,688
Impairment losses	1,670	2,651	981
Other expenses	30,278	50,426	20,148
Total expenses	**6,183,964**	**6,294,352**	**110,388**
Operating result before income tax equivalent expense	**208,353**	**133,614**	**(74,739)**
Income tax equivalent expense	6,035	7,541	1,506
OPERATING RESULT FOR THE YEAR	**202,318**	**126,073**	**(76,245)**
Items not reclassified to operating result			
Increase in asset revaluation surplus	-	3,703,762	3,703,762
Total other comprehensive income	**-**	**3,703,762**	**3,703,762**
TOTAL COMPREHENSIVE INCOME	**202,318**	**3,829,835**	**3,627,517**

Explanation of major variances

User charges and fees

Variance of ($81.722m) is mainly due to a reduction of ($88.494m) in fare revenue as a result of COVID-19 pandemic impacts on passenger transport patronage.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

28 BUDGETARY REPORTING (continued)

STATEMENT OF COMPREHENSIVE INCOME (continued)

Explanation of major variances (continued)
Other revenue
Variance of $31.385m reflects:
- $11.810m of additional revenue for the Toowoomba Bypass project including a refinancing gain of $6.754m, a modification gain of $2.702m and interest revenue of $2.354m. Reliable estimates for the gains for this project were not available at the time of budget preparation
- $7.966m of higher than anticipated contributions received from developers for which budgets could not be reliably allocated
- $7.0m higher than budget due to an unforeseen compensation payment related to Angellala Creek Bridge damage for which a budget could not be reliably allocated
- $3.579m of claim revenue from the Queensland Government Insurance Fund for which a budget could not be reliably allocated.

Grants and subsidies
Variance of $159.887m mainly reflects:
- $91.736m higher than anticipated for expenditure incurred on assets owned by other entities such as local government roads and public utility providers as part of the cost of delivering capital projects for which reliable estimates were not available at the time of budget preparation
- $20.0m higher than budget due to the bringing forward of a grant payment made to local government as part of the Infrastructure Investment Program
- $20.0m related to a government commitment to subsidise below-rail user access charges on the Mount Isa Line for which a reliable estimate was not available at the time of budget preparation
- $10.862m of additional expenditure as part of the COVID-19 pandemic Essential Transport Services Package.

Other expenses
Variance of $20.148m mainly reflects:
- $10.093m higher than budget due to an unforeseen extra-contractual settlement payment in relation to a transit development project for which a budget could not be reliably allocated
- $7.245m higher than budget due to a special payment for a legal claim in relation to a roadworks project.

Increase in asset revaluation surplus
Variance of $3.704b mainly consists of a revaluation increment for infrastructure assets as a result of the annual revaluation for 2019–20. A budget was not allocated due to the unavailability of reliable measures for future movement in replacement costs of existing and new infrastructure assets.

STATEMENT OF FINANCIAL POSITION

	Original budget 2020 $'000	Actual result 2020 $'000	Variance $'000
Assets			
Current assets			
Cash	467,745	338,495	(129,250)
Receivables	136,052	122,913	(13,139)
Inventories	13,740	13,681	(59)
Prepayments	25,163	28,470	3,307
Non-current assets classified as held for sale	15,449	2,587	(12,862)
Total current assets	**658,149**	**506,146**	**(152,003)**
Non-current assets			
Receivables	-	3,285	3,285
Prepayments	64,996	171,264	106,268
Intangible assets	83,957	76,198	(7,759)
Property, plant and equipment	66,760,352	71,854,798	5,094,446
Deferred tax assets	6,523	5,942	(581)
Right-of-use assets	133	211	78
Investment in subsidiary	601	5,601	5,000
Total non-current assets	**66,916,562**	**72,117,299**	**5,200,737**
Total assets	**67,574,711**	**72,623,445**	**5,048,734**

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

28 BUDGETARY REPORTING (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	Original budget 2020 $'000	Actual result 2020 $'000	Variance $'000
Liabilities			
Current liabilities			
Payables	521,269	602,853	81,584
Provisions	134,080	228,440	94,360
Accrued employee benefits	37,766	72,978	35,212
Current tax liabilities	170	473	303
Lease liabilities	34,049	44,249	10,200
Other	90,344	93,686	3,342
Total current liabilities	**817,678**	**1,042,679**	**225,001**
Non-current liabilities			
Provisions	154,271	254,567	100,296
Lease liabilities	1,282,810	1,264,304	(18,506)
Total non-current liabilities	**1,437,081**	**1,518,871**	**81,790**
Total liabilities	**2,254,759**	**2,561,550**	**306,791**
NET ASSETS	**65,319,952**	**70,061,895**	**4,741,943**
TOTAL EQUITY	**65,319,952**	**70,061,895**	**4,741,943**

Explanation of major variances

Cash

Variance of ($129.250m) reflects a higher than anticipated opening balance of $225.213m due to the timing of future planned transport operations and maintenance expenditure and the timing of the delivery of prior year capital works expenditure, offset by a decrease in cash of ($354.463m) as illustrated in the Statement of cash flows.

Prepayments – Non-current

Variance of $106.268m reflects the recognition of additional milestone payments of $104.503m as a prepayment for New Generation Rollingstock accessibility modifications.

Payables

Variance of $81.584m primarily reflects an appropriation payable of $61.290m due to lower than anticipated expenditure of $52.714m on transport infrastructure activities, including maintenance, preservation and operation of the network; and $6.500m related to the transport service contract with Queensland Rail.

Provisions – Current

Variance of $94.360m comprises:

- $67.375m for an increase in the provision to account for a payment for rectification works for New Generation Rollingstock train sets based on the variation deed entered into with the vendor. These payments were not able to be determined at the time of budget development
- $26.985m for the provision re-measurement of the value of land resumptions after the budget had been published. Actual re-measurement of the value of land resumptions were not budgeted for due to the unavailability of reliable measures.

Accrued employee benefits

Variance of $35.212m primarily reflects higher than anticipated unpaid salaries and wages of $29.763m which includes the enterprise bargaining pay rise for 2019–20.

Provisions – Non-current

Variance of $100.296m comprises:

- $133.962m for an increase in the provision to account for accessibility modifications to be made to New Generation Rollingstock train sets in future years. These payments were not known at the time of budget development

Offset by:

- ($33.666m) for the provision re-measurement of the value of land resumptions after the budget had been published. Actual re-measurement of the value of land resumptions were not budgeted for due to the unavailability of reliable measures.

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

28 BUDGETARY REPORTING (continued)

STATEMENT OF CASH FLOWS

	Original budget 2020 $'000	Actual result 2020 $'000	Variance $'000
Cash flows from operating activities			
Inflows:			
Service appropriation receipts	5,369,201	5,487,765	118,564
User charges and fees	754,190	705,713	(48,477)
Grants and other contributions	253,736	265,169	11,433
GST input tax credits from ATO	676,499	697,544	21,045
GST collected from customers	67,010	74,760	7,750
Other	11,815	26,106	14,291
Outflows:			
Employee expenses	(620,986)	(595,881)	25,105
Supplies and services	(3,866,825)	(3,941,695)	(74,870)
Grants and subsidies	(450,332)	(584,124)	(133,792)
Finance and borrowing costs	(120,090)	(124,953)	(4,863)
GST paid to suppliers	(677,710)	(700,299)	(22,589)
GST remitted to ATO	(63,086)	(75,833)	(12,747)
Income tax equivalent paid	(6,255)	(4,440)	1,815
Other	(16,961)	(37,473)	(20,512)
Net cash provided by operating activities	**1,310,206**	**1,192,359**	**(117,847)**
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment	28,530	11,493	(17,037)
Outflows:			
Payments for property, plant and equipment	(2,701,617)	(2,754,720)	(53,103)
Payments for intangibles	(17,483)	(18,834)	(1,351)
Payments for investment in subsidiary	-	(5,000)	(5,000)
Net cash used in investing activities	**(2,690,570)**	**(2,767,061)**	**(76,491)**
Cash flows from financing activities			
Inflows:			
Equity injections	2,773,043	2,633,647	(139,396)
Outflows:			
Equity withdrawals	(1,144,587)	(1,144,587)	-
Finance lease payments	(142,807)	(145,542)	(2,735)
Other	(1,850)	(1,850)	-
Net cash provided by financing activities	**1,483,799**	**1,341,668**	**(142,131)**
Net increase/(decrease) in cash	103,435	(233,034)	(336,469)
Cash – opening balance	364,310	571,529	207,219
CASH – CLOSING BALANCE	**467,745**	**338,495**	**(129,250)**

Explanation of major variances

Other operating activities inflows

Variance of $14.291m mainly reflects:

- $7.966m higher than anticipated contributions received from developers for which budgets could not be reliably allocated
- $3.579m of claim revenue from the Queensland Government Insurance Fund for which a budget could not be reliably allocated
- $2.354m for the recognition of interest revenue for the Toowoomba Bypass project for which a budget could not be reliably allocated.

Grants and subsidies

Variance of ($133.792m) mainly reflects:

- ($91.736m) higher than anticipated for expenditure incurred on assets owned by other entities such as local government roads and public utility providers as part of the cost of delivering capital projects for which reliable estimates were not available at the time of budget preparation
- ($20.0m) higher than budget due to a bringing forward of a grant payment made to local government as part of the Infrastructure Investment Program
- ($20.0m) related to a government commitment to subsidise below-rail user access charges on the Mount Isa Line for which a reliable estimate was not available at the time of budget preparation

Department of Transport and Main Roads
Notes to the financial statements 2019–20 (continued)

28 BUDGETARY REPORTING (continued)

STATEMENT OF CASH FLOWS (continued)

Explanation of major variances (continued)
Grants and subsidies (continued)
- ($10.862m) of additional expenditure as part of the COVID-19 pandemic Essential Transport Services Package.

Other operating activities outflows
Variance of ($20.512m) mainly reflects:
- ($10.093m) higher than budget due to an unforeseen extra-contractual settlement payment in relation to a Buranda property for which a budget could not be reliably allocated
- ($7.245m) higher than budget due to a special payment for a legal claim in relation to a roadworks project.

SCHEDULE OF ADMINISTERED ITEMS

	Original budget 2020 $'000	Actual result 2020 $'000	Variance $'000
Administered income			
User charges, fees and fines	2,755,861	2,712,779	(43,082)
Other	8,801	8,894	93
Total income	**2,764,662**	**2,721,673**	**(42,989)**
Administered expenses			
Impairment losses on trade receivables	-	9	9
Other	-	570	570
Transfers of administered revenue to government	2,764,662	2,721,630	(43,032)
Total expenses	**2,764,662**	**2,722,209**	**(42,453)**
OPERATING RESULT FOR THE YEAR	**-**	**(536)**	**(536)**
Administered assets			
Current			
Cash	69,600	36,592	(33,008)
Receivables	40,689	41,926	1,237
Total current assets	**110,289**	**78,518**	**(31,771)**
Non-current			
Land	262,729	272,089	9,360
Total non-current assets	**262,729**	**272,089**	**9,360**
Total assets	**373,018**	**350,607**	**(22,411)**
Administered liabilities			
Current			
Payables	104,270	57,491	(46,779)
Unearned revenue	5,785	5,793	8
Total liabilities	**110,055**	**63,284**	**(46,771)**
NET ADMINISTERED ASSETS	**262,963**	**287,323**	**24,360**
TOTAL ADMINISTERED EQUITY	**262,963**	**287,323**	**24,360**

Explanation of major variances
Cash
Variance of ($33.008m) mainly reflects:
- $7.966m higher than anticipated contributions received from developers for which budgets could not be reliably allocated
- $7.0m higher than budget due to an unforeseen compensation payment related to Angellala Creek Bridge damage for which a budget could not be reliably allocated
- $3.579m of claim revenue from the Queensland Government Insurance Fund for which a budget could not be reliably allocated
- $2.354m for the recognition of interest revenue for the Toowoomba Bypass project for which a budget could not be reliably allocated.

Payables
Variance of ($46.779m) mainly reflects the timing of compulsory third party insurance payable ($19.141m) and vehicle registration duty payable ($11.698m).

MANAGEMENT CERTIFICATE OF THE DEPARTMENT OF TRANSPORT AND MAIN ROADS
for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 38 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Transport and Main Roads for the financial year ended 30 June 2020 and of the financial position of the department at the end of that year; and

The Director-General, as the Accountable Officer of the Department, acknowledges responsibility under sections 7 and 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Nick Shaw FCPA	**Neil Scales**
Chief Finance Officer	Director-General
21 August 2020	21 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Transport and Main Roads

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Transport and Main Roads.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

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Infrastructure asset valuation ($58.70 billion) and depreciation expense ($974 million)

Refer to note 14 in the financial report

Key audit matter	How my audit addressed the key audit matter
Management has estimated the fair value of the entity's infrastructure assets to be $58.70 billion as at 30 June 2020. The fair value measurement is based on current replacement cost (cost approach). The valuations are dependent on certain key assumptions that require significant management judgement including the following in respect of: • the categorisation of the road network, features of a modern equivalent asset and current economic and market conditions impacting on costs of road construction. • componentisation of the road assets and identifying those significant parts of road infrastructure assets that have different unit replacement rates and costs. • categorising road stereotypes based on physical characteristics and locality (such as road type, region, soil type, terrain, climatic and environmental conditions) and the applicable project or treatment type such as reseal, rehabilitation, reconstruction or new construction. • assignation of segmentation to road stereotypes. • defining and estimating unit rates for varying project or types of treatment including full replacement and renewal of components.	My procedures included, but were not limited to: **Gross replacement value** Assessing the adequacy of management's review of the valuation process including: • obtaining an understanding of the valuation technique adopted by management and assessing its design, validity and reasonableness in terms of the principles of the cost approach as described in AASB 13 *Fair Value Measurement.* • assessing the reasonableness of the key assumptions and corroborating these to supporting evidence and my knowledge of the entity and its operating environment. • verifying the mathematical accuracy of the model utilised to estimate gross replacement value through recalculation. **Unit rates** Assessing the reasonableness of unit rates by evaluating the techniques used in estimating unit rates, including: • examining a sample of unit rates to assess consistency in calculations and reasonableness in application from the underlying inputs obtained from management's external expert. • reviewing the 2020 Unit Rate Expert Panel's process and approval of final rates for adoption. This included analysis of rate movements since the date of the last revaluation. • vouching a sample of approved unit rates to rates applied in the calculation of the final gross replacement value. • comparing a sample of movement in unit rates against other publicly available information.

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Key audit matter	How my audit addressed the key audit matter
In measuring annual depreciation expense and accumulated depreciation, management have applied significant judgement in estimating the expected utility of road infrastructure asset components, including: • applying past experience to determine when an appropriate works intervention will occur. • consideration of planned replacement programs as a result of observation of road use deterioration and environmental factors such as traffic volume, rutting, cracking, roughness, safety and number of years in use. • considerations of expected funding availability to the department and how this fiscal availability will impact upon planned replacement programs and expectations regarding the use of assets beyond their ideal or optimal replacement time-frame.	**Useful lives** Assessing the reasonableness of infrastructure asset useful lives by: • reviewing management's annual assessment of useful lives against evidence supporting current condition and planned replacement. • reviewing evidence of planned use of assets with a focus on assets that are planned to be used for a longer or shorter than standard engineering estimates. • assessing the consistency between asset management plans and useful lives assigned to infrastructure assets. • evaluating remaining useful life estimates for reasonableness with reference to management's assumptions regarding expected funding availability as reflected in Departmental budgets. This includes vouching that fiscal availability as reflected in budgetary information has been applied in the annual review of asset useful lives.

Responsibilities of the department for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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.

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Report on other legal and regulatory requirements

Statement

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

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

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

Prescribed requirements scope

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

21 August 2020

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane