FINANCIAL STATEMENTS

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

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

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

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

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

for the period ended 30 June 2018

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

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

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

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

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

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

as at 30 June 2018

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

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

	Notes	Accumulated Surplus	Asset Revaluation Surplus	Contributed Equity	Total
		$'000	$'000	$'000	$'000
Balance as at 1 January 2018		-	-	-	-
Operating result from continuing operations		1 033	-	-	1 033
Other Comprehensive Income					
Increase/(decrease) in asset revaluation surplus		-	85 214	-	85 214
Total Comprehensive Income for the Year		**1 033**	**85 214**	**-**	**86 247**
Transactions with Owners as Owners					
- MoG changes - transfer of net assets	A3	-	-	1 275 913	1 275 913
- Appropriated equity injections	C8-2	-	-	13 381	13 381
- Appropriated equity withdrawals	C8-2	-	-	(12 131)	(12 131)
Net Transactions with Owners as Owners		**-**	**-**	**1 277 163**	**1 277 163**
Balance as at 30 June 2018		**1 033**	**85 214**	**1 277 163**	**1 363 410**

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

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

	Note	2018 Actual $'000	2018 Adjusted Budget $'000	Budget Variance* $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Service appropriation receipts		**562 167**	605 239	(43 072)
User charges and fees		**(1 420)**	825	(2 245)
Grants and contributions		**1 201**	7	1 194
GST input tax credits from ATO		**7 298**	-	7 298
GST collected from customers		**2 154**	-	2 154
Other		**11 710**	2 461	9 249
Outflows:				
Employee expenses		**(28 117)**	(36 739)	8 622
Supplies and services		**(36 477)**	(48 818)	12 341
Grants and subsidies		**(361 903)**	(445 638)	83 735
Finance/borrowing costs		**(11 522)**	(11 522)	-
GST paid to suppliers		**(8 263)**	-	(8 263)
GST remitted to ATO		**(1 254)**	-	(1 254)
Other		**(89)**	(198)	109
Net Cash Provided by (used in) operating activities	CF-1	**135 485**	65 617	69 868
CASH FLOWS FROM INVESTING ACTIVITIES				
Outflows:				
Payments for property, plant and equipment		**(12 881)**	(9 096)	(3 785)
Net Cash Provided by (used in) investing activities		**(12 881)**	(9 096)	(3 785)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Equity injections		**13 381**	17 806	(4 425)
Outflows:				
Equity withdrawals		**(12 131)**	(13 848)	1 717
Repayments of borrowings/finance lease payments	CF-2	**(1 120)**	-	(1 120)
Net Cash Provided by (used in) financing activities		**130**	3 958	(3 828)
Net increase/(decrease) in cash and cash equivalents		**122 734**	60 479	62 255
Cash transfers from MoG restructure		**114 660**	78 693	35 967
Cash and Cash Equivalents - closing balance	C1	**237 394**	139 172	98 222

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

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

NOTES TO THE STATEMENT OF CASH FLOW

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

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

CF-2 Change in Liabilities Arising from Financing Activities

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

SECTION 1
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

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

1 William Street
Brisbane QLD 4000

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

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

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

A1-3 PRESENTATION

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero unless disclosure of the full amount is specifically required. Sub-totals and totals may not add due to rounding, but the overall discrepancy is not greater than two thousand.

Comparatives

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

Current/ Non-current Classification

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

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

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

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

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

Historical Cost

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

Fair Value

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

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.
- The *income approach* converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

Present Value

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

Net Realisable Value

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

A1-6 THE REPORTING ENTITY

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

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

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

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

A2 DEPARTMENTAL OBJECTIVES

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

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

The department's strategic objectives of:

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

are the key priorities of the service areas:

Employment

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

Small Business

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

Training and Skills

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

A3 MACHINERY-OF-GOVERNMENT CHANGES

A3-1 Transfers in – Controlled Activities

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

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

Date of Transfer: Effective from 1 January 2018

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

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

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

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

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

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

Date of Transfer: Effective from 1 January 2018

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

A3 MACHINERY-OF-GOVERNMENT CHANGES (continued)

A3-1 Transfers in – Controlled Activities (continued)

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

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

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

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

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

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

Date of Transfer: Effective from 1 January 2018

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

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

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

A4 CONTROLLED ENTITIES

The following entity is controlled entity of the department:

Directly Controlled

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

A4-1 DISCLOSURE ABOUT WHOLLY-OWNED CONTROLLED ENTITIES

Building Construction Industry Training Fund

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

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

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

SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

Reconciliation of Payments from Consolidated Fund to Appropriated Revenue Recognised in Operating Result

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

Accounting Policy – Appropriation Revenue

Appropriations provided under the *Appropriation Act 2017* are recognised as revenue when received. When an appropriation receivable or payable has been recorded in the financial statements at 30 June, this has been approved by Queensland Treasury.

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

B1-2 USER CHARGES AND FEES

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

Accounting Policy – User Charges and Fees

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

Accounting Policy – Property Income

Property income is recognised as revenue when received.

B1 REVENUE (continued)

B1-3 OTHER REVENUE

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

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

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

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

	2018 No.
Full-Time Equivalent Employees	562

Accounting Policy – Wages and Salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted values.

Accounting Policy – Sick Leave

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

Accounting Policy – Annual Leave and Long Service Leave

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

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting Policy – Superannuation

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

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

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

Accounting Policy – Workers' Compensation Premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employees' total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note G1.

B2-2 SUPPLIES AND SERVICES

	2018 $'000
Building maintenance	23 039
Utilities	1 543
Consultants and contractors	8 075
Materials and running costs	1 017
Payments to shared service provider/inter-agency services	233
Computer costs	979
Travel	343
Operating lease rentals	2 834
Total	**38 063**

Accounting Policy – Distinction between Grants and Procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note B2-3.

Accounting Policy – Operating Lease Rentals

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

Disclosure – Operating Lease

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

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

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

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

B2-4 OTHER EXPENSES

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

Audit Fees

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

Special Payments

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

Losses of Public Property

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

SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2018 $'000
Cash on hand	3
Cash at bank	237 391
Total	**237 394**

Accounting Policy – Cash and Cash Equivalents

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

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

C2 RECEIVABLES

	2018 $'000
Current	
Debtors of an operational nature	7 292
Less: Allowance for impairment loss	(3 022)
	4 270
GST input tax credits receivable	65
Other debtors	(9)
Employee claims receivable	(137)
Total	**4 189**

Accounting Policy – Receivables

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

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

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

C2 RECEIVABLES (continued)

Disclosures – Credit Risk Exposure of Receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any allowance for impairment.

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

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

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

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

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

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

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting Policy – Impairment of Receivables

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

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

Disclosure – Individually Impaired Receivables Position (Aged)

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

Disclosure – Movement in Allowance for Impairment for Impaired Receivables

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

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	at Fair Value			at Cost		
	Land	Buildings	Leased Assets	Plant and Equipment	Work in Progress	Total
Property, Plant and Equipment Reconciliation						
30 June 2018	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross	535 916	1 249 046	296 074	752	14 190	2 095 978
Less: Accumulated Depreciation	-	(555 298)	(47 259)	(591)	-	(603 148)
Carrying Amount at 30 June 2018	**535 916**	**693 748**	**248 815**	**161**	**14 190**	**1 492 830**
Represented by movements in carrying amount:						
Carrying amount at 1 January 2018	-	-	-	-	-	-
Acquisitions (including upgrades)	-	5 109	-	15	7 757	12 881
Transfers in from other Queensland Government entities	531 023	627 466	241 484	163	6 433	1 406 569
Net revaluation increments/(decrements) in asset revaluation surplus	4 893	70 357	9 964	-	-	85 214
Depreciation/amortisation	-	(9 184)	(2 633)	(17)	-	(11 834)
Carrying amount at 30 June 2018	**535 916**	**693 748**	**248 815**	**161**	**14 190**	**1 492 830**

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

C3-2 RECOGNITION AND ACQUISITION

Accounting Policy – Recognition

Basis of Capitalisation and Recognition Thresholds

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings and land improvements	$10 000
Land	$1
Other	$5 000

Items with a lesser value are expensed in the year of acquisition.

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of Complex Assets

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

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

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset.

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

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

Accounting Policy – Cost of Acquisition

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

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

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

C3-3 MEASUREMENT USING COST

Accounting Policy

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

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

C3-4 MEASUREMENT USING FAIR VALUE

Accounting Policy

Land, buildings (including residential buildings and land improvements such as sports facilities), and buildings under a finance lease are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation.

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

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

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

Use of Specific Appraisals

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

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

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

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Use of Indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of these indices results in a valid estimation of the asset's fair value at reporting date. The State Valuation Service (SVS) supplies the indices used for various types of assets. These indices are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

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

C3-4 MEASUREMENT USING FAIR VALUE (continued)

Accounting Policy (continued)

Accounting for Changes in Fair Value

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

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

C3-5 DEPRECIATION EXPENSE

Accounting Policy

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

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

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

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

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

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

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

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

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

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

C3-5 DEPRECIATION EXPENSE (continued)

Depreciation Rates

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

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

C3-6 IMPAIRMENT

Accounting Policy

All non-current physical are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount.

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

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

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

C4 INTANGIBLES AND AMORTISATION EXPENSE

C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Software Purchased	Software Internally Generated	Other Intangibles	Software WIP	Total
	2018	2018	2018	2018	2018
	$'000	$'000	$'000	$'000	$'000
Gross	11 158	13 180	164	-	24 502
Less Accumulated Depreciation	(11 158)	(11 395)	(73)	-	(22 626)
Carrying Amount at 30 June	-	1 785	91	-	1 876
Represented by movements in carrying amount:					
Carrying amount at 1 July	-	-	-	-	-
Transfers in from other Queensland Government entities	-	2 050	100	272	2 422
Transfers between classes	-	272	-	(272)	-
Amortisation	-	(537)	(9)	-	(546)
Carrying amount at 30 June	-	1 785	91	-	1 876

C4-2 RECOGNITION AND MEASUREMENT

Accounting Policies

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

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

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

C4-3 AMORTISATION EXPENSE

Accounting Policy

All intangible assets of the department have finite useful lives and are amortised on a straight line basis over the intangible's useful life. The residual value of all the department's intangible assets is zero.

Useful Life

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

C4-4 IMPAIRMENT

Accounting Policy

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

If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

C5 PAYABLES

	2018 $'000
Current	
Trade creditors	33 292
Capital creditors	3 021
FBT and other taxes	35
Grants and subsidies payable	53 176
Deferred appropriation payable to Consolidated Fund	33 256
Total	122 780

Accounting Policy - Payables

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

C6 INTEREST BEARING LIABILITIES

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

Accounting Policy – Lease Liabilities

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

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

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

C6-1 BORROWINGS

Undrawn Facilities

On 11 May 2018, an overdraft facility with the QTC was approved on the department's main bank account. This facility is limited to $40 million and remains in effect permanently. This facility remained fully undrawn at 30 June 2018 and is available for use in the next reporting period. The current overdraft interest rate is 5.00%.

C6 INTEREST BEARING LIABILITIES (continued)

C6-2 FINANCE LEASE LIABILITY AND COMMITMENTS

Finance Lease Terms and Conditions

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

Interest Rates

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

Security

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

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

C6-3 DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS

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

C7 PROVISIONS

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

Accounting Policy – Provisions

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

Key Estimates and Judgements – Provisions

Training and Skills Division enters into contractual arrangements with training providers in the contestable training market. Since the introduction of the contestable market in 2014, the number of providers accessing government funding has grown significantly. The valuation is based on the number of students enrolled in a competency at the end of the financial year but not completed. The value for 2017-18 has been calculated using 2017-18 activity levels with 2014-15 withdrawal rates.

C8 EQUITY

C8-1 CONTRIBUTED EQUITY

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity by the department during the reporting year:

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

C8-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of Payments from Consolidated Fund to Equity Adjustment

	2018 $'000
Transfers from/to other departments - Redistribution of public business	3 958
Lapsed equity adjustment	(2 708)
Equity adjustment recognised in Contributed Equity	**1 250**

C8-3 ASSET REVALUATION SURPLUS BY ASSET CLASS

Accounting Policy

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

	Land $'000	Buildings $'000	Leased Assets $'000	Total $'000
Balance at 1 January 2018	-	-	-	-
Revaluation increments	4 893	70 357	9 964	85 214
	4 893	70 357	9 964	85 214
Balance at 30 June 2018	**4 893**	**70 357**	**9 964**	**85 214**

SECTION 4
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES

Fair Value Measure

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

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

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

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

Fair Value Measurement Hierarchy

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

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

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

D1-2 BASIS FOR FAIR VALUES OF ASSETS AND LIABILITIES

Land

Effective Date of Last Specific Appraisal:	30 June 2018 by State Valuation Services
Valuation Approach:	Market-based assessment. Fair Value Hierarchy Level 2.
Inputs:	The fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with Industry standards.
Current Year Valuation Activity:	Approximately one quarter of the department's land was independently valued. In determining the values, adjustments were made to the sales data to take into account the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. The remaining three quarters of the land assets, have been indexed to ensure that values reflect fair value as at reporting date. This involved the selection of a random sample of properties from the 25 districts across the state. State Valuation Service then provided indices for each of these sites based on recent market transactions for local land sales. These indices increased the value of land in these districts by 0.98% and have been applied.

D1 FAIR VALUE MEASUREMENT (continued)

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

Buildings

Effective Date of Last Specific Appraisal:	30 June 2018 by State Valuation Services
Valuation Approach:	All purpose–built facilities are valued at current replacement cost, as there is no active market for these facilities.
Inputs:	State Valuation Services conduct physical inspections and applied construction rates from the State School Costing Manual provided by GRC Quantity Surveyors. Fair Value Hierarchy Level 3.
Current Year Valuation Activity:	Approximately one quarter of the department's buildings were independently valued. The current replacement cost was based on standard school buildings and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of the facility. The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2017 to June 2018) was a 4.20% increase. State Valuation Service have certified that the Building Price Index is the most appropriate measure for reflecting price changes in the department's buildings in the years when an independent valuation is not undertaken. Management is of the opinion that the continuing investment in general and specific priority maintenance would prevent any abnormal deterioration in asset values in the period between independent valuations.

Leased Assets

Effective Date of Last Specific Appraisal:	30 June 2018 by State Valuation Services
Valuation Approach:	All purpose–built facilities are valued at current replacement cost, as there is no active market for these facilities.
Inputs:	State Valuation Services conduct physical inspections and applied construction rates from the State School Costing Manual provided by GRC Quantity Surveyors. Fair Value Hierarchy Level 3.
Current Year Valuation Activity:	Leased assets were indexed using the indices provided by State Valuation Service as at 30 June 2018.

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

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

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

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

D2 FINANCIAL RISK DISCLOSURES

D2-1 FINANCIAL INSTRUMENT CATEGORIES

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

	Note	2018 $'000
Financial Assets		
Cash and cash equivalents	C1	237 394
Receivables	C2	4 189
Total Financial Assets		241 583
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Payables	C5	122 780
Finance lease liabilities	C6	215 786
Total Financial Liabilities at amortised cost		338 566

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

D2-2 FINANCIAL RISK MANAGEMENT

Risk Exposure

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

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

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

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-2 FINANCIAL RISK MANAGEMENT (continued)

Risk Measurement and Management Strategies

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

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

D2-3 MAXIMUM CREDIT RISK EXPOSURE WHERE CARRYING AMOUNTS DO NOT EQUAL CONTRACTUAL AMOUNTS

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

D2-4 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following tables sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date.

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

D3 CONTINGENCIES

Litigation in Progress

At 30 June 2018, there were no cases filed in the courts naming the State of Queensland acting through the Department of Employment, Small Business and Training as defendant.

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

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

Native Title Claims over Departmental Land

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

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

D4 COMMITMENTS

Non-cancellable operating lease commitments

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

	2018 $'000
Not later than one year	143
Total non-cancellable operating lease commitments	**143**

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

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

D4 COMMITMENTS (continued)

Capital expenditure commitments

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

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

Grant commitments

Commitments for grants at reporting date are payable as follows:

	2018 $'000
Not later than one year	22 031
Later than one and not later than five years	102
Total Grant commitments	**22 133**

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

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

	2018 $'000
Not later than one year	15 932
Later than one and not later than five years	80 844
Later than five years	448 691
Total Other commitments	**545 467**

Fixed operating costs for Public Provision of Private Infrastructure for Southbank Education and Training Precinct – Axiom, have been included in the estimates of "Other commitments" (refer also to note G3).

D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

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

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

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

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

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

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

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

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

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

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

AASB 16 *Leases*

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

Impact for Lessees

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

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

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

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

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. The department intends to adopt the cumulative approach.

Internal-to-Government leases

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

Considering their operation and impact across the whole-of-Government, the department is currently awaiting formal guidance from Queensland Treasury as to whether these two arrangements should be accounted for on-balance sheet under AASB 16.

Impact for Lessors

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

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 will first apply to the department's financial statements in 2019-20. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Initial analysis on the department's contractual arrangement with Axiom Education Queensland Pty Ltd for the design, construction, maintenance and finance agreement of the Southbank Education and Training Precinct (refer Note G3), indicate that this arrangement does not meet the criteria for a service concession arrangement as defined by this standard.

Other than the contract with Axiom Education Queensland Pty Ltd, the department does not currently have any other arrangements that would fall within the scope of AASB 1059.

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

D6 EVENTS AFTER THE BALANCE DATE

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

SECTION 5
NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

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

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

Appropriation revenue	The decrease in departmental services is primarily due to reduced • Commonwealth funding for the National Partnership Agreement - Skilling Australian Fund, • timing adjustments for various programs, including the Back to Work program and Advancing Small Business Strategy, partly offset by the reclassification of employment functions from administered to departmental services, and an adjustment for depreciation.
Other revenue	The variance relates to contributions from TAFE Queensland for the Southbank Education and Training Precinct Public Private Partnership and higher than anticipated grant expenditure recoveries.
Employee expenses	Employee expenses were lower than the budgeted figure mainly due to the number of vacant positions transferred at MoG date and not filled by year end.
Supplies and services	The variance is predominately due to the Australian Government - Skilling Australia Fund program not progressing in 2017-18.
Other expenses	The variance is due to unanticipated and unbudgeted $33.3 million deferred appropriation to the Consolidated Fund for various programs of work.
Increase in asset revaluation surplus	This variance arises from an unanticipated and unbudgeted revaluation increase during the year for the department's land, building and leased assets.

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

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

E1 BUDGETARY REPORTING DISCLOSURES (continued)

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

Service appropriation receipts	The decrease in departmental services is primarily due to reduced • Commonwealth funding for the National Partnership Agreement - Skilling Australian Fund, • timing adjustments for various programs, including the Back to Work program and Advancing Small Business Strategy, partly offset by the reclassification of employment functions from administered to departmental services, and an adjustment for depreciation.
Other Inflows	The variance relates to contributions from TAFE Queensland for the Southbank Education and Training Precinct Public Private Partnership (SETP PPP) and higher than anticipated grant expenditure recoveries.
Employee expenses	Employee expenses outflows were lower than the budgeted figure mainly due to the number of vacant positions transferred at MoG date and not filled by year end.
Supplies and services	The variance is due to the Australian Government - Skilling Australia Fund program not progressing in 2017-18 offset by increases in payables associated with invoices from pre-MoG departments.
Grant and subsidies	The variance is predominately due to unanticipated and unbudgeted $33.3 million deferred appropriation to the Consolidated Fund for various grant programs and a provision for training services.
Other outflows	The variance is due to unanticipated and unbudgeted movement in payable appropriation to the Consolidated Fund for various programs of work.
PPE outflow	The variance predominately relates to higher than anticipated WIP capital acquisitions.
Equity injections	The variance relates to the conversion of equity funding to appropriation funding.
Equity withdrawals	The variance relates to a reduction of depreciation estimates at MoG date and as a result a reduction in equity withdrawals to the consolidated fund.

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

F1 ADMINISTERED ACTIVITIES

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

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

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

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

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

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

SECTION 8
OTHER INFORMATION

G1 KEY MANAGEMENT PERSONNEL REMUNERATION

Details of Key Management Personnel (KMP)

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

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

Position	Position Responsibility
Director-General	Supports the Minister in the delivery on the government's commitment to creating jobs for Queenslanders and supporting local businesses to reach their full potential.
Deputy Director-General, Employment	Strategic oversight for increasing employment opportunities for Queenslanders, in particular disadvantaged cohorts. Also leads both policy and strategic engagement activities, as well as the delivery of key Government employment programs. The service area also has responsibility for business and skilled migration policy, in consultation with Business and Skilled Migration Queensland.
Deputy Director-General, Small Business	Strategic oversight for the efficient, effective and economic administration of the small business responsibilities for the department including the products and services that are delivered to small business.
Deputy Director-General, Training and Skills	Strategic oversight for improving the skills profile of Queensland through delivery of a diverse and inclusive vocational education and training investment program that delivers on industry skills demands of today and the future, and supports publicly funded training providers to deliver high quality training.
Head of Corporate and Chief Finance Officer	Strategic leadership for the department's corporate procurement, finance, human resources, information technologies, and facilities management functions and the provision of strategic financial advice to the department's Executive and overall leadership of the department's finance functions. The CFO also has responsibilities under section 77 of the *Financial Accountability Act 2009 (Qld)*.

Key Management Personnel Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

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

G1 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Key Management Personnel Remuneration Policies (continued)

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

Short term employee expenses which include:

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

Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

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

Key Management Personnel Remuneration Expenses

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

2017-18

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

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

Performance Payments

Key Management Personnel do not receive performance or bonus payments.

G2 RELATED PARTY TRANSACTIONS

Transactions with people/ entities related to KMP

The department has no related party transactions during 2017-18 with people and entities related to Key Management Personnel.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue and equity injections, both of which are provided in cash via Queensland Treasury.

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

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT

G3-1 Accounting Policies

The current accounting treatment applied to these arrangements is based upon the requirements of AASB 117 *Leases*. There is currently no Australian Accounting Standard that specifically addresses the accounting treatment to be adopted by grantors for capital costs incurred under a public private partnership arrangement. Additional disclosures are included for each individual arrangement in accordance with AASB Interpretation 129 *Service Concession Arrangements: Disclosures* and Queensland Treasury's financial reporting requirements under FRR 5D – *Service Concession Arrangements*.

G3-2 Private Provision of Public Infrastructure (PPPI) Agreement

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

The land on which the facility is constructed is owned and recognised as an asset by the department.

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

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

PPPI Arrangement	Southbank Education and Training Precinct (SETP) – Axiom – Public Private Partnership
Entered Into Contract	April 2005
Partner	Axiom Education Queensland Pty Ltd
Agreement Type	Design, construct, maintain, and finance SETP
Agreement Period	34 years
Financing	Finance during the design and construction phases was provided by JEM (Southbank) Pty Ltd.
Leasing Arrangement	Head Lease and Sublease with Axiom – the Department will pay abatable and undissected service payments to Axiom for the operation, maintenance, and provision of the precinct. Axiom is granted the right to enter and operate on the site, and is required to maintain the facilities to a high standard.
Construction Commencement	July 2005
Construction Completed	31 October 2008
Variable Costs	No variable costs for the life of the contract.
Other	In September 2011, the department entered into an operating lease arrangement with TAFE Queensland leasing the SETP to the Southbank Institute of Technology until 28 June 2039.

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

G3-3 Private Provision of Public Infrastructure – Cash Flow

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

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

Disclosure about Private Provision of Public Infrastructure Arrangement Cash Flows

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

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

G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

G3-4 Risks during the Concession Period

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

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

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

Changes in Accounting Policy

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

Accounting Standards Early Adopted for 2017-18

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

Accounting Standards Applied for the First Time

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

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

G5 TAXATION

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from all forms of Commonwealth taxation with the exception of Fringe Benefits Tax (FBT), and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised in Note C2.

Department of Employment, Small Business and Training
Management Certificate
for the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

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

(b) the statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Employment, Small Business and Training for the financial year ended 30 June 2018, and of the financial position of the department at the end of that year; and

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

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

Date: 30/8/18

M A Curtis

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

Date: 30/8/18

Queensland
Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2018, and its financial performance and cash flows for the period then ended

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

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2018, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Queensland Audit Office

Better public services

Key audit matters

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

Refer to note C3 in the financial report

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>
The Department of Employment, Small Business and Training (the department) specialised buildings were measured at fair value at balance date using the current replacement cost method. These buildings are reported as buildings and leased assets in the financial statements.

The department performed a comprehensive revaluation of approximately one quarter of its buildings and leased assets using independent valuers with remaining assets being revalued using indexation. It is the department's policy to conduct revaluations on this basis annually.

The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation

For comprehensively revalued buildings, the department applied unit rates provided by an independent quantity surveyor to derive gross replacement cost. These unit rates require significant judgement in relation to:
• identifying the components of buildings with separately identifiable replacement costs
• specifying the unit rate categories based on building and component types with similar characteristics
• assessing the current replacement cost for each unit rate category having consideration for more contemporary design/ construction approaches.

For buildings and leased assets not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.

The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
</td><td>
My procedures for building and leased assets comprehensively revalued included, but were not limited to:
• assessing the adequacy of management's review of the valuation process
• obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice
• assessing the competence, capability and objectivity of the experts used by the Department
• on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including:
  – modern substitute (including locality factors and on-costs)
  – adjustment for excess quality or obsolescence.

For buildings and leased assets indexed, my procedures, included, but were not limited to:
• evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices
• reviewing the appropriate application of these indices to the remaining three quarters of the portfolio.

All buildings and leased asset's useful life estimates were reviewed for reasonableness by:
• reviewing management's annual assessment of useful lives
• ensuring that no component still in use has reached or exceeded its useful life
• reviewing formal asset management plans, and enquired of management about whether these plans remain current
• reviewing for consistency between condition assessment and percentage of depreciation
• where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence
• ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified.
</td></tr>
</table>

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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

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

31 August 2018

Michelle Reardon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane