

Department of Environment and Science

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019



Department of Environment and Science

Table of Contents

for the year ended 30 June 2019

Table of Contents

Statement of Comprehensive Income	1
Statement of Comprehensive Income by Major Departmental Service	2
Statement of Financial Position	4
Statement of Assets and Liabilities by Major Departmental Service	5
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Statement of Cash Flows.....	9
SECTION 1.....	10
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT	10
A1 BASIS OF FINANCIAL STATEMENT PREPARATION	10
A1-1 GENERAL INFORMATION	10
A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS.....	10
A1-3 PRESENTATION	10
A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE	11
A1-5 BASIS OF MEASUREMENT	11
A1-6 THE REPORTING ENTITY	12
A2 DEPARTMENTAL OBJECTIVES	12
A3 CONTROLLED AND ASSOCIATED ENTITIES.....	14
SECTION 2.....	16
NOTES ABOUT OUR FINANCIAL PERFORMANCE	16
B1 REVENUE.....	16
B1-1 APPROPRIATION REVENUE	16
B1-2 USER CHARGES AND FEES	17
B1-3 GRANTS AND OTHER CONTRIBUTIONS.....	17
B1-4 OTHER REVENUE	18
B2 EXPENSES.....	19
B2-1 EMPLOYEE EXPENSES.....	19
B2-2 SUPPLIES AND SERVICES	21
B2-3 GRANTS AND SUBSIDIES	22
B2-4 OTHER EXPENSES	23
SECTION 3.....	24
NOTES ABOUT OUR FINANCIAL POSITION.....	24

Department of Environment and Science

Table of Contents

for the year ended 30 June 2019

C1 CASH AND CASH EQUIVALENTS	24
C2 RECEIVABLES	25
C2-1 IMPAIRMENT OF RECEIVABLES	26
C3 PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION EXPENSE	29
C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT	29
C3-2 RECOGNITION AND ACQUISITION	31
C3-3 MEASUREMENT USING HISTORICAL COST	32
C3-4 MEASUREMENT USING FAIR VALUE	32
C3-5 DEPRECIATION EXPENSE	32
C3-6 IMPAIRMENT	33
C4 INTANGIBLES AND AMORTISATION EXPENSE	34
C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT	34
C4-2 RECOGNITION AND MEASUREMENT	35
C4-3 AMORTISATION EXPENSE	35
C5 PAYABLES	36
C6 ACCRUED EMPLOYEE BENEFITS	36
C7 OTHER LIABILITIES	37
C8 EQUITY	38
C8-1 CONTRIBUTED EQUITY	38
C8-2 APPROPRIATIONS RECOGNISED IN EQUITY	38
SECTION 4	39
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES	39
D1 FAIR VALUE MEASUREMENT	39
D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES	39
D2 FINANCIAL RISK DISCLOSURES	44
D2-1 FINANCIAL INSTRUMENT CATEGORIES	44
D2-2 FINANCIAL RISK MANAGEMENT	45
D2-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES	46
D3 CONTINGENCIES	47
D4 COMMITMENTS	48
D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE	49
SECTION 5	51
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET	51

Department of Environment and Science

Table of Contents

for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES.....	51
E1-1 STATEMENT OF COMPREHENSIVE INCOME - BUDGET TO ACTUAL COMPARISON	51
E1-2 STATEMENT OF COMPREHENSIVE INCOME - EXPLANATION OF MAJOR VARIANCES	52
E1-3 STATEMENT OF FINANCIAL POSITION - BUDGET TO ACTUAL COMPARISON	53
E1-4 STATEMENT OF FINANCIAL POSITION – EXPLANATION OF MAJOR VARIANCES	54
E1-5 STATEMENT OF CASH FLOWS – BUDGET TO ACTUAL COMPARISON	55
E1-6 STATEMENT OF CASH FLOWS – EXPLANATION OF MAJOR VARIANCES	56
SECTION 6	58
WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF-GOVERNMENT AND THIRD PARTIES	58
F1 ADMINISTERED ITEMS	58
F1-1 SCHEDULE OF ADMINISTERED ITEMS.....	59
F1-2 GRANTS AND SUBSIDIES.....	60
F1-3 ADMINISTERED ACTIVITIES – BUDGETARY REPORTING DISCLOSURES.....	60
F1-4 ADMINISTERED ACTIVITIES – BUDGET TO ACTUAL COMPARISON	61
F1-5 ADMINISTERED ACTIVITIES - EXPLANATION OF MAJOR VARIANCES	62
F2 TRUST TRANSACTIONS AND BALANCES.....	63
SECTION 7	65
OTHER INFORMATION	65
G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES.....	65
G2 RELATED PARTY TRANSACTIONS.....	70
G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY.....	71
G4 TAXATION	73
Management Certificate	74

Department of Environment and Science
Statement of Comprehensive Income
for the year ended 30 June 2019

		2019	2018 ⁽¹⁾
	Notes	\$'000	\$'000
Income from continuing operations			
<i>Revenue</i>			
Appropriation revenue	B1-1	750,383	405,523
User charges and fees	B1-2	131,612	96,869
Grants and other contributions	B1-3	82,817	53,626
Royalties and land rents		1,270	275
Interest		862	331
Other revenue	B1-4	3,414	8,641
<i>Total revenue</i>		970,358	565,265
Revaluation increment	C3	31,705	61,378
Total income from continuing operations		1,002,063	626,643
Expenses from continuing operations			
Employee expenses	B2-1	301,628	213,566
Supplies and services	B2-2	222,613	161,991
Grants and subsidies	B2-3	272,259	87,822
Depreciation and amortisation		89,239	47,295
Revaluation decrement	C3	113,151	-
Other expenses	B2-4	44,532	36,629
Total expenses from continuing operations		1,043,422	547,303
Operating result for the year		(41,359)	79,340
Other comprehensive income			
Increase/(decrease) in asset revaluation reserve		(22,669)	56,269
Total other comprehensive income		(22,669)	56,269
Total comprehensive income		(64,028)	135,609

⁽¹⁾ The department was impacted by a machinery-of-Government on 12 December 2017. Refer to Note A1-3.

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2019

	Environmental Protection	Species & Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations									
Appropriation revenue	246,522	38,989	5,067	250,672	72,565	129,501	-	7,067	750,383
User charges and fees	67,798	682	185	30,365	1,851	20,719	9,135	877	131,612
Grants and other contributions	13,932	32,995	1	27,483	7,631	762	-	13	82,817
Royalties and land rents	-	-	-	1,270	-	-	-	-	1,270
Interest	10	548	-	300	2	-	-	2	862
Other revenue	407	352	-	2,418	18	203	3	13	3,414
Total revenue	328,669	73,566	5,253	312,508	82,067	151,185	9,138	7,972	970,358
Revaluation increment	-	9	-	25,647	6,049	-	-	-	31,705
Total income from continuing operations	328,669	73,575	5,253	338,155	88,116	151,185	9,138	7,972	1,002,063
Expenses from continuing operations									
Employee expenses	84,020	34,605	3,441	114,285	40,916	13,671	7,649	3,041	301,628
Supplies and services	49,843	15,841	1,020	80,161	35,501	32,975	2,974	4,298	222,613
Grants and subsidies	183,228	18,501	169	16,135	1,679	52,390	-	157	272,259
Depreciation and amortisation	1,952	496	211	31,221	5,686	49,548	-	125	89,239
Revaluation decrement	(102)	(285)	-	83,442	(105)	30,201	-	-	113,151
Other expenses	11,125	4,904	491	15,869	5,110	2,067	183	4,783	44,532
Total expenses from continuing operations	330,066	74,062	5,332	341,113	88,787	180,852	10,806	12,404	1,043,422
Operating result for the year	(1,397)	(487)	(79)	(2,958)	(671)	(29,667)	(1,668)	(4,432)	(41,359)
Other comprehensive income									
Decrease in asset revaluation reserve	-	2	5	(38,028)	2,529	12,823	-	-	(22,669)
Total other comprehensive income	-	2	5	(38,028)	2,529	12,823	-	-	(22,669)
Total comprehensive income	(1,397)	(485)	(74)	(40,986)	1,858	(16,844)	(1,668)	(4,432)	(64,028)

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Comprehensive Income by Major Departmental Service

for the year ended 30 June 2018

	Environmental Protection	Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations									
Appropriation revenue	95,433	54,453	4,484	127,494	42,630	72,385	-	8,643	405,523
User charges and fees	64,093	1,173	112	13,612	729	11,482	5,599	69	96,869
Grants and other contributions	17,811	12,160	98	17,685	5,794	(191)	-	270	53,626
Royalties and land rents	-	-	-	275	-	-	-	-	275
Interest	21	139	-	171	-	-	-	-	331
Other revenue	5,989	433	3	2,092	52	34	3	34	8,641
Total revenue	183,347	68,358	4,697	161,329	49,205	83,710	5,602	9,016	565,265
Revaluation increment	750	-	4	60,618	6	-	-	-	61,378
Total income from continuing operations	184,097	68,358	4,701	221,947	49,211	83,710	5,602	9,016	626,643
Expenses from continuing operations									
Employee expenses	74,372	33,527	3,130	63,984	25,492	6,853	3,971	2,237	213,566
Supplies and services	51,934	15,096	841	51,066	19,657	17,907	2,550	2,941	161,991
Grants and subsidies	29,271	19,074	270	6,155	518	32,534	-	-	87,822
Depreciation and amortisation	1,927	404	209	17,472	2,781	24,455	9	39	47,295
Losses	-	-	-	-	-	-	-	-	-
Other expenses	8,805	3,962	461	14,392	3,995	1,027	188	3,799	36,629
Total expenses from continuing operations	166,308	72,063	4,911	153,069	52,442	82,776	6,718	9,016	547,303
Operating result for the year	17,789	(3,705)	(210)	68,879	(3,231)	934	(1,116)	-	79,340
Other comprehensive income									
Increase in asset revaluation reserve	-	-	-	56,269	-	-	-	-	56,269
Total other comprehensive income	-	-	-	56,269	-	-	-	-	56,269
Total comprehensive income	17,789	(3,705)	(210)	125,148	(3,231)	934	(1,116)	-	135,609

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$'000	2018 ⁽¹⁾ \$'000
Current assets			
Cash and cash equivalents	C1	146,803	134,562
Receivables	C2	57,054	28,809
Other assets		2,481	4,600
Total current assets		206,338	167,971
Non-current assets			
Receivables	C2	-	21
Property, plant and equipment	C3	5,470,097	5,594,213
Intangible assets	C4	17,651	15,866
Total non-current assets		5,487,748	5,610,100
Total assets		5,694,086	5,778,071
Current liabilities			
Payables	C5	74,577	63,229
Accrued employee benefits	C6	13,179	12,730
Other liabilities	C7	14,267	14,962
Provision - onerous contract		53	212
Total current liabilities		102,076	91,133
Non-current liabilities			
Provision - onerous contract		-	53
Total non-current liabilities		-	53
Total liabilities		102,076	91,186
Net assets		5,592,010	5,686,885
Equity			
Contributed equity		5,537,276	5,568,123
Accumulated surplus		21,134	62,493
Asset revaluation reserve		33,600	56,269
Total equity		5,592,010	5,686,885

⁽¹⁾ The department was impacted by a machinery-of-Government on 12 December 2017. Refer to Note A1-3.

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Assets and Liabilities by Major Departmental Service
as at 30 June 2019

	Environmental Protection	Species & Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	General not attributable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	146,803	146,803
Receivables	38,188	1,049	146	8,880	3,697	3,287	566	1,241	-	57,054
Other assets	514	76	8	243	448	378	605	209	-	2,481
Total current assets	38,702	1,125	154	9,123	4,145	3,665	1,171	1,450	146,803	206,338
Non-current assets										
Property, plant and equipment	2,901	25,821	182	4,691,092	55,646	694,455	-	-	-	5,470,097
Intangible assets	12,520	293	176	1,817	2,667	-	-	178	-	17,651
Total non-current assets	15,421	26,114	358	4,692,909	58,313	694,455	-	178	-	5,487,748
Total assets	54,123	27,239	512	4,702,032	62,458	698,120	1,171	1,628	146,803	5,694,086
Current liabilities										
Payables	15,287	7,679	586	27,654	11,412	6,073	367	5,519	-	74,577
Accrued employee benefits	3,682	1,526	153	4,960	1,803	579	337	139	-	13,179
Other liabilities	165	1	-	13,882	1	-	217	1	-	14,267
Provision - onerous contract	12	6	1	21	7	-	-	6	-	53
Total current liabilities	19,146	9,212	740	46,517	13,223	6,652	921	5,665	-	102,076
Total liabilities	19,146	9,212	740	46,517	13,223	6,652	921	5,665	-	102,076
Net assets	34,977	18,027	(228)	4,655,515	49,235	691,468	250	(4,037)	146,803	5,592,010

The accompanying notes form part of these financial statements

Department of Environment and Science
Statement of Assets and Liabilities by Major Departmental Service

as at 30 June 2018

	Environmental Protection	Species & Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	General not attributable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	134,562	134,562
Receivables	9,312	785	88	8,490	4,394	3,177	1,395	1,168	-	28,809
Other assets	219	113	11	476	375	2,554	616	236	-	4,600
Total current assets	9,531	898	99	8,966	4,768	5,731	2,011	1,404	134,562	167,971
Non-current assets										
Receivables	-	-	-	-	-	21	-	-	-	21
Property, plant and equipment	7,380	25,753	134	4,764,173	46,932	749,841	-	-	-	5,594,213
Intangible assets	8,003	446	403	3,693	2,880	-	-	441	-	15,866
Total non-current assets	15,383	26,199	537	4,767,866	49,812	749,862	-	441	-	5,610,100
Total assets	24,914	27,096	637	4,776,833	54,580	755,593	2,011	1,845	134,562	5,778,071
Current liabilities										
Payables	13,076	6,749	459	25,068	9,417	3,286	804	4,370	-	63,229
Accrued employee benefits	3,490	1,489	114	4,726	1,925	551	338	96	-	12,730
Other liabilities	164	1	-	14,607	1	-	187	1	-	14,962
Provision - onerous contract	50	26	3	82	26	-	-	25	-	212
Total current liabilities	16,780	8,265	575	44,484	11,369	3,837	1,329	4,493	-	91,133
Non-current liabilities										
Provision - onerous contract	12	6	1	21	6	-	-	6	-	53
Total non-current liabilities	12	6	1	21	6	-	-	6	-	53
Total liabilities	16,792	8,272	576	44,505	11,376	3,837	1,329	4,500	-	91,186
Net assets	8,122	18,825	61	4,732,328	43,204	751,756	682	(2,655)	134,562	5,686,885

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Changes in Equity
for the year ended 30 June 2019

		Contributed Equity	Accumulated Surplus	Asset Revaluation Surplus	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018 ⁽¹⁾		5,568,123	62,493	56,269	5,686,885
<i>Total comprehensive income for the year</i>		-	(41,359)	-	(41,359)
<i>Other comprehensive income</i>					
Decrease in asset valuation surplus		-	-	(22,669)	(22,669)
<i>Transactions with owners as owners</i>					
Equity injections	C8-2	45,586	-	-	45,586
Equity withdrawals	C8-2	(79,429)	-	-	(79,429)
Non appropriated equity adjustments		2,996	-	-	2,996
<i>Net transactions with owners as owners</i>		(30,847)	-	-	(30,847)
Equity balance at 30 June 2019		5,537,276	21,134	33,600	5,592,010
Balance at 1 July 2017		67,449	(16,847)	-	50,602
<i>Total comprehensive income for the year</i>		-	79,340	-	79,340
<i>Other comprehensive income</i>					
Increase in asset valuation surplus		-	-	56,269	56,269
<i>Transactions with owners as owners</i>					
Equity injections	C8-2	26,684	-	-	26,684
Equity withdrawals	C8-2	(43,659)	-	-	(43,659)
Non appropriated equity adjustments		6,497	-	-	6,497
Net transfer of assets/liabilities via machinery-of-Government		5,511,152	-	-	5,511,152
<i>Net transactions with owners as owners</i>		5,500,674	-	-	5,500,674
Equity balance at 30 June 2018 ⁽¹⁾		5,568,123	62,493	56,269	5,686,885

⁽¹⁾ The department was impacted by a machinery-of-Government on 12 December 2017. Refer to Note A1-3.

The accompanying notes form part of these financial statements.

Department of Environment and Science
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 \$'000	2018 ⁽¹⁾ \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Service appropriation receipts		719,617	362,428
User charges and fees		132,996	100,561
Grants and other contributions		82,817	53,626
GST input tax credits received from ATO		31,694	20,476
Interest receivable		863	315
Other income		4,566	8,873
<i>Outflows:</i>			
Employee expenses		(301,820)	(207,147)
Supplies and services		(214,948)	(154,784)
Grants and subsidies		(271,524)	(91,640)
GST remitted to ATO		(31,549)	(22,795)
Other expenses		(6,877)	(3,689)
Net cash provided by (used in) operating activities	CF-1	145,835	66,224
Cash flows from investing activities			
<i>Inflows:</i>			
Loans and advances		22	731
Proceeds for sales of property, plant and equipment		306	1,682
<i>Outflows:</i>			
Loans and advances		(28,434)	-
Payments for property, plant, and equipment, and intangibles		(74,641)	(37,684)
Net cash provided (used in) investing activities		(102,747)	(35,271)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections		45,586	26,684
Non-appropriated equity injection		2,996	2,627
<i>Outflows:</i>			
Equity withdrawals		(79,429)	(43,659)
Net cash provided by (used in) financing activities		(30,847)	(14,348)
Net increase (decrease) in cash and cash equivalents		12,241	16,605
Cash and cash equivalents opening balance		134,562	25,177
Cash transfer machinery-of-Government		-	92,780
Cash and cash equivalents closing balance	C1	146,803	134,562

⁽¹⁾ The department was impacted by a machinery-of-Government on 12 December 2017. Refer to Note A1-3.

The accompanying notes form part of these financial statements.

Department of Environment and Science
Notes to the Statement of Cash Flows
for the year ended 30 June 2019

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

	2019 \$'000	2018 \$'000
Operating surplus/(deficit)	(41,359)	79,340
Depreciation and amortisation expense	89,239	47,295
Net asset revaluation (increments)/decrements	81,446	(61,177)
Net (gain)/loss on disposal of property, plant and equipment	1,849	96
Change in assets and liabilities		
(Increase) in receivables	2,718	(4,843)
(Increase) decrease in long service leave reimbursement receivables	(67)	(457)
(Increase) decrease in annual leave claim receivable	(524)	(2,204)
(Increase) decrease in GST input tax credits receivable	328	(11,813)
(Increase) decrease in prepayments	35	(3,202)
Increase (decrease) in appropriation payable	7,721	(42,119)
Increase (decrease) in accounts payable	5,077	37,329
Increase (decrease) in tax payable	13	(11)
Increase (decrease) in GST payable	(183)	9,494
Increase (decrease) in accrued employee benefits	449	9,028
Increase (decrease) in other liabilities	(907)	9,468
Net cash from operating activities	145,835	66,224

SECTION 1 ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

The Department of Environment and Science ("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 Level 32, 1 William Street, Brisbane Qld 4000. For information in relation to these financial statements, please call (07) 3330 5838, email info@des.qld.gov.au or visit the departmental internet site <http://www.des.qld.gov.au>.

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*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

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 G3.

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.

Comparatives

Comparative information reflects the audited 2017-18 financial statements for Department of Environment and Science. Comparative information has been restated where necessary to be consistent with disclosures in the current period. The comparative figures comprise former departments' balances, which were merged to create the Department of Environment and Science on 12 December 2017.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

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 reporting date, or the department does not have an unconditional right to defer settlement 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.

A1-5 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- Land, buildings, infrastructure and heritage, artwork and cultural assets which are measured at fair value, and
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present 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 amount 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/depreciated replacement cost methodology, and

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

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

These financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entities it controls, where these entities are material.

The entities reported at Note A3 are not considered to be material and therefore are not consolidated into the values reported in these statements.

A2 DEPARTMENTAL OBJECTIVES

The department's vision is that our environment, science and the arts enrich Queenslanders' lives now and into the future.

The department's objectives aim to achieve:

- Protection measures through robust policy, standards and insight
- Partnerships that assist betterment of natural and cultural assets
- Appropriate community and industry behaviours through targeted advice and regulation
- Stewardship fostered through investment and collaboration, and
- A high performing organisation delivering value to the community.

The department's key priorities are to:

- Lead the development of a comprehensive new waste strategy for Queensland, underpinned by a waste disposal levy that will have no direct impact on households
- Lead the delivery of the Queensland Reef Water Quality Program, including enhancing regulation
- Lead the delivery of the Queensland Climate Change Response
- Lead the \$500 million flagship Land Restoration Fund to support and grow Queensland's carbon farming sector
- Deliver targeted, consistent and transparent regulation and enforcement that facilitates sustainable development in Queensland whilst minimising impacts on the environment
- Prepare a new Koala Conservation Strategy to reverse the decline in population densities in South East Queensland
- Progress implementation of a values-based framework for the management of parks and forests
- Develop a Queensland Protected Area Strategy

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

A2 DEPARTMENTAL OBJECTIVES (continued)

- Launch the Citizen Science Strategy to increase community awareness and participation in citizen science
- Boost the evidence base for measuring the effectiveness of vegetation management by establishing an enhanced scientific program for the Statewide Landcover and Trees Study
- Invest in cultural infrastructure including a new performing arts theatre at the Queensland Performing Arts Centre and a commitment to the redevelopment of the Rockhampton Art Gallery, and
- Implement sustainability and energy efficiency measures at the Queensland Cultural Centre (QCC), South Bank; address critical infrastructure upgrade works at the Queensland Museum and install a further two cooling towers within the central energy plant, QCC.

Sources of Departmental Funding

The department is principally funded for the services it delivers by parliamentary appropriations, and the significant revenue collected from the following:

- Licencing of environmental services
- Permits, approvals and resource use
- Recreation and tourism services
- Facilities and carpark revenue, and
- Grants and contributions from State and Federal Government, and Industry.

A3 CONTROLLED AND ASSOCIATED ENTITIES

Controlled Entities:

The Aboriginal Centre for the Performing Arts Pty Ltd (ACPA) is a registered training company that delivers accredited training to indigenous and non-indigenous persons in various performing arts courses. The share capital of ACPA consists of two (2) ordinary shares of \$1 each, fully paid, held by the department on behalf of the State of Queensland. ACPA is audited by the Auditor-General of Queensland.

Queensland Music Festival Pty Ltd (QMF) was established and incorporated in the State of Queensland as a not-for-profit company to produce and promote a biennial Queensland festival of music which achieves both international excellence and accessibility for Queenslanders from all walks of life. The share capital of QMF consists of two (2) ordinary shares of \$1 each, fully paid, held by the department on behalf of the State of Queensland.

Associated Entities:

Major Brisbane Festivals Pty Ltd (MBF) incorporating Brisbane Festival is jointly owned by the State of Queensland and Brisbane City Council and aims to position Brisbane as a key festival destination. The department on behalf of the State of Queensland, and the Brisbane City Council each hold 50% of the shares of the MBF. It has been determined that the department does not have control over the financial or operating policies through voting rights or board membership of the entity. However, due to funding arrangements for the entity, the department has significant influence. The share capital of MBF consists of two (2) ordinary shares of \$1 each, full paid.

Container Exchange (Qld) Limited (CoEX) is a not-for-profit company registered in 2017 after amendment of the *Waste Reduction and Recycling Act 2011* (the Act). The function of CoEX is to administer the beverage container exchange scheme within Queensland by opening local community collection centres, enter into recycling agreements with waste manufacturers, and provide refunds to consumers for containers presented for recycling. The company was formed during 2017-18 with Coca-Cola Amatil (Aust) Pty Ltd and Lion Pty Ltd, being the only shareholders and members. The department provided CoEX with a loan (refer to Note C2) to assist CoEX to make payments to operators of container refund points, material recovery facility operators, logistics providers, processing services providers and registered consumers for amounts properly incurred in the implementation of the Scheme. It has been determined that the department does not have control over the entity, however does have influence over the entity with regards to the loan.

All of the above entities are considered immaterial and have not been consolidated or recognised under equity accounting as they would not materially affect the reported financial position and revenue and expenses of the Department.

Each controlled and associated entity is a reporting entity in its own right and the audited financial statements are included in their respective annual reports. A summary of the latest audited financial transactions and balances for ACPA, MBF and QMF are below. CoEX are currently undertaking their first year of audited financial statements, which were not available at the time of preparation of the departmental financial statements.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

A3 CONTROLLED AND ASSOCIATED ENTITIES (continued)

Audited financial transactions and balances of Controlled and Associated Entities:

	ACPA \$'000	MBF \$'000	QMF \$'000
	June 2018	Dec 2018	Dec 2018
Statement of comprehensive income			
Income	1,198	19,590	4,807
Expenses	1,356	19,590	3,363
Operating result for the year	<u>(158)</u>	<u>-</u>	<u>1,444</u>
 Statement of financial position			
Current assets	431	1,742	2,723
Non-current assets	47	351	228
Total assets	478	2,093	2,951
 Current liabilities	311	874	310
Non-current liabilities	-	26	42
Total liabilities	311	900	352
 Net assets	<u>167</u>	<u>1,193</u>	<u>2,599</u>

ACPA is audited by the Auditor-General of Queensland, QMF is audited by Integrated Audit Service Pty Ltd and MBF is audited by BDO Audit Pty Ltd. CoEx are audited by Grant Thornton. MBF, QMF and CoEx are exempt from audit by the Auditor-General of Queensland under section 30A of the *Auditor-General Act 2009*. Both MBF and QMF reports a financial year end of 31 December.

SECTION 2 NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

	2019 \$'000	2018 \$'000
Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the operating result		
Budgeted appropriation revenue for services	651,475	209,844
Transfers from other departments	-	190,269
Transfers from other headings	23,024	(923)
Unforeseen expenditure	45,118	-
Lapsed appropriations ⁽¹⁾	-	(36,762)
Total appropriation receipts (cash)	719,617	362,428
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	30,766	8,823
Plus: Transfer of deferred appropriation payable from other departments	-	34,272
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(38,487)	(30,766)
Net appropriation revenue	711,896	374,757
Plus: Deferred appropriation payable to Consolidated Fund (expense)	38,487	30,766
Appropriation revenue recognised in the operating result	750,383	405,523

⁽¹⁾ Reflects lapse of appropriation funding in excess of requirements.

Accounting Policy – Appropriation Revenue

Appropriations provided under the *Appropriation Act 2018* are recognised as revenue when received, or in accordance with approval obtained from Queensland Treasury to recognise specific adjustments to appropriation revenue for services.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B1 REVENUE (continued)

B1-2 USER CHARGES AND FEES

	2019 \$'000	2018 \$'000
Regulatory fees – licences and permits	88,181	73,034
User charges	43,431	23,835
	<u>131,612</u>	<u>96,869</u>

Accounting Policy – User Charges and Fees

User charges and fees are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Accrued revenue is recognised if the revenue has been earned but not yet invoiced.

Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to Note F1-1.

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2019 \$'000	2018 \$'000
Grants from external bodies, state and local governments	29,290	6,420
Industry/community contributions	29,232	22,548
Grants from the Commonwealth	24,145	21,528
Donations, gifts and services	150	3,130
	<u>82,817</u>	<u>53,626</u>

Grants and other contributions include Environmental Offsets of \$26.51 million, Environmental Restoration Grants received of \$10.80 million, Great Barrier Reef Commonwealth grants of \$18.71 million and Federal Funding for Yellow Crazy Ants \$3 million.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B1 REVENUE (continued)

B1-3 GRANTS AND OTHER CONTRIBUTIONS (continued)

Accounting Policy – Grants, Contributions and Donations

Grants, contributions and donations are non-reciprocal in nature so do not require any goods or services to be provided in return. Corresponding revenue is recognised in the year in which the department obtains control over the grant/contribution/donation (control is generally obtained at the time of receipt). Contributed physical assets are recognised at their fair value.

Accounting Policy – Services Received Below Fair Value

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

B1-4 OTHER REVENUE

	2019 \$'000	2018 \$'000
Restitution	2,012	275
General recoveries	1,028	2,915
Deposits forfeited	-	5,060
Sundry revenue	374	391
	3,414	8,641

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2019	2018
	\$'000	\$'000
Employee benefits		
Salaries and wages	237,003	166,555
Employer superannuation contributions	31,200	22,139
Annual leave levy expense	24,707	17,333
Long service leave levy expense	4,934	3,451
Salary related taxes	152	177
Employee related expenses		
Workers compensation expense	2,714	1,430
Other employee expenses	918	2,481
	<u>301,628</u>	<u>213,566</u>
	<u>2019</u>	<u>2018</u>
Full time equivalent employees	2,978	2,982

The FTE figures includes 27 (2018: 27) Business Corporate Partnership (BCP) employees who perform work under the BCP arrangement.

The number of employees, including both full time and part time employees, is measured on a full time equivalent (FTE) basis, reflecting Minimum Obligatory Human Resource Information (MOHRI) at 30 June 2019 and comparative information at 30 June 2018. This data is published by the Queensland Public Service Commission.

The employee expenses aligned to this department associated with the provision of services to other departments are included in the above figures, refer to Note G2.

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 amounts.

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting Policy – Sick Leave Expense

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

Accounting Policy – Annual Leave and Long Service Leave

Under the Queensland Government's Annual Leave and Long Service Central Schemes, levies are payable by the department to cover the cost of employees' annual leave and long service leave (including leave loading and on-costs). No provision for annual leave or long service leave is recognised in the department's financial statements. Instead, the provisions are reported on a whole-of-government basis under AASB1049 *Whole-of-Government and General Government Sector Financial Reporting*. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual and long service leave are claimed from the scheme quarterly in arrears.

Accounting Policy – Superannuation

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

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 employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B2 EXPENSES (continued)

B2-2 SUPPLIES AND SERVICES

	2019	2018
	\$'000	\$'000
Payments to contractors	54,276	38,276
Repairs and maintenance	26,716	16,132
Office accommodation	21,107	13,954
Operating lease rentals	16,455	17,929
Motor vehicle expenses	13,380	6,734
Computer expenses	12,331	9,027
Travel	11,509	7,548
Outsourced service delivery	8,486	16,564
Materials	8,156	1,902
Shared service provider expenses	7,799	6,308
Project services fees	7,508	3,205
Minor plant and equipment	6,044	4,035
Electricity and gas	5,718	4,095
Legal expenses	5,470	3,270
Telephones	3,345	2,117
Consultancies	2,046	1,096
Conferences	1,812	966
Service level agreement charges	1,812	1,010
Other supplies and services	8,643	7,823
	<u>222,613</u>	<u>161,991</u>

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 on a straight-line basis over the term of the lease. Lease payments are allocated between rental expense and reduction of the liability.

Disclosure – Operating Leases

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease terms extend over a period of 5 to 10 years. 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 comprises the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with annual inflation escalation clauses upon which future year rentals are determined.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

	2019 \$'000	2018 \$'000
Waste levy implementation grant ⁽¹⁾	143,533	-
Queensland reef water quality grants	19,137	10,913
Great Barrier Reef Marine Park Authority	13,280	5,025
Queensland Indigenous land and sea ranger program	11,503	8,833
Major performing arts organisations program	11,106	7,291
Organisations fund	8,230	3,890
Natural disaster relief and recovery arrangements	6,129	7,059
Major Brisbane festival	5,165	4,200
Cairns Performing Arts Centre capital grant	4,000	5,000
Queensland arts showcase program	3,974	2,182
Arts infrastructure investment fund capital grant	3,902	-
Playing Queensland fund	2,839	1,081
Regional arts development fund	2,080	239
Regional arts services network	1,998	7
Queensland music festival	1,600	850
Community sustainability action grant program	1,531	4,301
South East Queensland wildlife hospital grants	1,500	1,900
Queensland carbon fund	1,222	1,400
Coral challenge	1,198	-
Backing Indigenous arts centres	1,130	229
Indigenous arts centres	1,055	640
Waste water strategic assessment	1,003	-
Promotional and marketing campaign Ex HMAS Torbruk	1,000	-
Woodfordia infrastructure upgrade capital grant	1,000	1,000
Other	23,144	21,782
	<u>272,259</u>	<u>87,822</u>

⁽¹⁾ Monies paid to local government to ensure there is no impact to households as a result of the implementation of the waste levy on 1 July 2019.

Accounting Policy – Grants and Subsidies

Grants occur when a payment or contribution is made to an organisation or person in return for performance of a certain objective in compliance with certain terms and conditions and which directly give approximately equal value in return to the department.

A subsidy payment is a payment or contribution made to an organisation or person which is in essence a form of financial assistance to reduce all or part of the costs of a recipient in meeting its own objectives.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

B2 EXPENSES (continued)

B2-4 OTHER EXPENSES

	2019 \$'000	2018 \$'000
Deferred appropriation payable to Consolidated Fund	38,487	30,766
Queensland Government Insurance Fund (QGIF) insurance premiums	1,597	2,154
Disposal of assets	827	297
Queensland Audit Office-external audit fees for audit of the financial statements ⁽¹⁾	370	375
Other external audit fees ⁽²⁾	190	250
Sponsorships	460	470
Special payments: ⁽³⁾		
Ex-gratia payments	211	56
Bank and statutory fees	109	59
Sundry expenses	2,281	2,202
	44,532	36,629

Audit Fees

⁽¹⁾ Total audit fees quoted by the Queensland Audit Office (QAO) relating to the 2018-19 financial statements are \$0.37 million (2018: \$0.38 million).

⁽²⁾ Other audit services relate to Corporate Administration Agency controls assurance performed by QAO, Workplace Health and Safety audits and audit requirements for grant acquittals.

Special Payments

⁽³⁾ Special payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments include ex-gratia payments over \$5,000 that the department made for environmentally relevant activities no longer being undertaken.

SECTION 3 NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank	95,487	110,611
Cash with QTC cash fund	37,397	9,249
Curtis Island Environmental Management Precinct cash at bank	13,885	14,657
Cash on hand	34	45
	<u>146,803</u>	<u>134,562</u>

Accounting Policy – Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include cash and cheques receipted but not banked at 30 June 2019.

The department does not earn interest on cash at bank. The departmental bank accounts are grouped within the whole-of-Government offset arrangement with the Queensland Treasury Corporation. Interest is accrued into the Queensland Government Consolidated Fund.

The department has an overdraft facility of \$35 million and a business card facility of \$10.9 million with its balance cleared monthly.

The Curtis Island Environmental Management Precinct bank account is restricted for use within the Curtis Island Environmental Management Precinct.

The department holds three Capital Guaranteed Cash Funds with QTC used to hold specific funds as outlined below.

As at 30 June, \$34.94 million (2018: \$8.96 million) is held as a result of financial offset payments in accordance with the *Environmental Offset Act 2014*. The use of these funds is restricted under the Act and can only be used for Conservation purposes or as otherwise permitted under section 86 of the Act.

As at 30 June, \$0.09 million (2018: \$0.29 million) is held for the Commonwealth Reef Trust grant. The use of these funds is restricted and can only be used for reef protection as permitted under the agreement.

As at 30 June, \$2.37 million (commenced October 2018) is held for the future conversion of Yurol and Ringtail State Forests into National Parks. The use of these funds is restricted under the Deed of Funding.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C2 RECEIVABLES

	2019 \$'000	2018 \$'000
Current		
Trade debtors	17,332	19,350
Less: Allowance for impairment	(1,344)	(1,819)
	15,988	17,531
Advances	23	201
Less: Allowance for impairment	-	(200)
	23	1
GST receivable	10,623	7,098
GST payable	(6,015)	(2,346)
	4,608	4,752
Loan receivable ⁽¹⁾	29,167	-
Annual leave claims receivable	4,596	4,073
Long service leave claims receivable	1,074	1,007
Interest receivable	24	26
Sundry receivable	1,348	642
Operating lease receivable	226	777
	57,054	28,809
Non-current		
Property leases receivable	-	21
Total receivables	57,054	28,830

⁽¹⁾ The loan receivable relates to an interest free loan agreement which commenced in October 2018 with CoEx for \$35 million over 18 months to support the Container Refund Scheme (refer to Note A3). As at 30 June 2019 the fair value of the loan is \$29.63 million. With an implied interest rate of 2.15%, interest foregone for the 2018-19 year is \$0.46 million.

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 of these amounts is required within the trading terms of 30 days. These terms may only be varied depending on the service provided.

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting Policy – Impairment of Receivables

The loss allowance for trade debtors and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information.

The department's other receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables on the basis of materiality. Refer to Note D2 for the department's credit risk management policies.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 90 days past due and the department has ceased enforcement activity. If the amount of the debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Disclosure – Credit Risk Exposure of Receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the department's receivables.

The department undertakes an analysis of aged receivables (debtors) in order to calculate the expected credit losses on trade and other debtors on a monthly basis. Loss rates are calculated separately for groupings of customers with similar loss patterns. The department has identified three main groups of trade debtors based on different revenue streams. These being debtors that are related to regulatory fees for licences and permits, user charges and other debtors. Other debtors are predominately made up of Queensland Parks and Wildlife Services and Partnerships related debtors.

The calculations reflect historical observed default rates calculated through an analysis of historical monthly debtors transactions in order to calculate average roll over rates for the department.

The historical default rates are then adjusted by reasonable and supportable forward looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables.

Set out below is the credit risk exposure on the department's trade and other debtors broken down by customer groupings and by aging band. The comparative disclosure for 2018 is made under AASB 139 impairment rules, where receivables are assessed individually for impairment.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES (continued)

Impairment Group – Receivables from Regulatory Fees

	2019			2018		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Impairment allowance	Carrying amount
	\$'000	%	\$'000	\$'000	\$'000	\$'000
Aging						
Current	8,854	0.96%	85	8,692	-	8,692
1 to 30 days overdue	1,009	1.36%	14	805	-	805
31 to 60 days overdue	156	6.82%	11	122	-	122
61 to 90 days overdue	501	19.62%	98	257	-	257
> 90 days overdue	2,050	38.36%	786	1,887	1,119	768
	12,570		994	11,763	1,119	10,644

Impairment Group – User Charges

	2019			2018		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Impairment allowance	Carrying amount
	\$'000	%	\$'000	\$'000	\$'000	\$'000
Aging						
Current	347	2.93%	10	38	-	38
1 to 30 days overdue	36	8.41%	3	6	-	6
31 to 60 days overdue	26	26.34%	7	2	-	2
61 to 90 days overdue	4	48.15%	2	1	-	1
> 90 days overdue	351	60.38%	212	8	4	4
	764		234	55	4	51

Impairment Group – Other Trade Receivables

	2019			2018		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Impairment allowance	Carrying amount
	\$'000	%	\$'000	\$'000	\$'000	\$'000
Aging						
Current	264	0.10%	-	-	-	-
1 to 30 days overdue	1,431	0.64%	10	975	1	974
31 to 60 days overdue	218	2.24%	5	475	120	355
61 to 90 days overdue	96	17.27%	16	22	17	5
> 90 days overdue	133	63.38%	85	598	558	40
	2,142		116	2,070	696	1,374

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES (continued)

Disclosure – Movement in loss allowance for trade and other debtors

	2019	2018
	\$'000	\$'000
Balance at 1 July	(1,819)	(845)
Adjustment for application of new accounting standard	535	-
Increase / decrease in allowance recognised in operating result	(2,288)	(1,822)
Amounts written-off during the year in respect of bad debts	2,228	848
	<u>(1,344)</u>	<u>(1,819)</u>

The decrease of \$0.48 million from 2018 and is due to the overall decrease of the department's receivables of \$2.02 million.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C3 PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Land	Buildings	Heritage and cultural assets	Infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2018	606,462	326,645	1,568,200	2,999,719	62,317	30,870	5,594,213
Acquisitions	3,688	450	-	53	7,349	56,757	68,297
Depreciation	-	(27,446)	(33,061)	(15,431)	(11,320)	-	(87,258)
External transfers in from other Queensland Government entities	(694)	733	250	125	(208)	-	206
Transfers between classes	(8,532)	18,988	13,573	10,723	2,395	(37,147)	-
Net revaluation increments/(decrements) in operating surplus/(deficit) ⁽¹⁾	(34,348)	13,223	18,482	(78,803)	-	-	(81,446)
Net revaluation increments/(decrements) in revaluation surplus	-	8,304	25,296	(56,269)	-	-	(22,669)
Disposals	-	(1,014)	(10)	(40)	(109)	(73)	(1,246)
Balance at 30 June 2019	566,576	339,883	1,592,730	2,860,077	60,424	50,407	5,470,097
Gross	566,576	800,246	1,997,832	3,066,658	141,892	50,407	6,623,611
Less: Accumulated depreciation	-	(460,363)	(405,102)	(206,581)	(81,468)	-	(1,153,514)
Balance at 30 June 2019	566,576	339,883	1,592,730	2,860,077	60,424	50,407	5,470,097

⁽¹⁾ Revaluations in the statement of comprehensive income include revaluation increments of \$31.7 million and revaluation decrements of \$113.15 million.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

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

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT (continued)

	Land	Buildings	Heritage and cultural assets	Infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2017	18,650	2,607	4	299	4,530	-	26,090
Acquisitions	5,346	-	-	-	5,305	22,813	33,464
Depreciation	-	(15,225)	(16,346)	(7,955)	(6,316)	-	(45,842)
External transfers in from other Queensland Government entities	579,068	320,995	1,548,246	2,916,393	53,707	45,425	5,463,834
Transfers between classes	(820)	9,859	10,282	12,870	5,177	(37,368)	-
Net revaluation increments/(decrements) in operating surplus/(deficit) ⁽¹⁾	4,218	9,101	26,014	21,843	-	-	61,176
Net revaluation increments/(decrements) in revaluation surplus	-	-	-	56,269	-	-	56,269
Disposals	-	(692)	-	-	(86)	-	(778)
Balance at 30 June 2018	606,462	326,645	1,568,200	2,999,719	62,317	30,870	5,594,213
Gross	606,462	766,997	1,926,963	3,196,914	135,799	30,870	6,664,005
Less: Accumulated depreciation	-	(440,352)	(358,763)	(197,195)	(73,482)	-	(1,069,792)
Balance at 30 June 2018	606,462	326,645	1,568,200	2,999,719	62,317	30,870	5,594,213

⁽¹⁾ Revaluations in the statement of comprehensive income include revaluation increments of \$61.18 million.

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

C3-2 RECOGNITION AND ACQUISITION

Accounting Policy – Recognition

Property, plant and equipment assets are recognised by the department when future economic benefits through use or sale is probable and the asset's cost or value can be measured reliably. The recognition thresholds are applied based on asset class as tabled below:

Asset Class	Threshold
Buildings	\$10,000
Infrastructure	\$10,000
Heritage, artwork and cultural assets	\$5,000
Plant and equipment	\$5,000
Land	\$1

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

Land improvements undertaken by the department are included with Buildings or Infrastructure based on the proximity of the asset to which they relate.

Expenditure incurred on property, plant and equipment subsequent to initial recognition, is capitalised to an asset's carrying amount where the cost improves the condition of the asset beyond its original assessed standard of performance or capacity through an increase in 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 when incurred.

Accounting Policy – Cost of Acquisition

Property, plant and equipment acquired for consideration that qualifies for recognition as an asset is recorded at cost at initial measurement. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets in the location and condition required for use. Acquisition costs do not however include general administration or other indirect or training costs which 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 or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other entity immediately prior to the transfer. Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at fair value at date of acquisition.

Assets Under Construction

Assets under construction are recognised at cost. All costs relating to items of property, plant and equipment and intangible assets constructed in-house are recorded as assets under construction until completion of the project using all direct costs and, where reliably attributable, indirect costs. Assets under construction performed under external contracts are recorded using the invoice amount supplied by the contractor.

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

C3-3 MEASUREMENT USING HISTORICAL COST

Accounting Policy

Plant and equipment is measured at historical cost. Due to the nature and useful life of plant and equipment assets, the carrying amount of plant and equipment is not anticipated to vary materially from fair value.

C3-4 MEASUREMENT USING FAIR VALUE

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

In respect of the above mentioned asset classes, the cost of items acquired during the financial year has been judged by management of the department to materially represent fair value at the end of the reporting period.

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices.

The department's fair value policy is disclosed in Note D1.

C3-5 DEPRECIATION EXPENSE

Accounting Policy

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

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

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

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.

Assets under construction (work in progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when 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.

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

C3-5 DEPRECIATION EXPENSE (continued)

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.

Depreciation Rates

For each class of depreciable asset the following useful life ranges are used:

Physical Asset Class	Useful Life Range
Buildings	5 – 100 years
Heritage and cultural assets (excluding land)	15 years – indefinite life
Infrastructure	5 years – indefinite life
Plant and equipment	3 – 25 years

C3-6 IMPAIRMENT

Accounting Policy

All non-current physical assets 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. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as impairment loss for assets measured at cost or revaluation decrement for assets measured at fair value.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C4 INTANGIBLES AND AMORTISATION EXPENSE

C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Software - internally generated	Software - purchased	Software - development in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2018	8,228	1,715	5,923	15,866
Acquisitions	-	-	4,714	4,714
Amortisation	(1,562)	(419)	-	(1,981)
Transfers between classes	5,492	277	(5,769)	-
Disposals	-	-	(948)	(948)
Balance at 30 June 2019	12,158	1,573	3,920	17,651
Gross	24,186	6,596	3,920	34,702
Less: Accumulated amortisation	(11,166)	(5,023)	-	(16,189)
Less: Accumulated impairment	(862)	-	-	(862)
Balance at 30 June 2019	12,158	1,573	3,920	17,651
Carrying value at 1 July 2017	8,314	-	1,298	9,612
Acquisitions	3	-	4,216	4,219
Amortisation	(1,284)	(169)	-	(1,453)
External transfers out to other Qld Government entities	1,195	1,884	409	3,488
Balance at 30 June 2018	8,228	1,715	5,923	15,866
Gross	20,038	6,765	5,923	32,726
Less: Accumulated amortisation	(10,948)	(5,050)	-	(15,998)
Less: Accumulated impairment	(862)	-	-	(862)
Balance at 30 June 2018	8,228	1,715	5,923	15,866

C4 INTANGIBLES AND AMORTISATION EXPENSE (continued)

C4-2 RECOGNITION AND MEASUREMENT

Accounting Policy

Intangible assets are recognised by the department when future economic benefits through use or sale is probable and the cost or value can be measured reliably. Recognition of intangible assets are subject to a materiality threshold where intangibles with a cost or other value equal to or greater than \$100,000 are recognised in the financial statements, items with a lesser value are expensed when incurred.

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

Each intangible asset is amortised over its estimated useful life to the department, less any anticipated residual value. The residual value is zero for all the department's intangible assets.

Internally generated software

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software are capitalised and amortised on a straight-line basis over the period of expected benefit to the department, namely 5 – 11 years.

Purchased software

The purchase cost of software is capitalised and amortised on a straight-line basis over the period of the expected benefit to the department, namely 5 – 7 years.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C5 PAYABLES

	2019 \$'000	2018 \$'000
Trade creditors	34,473	28,145
Appropriation payable	38,487	30,766
Grants payable	749	14
Appropriated equity withdrawal payable	692	-
Taxes payable	37	24
Sundry payables	139	4,280
	<u>74,577</u>	<u>63,229</u>

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

C6 ACCRUED EMPLOYEE BENEFITS

	2019 \$'000	2018 \$'000
Annual leave levy payable	6,676	6,359
Salary and wages payable	5,147	5,043
Long service leave levy payable	1,356	1,328
	<u>13,179</u>	<u>12,730</u>

No provision for annual or long service leave is recognised in the financial statements, the liability being 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*.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

C7 OTHER LIABILITIES

	2019	2018
	\$'000	\$'000
Contributions received in advance ⁽¹⁾	13,783	14,396
Unearned revenue	484	566
	<u>14,267</u>	<u>14,962</u>

⁽¹⁾ The contributions received in advance represents a deposit of funds for the management of the Curtis Island Environmental Management Precinct (refer to Note C1). Revenue is recognised progressively as and when funds have been spent. Refer to D5 Future Impact of Accounting Standards Not Yet Effective with regard to the application of AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

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. Appropriations for equity adjustments (refer to Note C8-2) are recognised as contributed equity by the Department during the reporting and comparative years.

C8-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of Payments from Consolidated Fund to Equity Adjustment recognised in Contributed Equity

	2019 \$'000	2018 \$'000
Budgeted equity adjustment appropriation	(8,043)	6,237
Transfer from other headings	(23,024)	(8,949)
Less lapsed equity adjustment	-	(14,263)
Equity adjustments	(2,776)	-
Equity adjustment recognised in contributed equity	(33,843)	(16,975)

SECTION 4

NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES

Land, buildings, infrastructure, and heritage and cultural assets 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 and impairment losses where applicable.

Fair Value Hierarchy

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

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

Revaluation

Land, buildings, infrastructure, and heritage and cultural assets are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices.

Revaluations using independent professional valuer appraisals are undertaken at least once every five years. However, if a class of assets experience significant or volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. 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.

The Department's Buildings and Infrastructure assets are not intended for income generation but are intended for community benefit in the form of recreation as well as conservation requirements. The majority of these assets are developed on restricted land not subject to an open market. Therefore, the most appropriate valuation technique is current replacement cost using level 3 inputs subject to the asset characteristics.

D1 FAIR VALUE MEASUREMENT (continued)

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES (continued)

The Department's Land holdings are characterised by a number of different land tenures containing different levels of restrictions which impact the valuation technique used. The valuation technique used is market based assessment adjusted to reflect restrictions on certain tenure types.

Where assets have not been specifically appraised in the reporting period, previous valuations of material assets are updated via the application of relevant indices. Indices are supplied by the State Valuation Services (SVS) in the capacity of an independent professional valuer. SVS provides assurance as to the robustness, validity and appropriateness for application to the relevant assets. Annually, the department assesses and confirms the relevance and suitability of these indices by testing for reasonableness, e.g. comparing with results to similar assets that have been valued by an independent professional valuer and analysing changes in trends.

A revaluation increment 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.

Land, and Heritage and Cultural Assets

The land class comprises land under different land tenures and different levels of restrictions, which impacts on the valuation methodology. Land Tenures include State Forests and Timber Reserves, administered under the *Forestry Act 1959* and Freehold and Reserves administered under the *Land Act 1994*.

The heritage and cultural class is comprised of land administered under the *Nature Conservation Act 1992*. It also includes building and infrastructure assets that are classified as heritage and cultural assets consisting predominantly of a small number of high value building assets owned by Arts Queensland within the Brisbane Region.

Valuation Approach: Market-based assessment / unimproved valuation for land with restrictions / current replacement cost for built assets.

As part of the rolling program, each year the department employs independent valuers to comprehensively assess the fair value of the top 20 land assets and top 20 heritage and cultural assets by value to ensure that any significant or volatile changes in the market are reflected in the value of the asset class. The remaining assets are valued comprehensively as part of the 5 year risk weighted rolling revaluation program. As at 30 June 2019, 94.1% of the value of the land, and 97.5% of the value of the heritage and cultural class was independently valued in the last five years.

Effective Date of Last Specific Appraisal: State Valuation Services undertook the last specific appraisal at 30 June 2019.

Where comprehensive valuation was not undertaken for certain assets within the class, appropriate indexation provided by State Valuation Services and reviewed by management for reasonableness was applied.

D1 FAIR VALUE MEASUREMENT (continued)

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES (continued)

Inputs: Depending on the type of land tenure, the fair value may be determined using level 2 or level 3 inputs. Inputs include publicly available data on sales of similar land in nearby localities. The principal market is land of similar topography and location observable from readily available and reliable market data (recent land sales). Where there is insufficient market evidence and/or significant adjustments are necessary to available sales data, the valuation will be categorised within level 3 of the fair value hierarchy. Land that has no restrictions, including those part of the land acquisition programs for future national park estate and koala refuge land, is categorised as being level 2 fair value. Heritage and Cultural built assets use predominately level 3 inputs due to the restricted and specialised nature of the buildings.

Key Judgement: The department continues to hold a small number of parcels of contaminated land which are valued conservatively to address the reduction in fair value for these parcels.

Buildings

The department's building asset class range from a small number of high value building assets owned by Arts Queensland within the Brisbane Region to high volume low value building assets within Queensland Parks and Wildlife Service such as park amenities, offices and residential buildings.

Valuation Approach: Current Replacement Cost.

Due to the size of the department's building asset class, it is not feasible to have all assets assessed by an independent valuer every five years. The Department has adopted a risk weighted approach of comprehensively valuing its buildings on a rolling revaluation program which ensures all material assets are valued by independent professional valuers at least once every five years. This approach has resulted in comprehensive revaluation of 91% of the written down value of the asset base in the last 5 years.

Effective Date of Last Specific Appraisal: State Valuation Services undertook the last specific appraisal at 30 June 2019.

Where comprehensive valuation has not occurred for certain assets within the class in the financial year, appropriate indexation has been provided by SVS and reviewed by management for reasonableness before application.

Inputs: A portion of the value of the building class is comprised of assets on restricted land, which would not allow these assets to be sold. Due to the restrictive nature of these assets, level 3 inputs are most appropriate valuation inputs. The extent of using unobservable inputs is dependent on the availability and quality of any relevant observable inputs for similar assets. Observable inputs used include publicly available information on market transactions. Observable inputs relating to construction costs are based on recent tenders for typical specialised buildings supported by specialised Quantity Surveyor information. Significant unobservable inputs used include the application of cost estimates for differences in functionality, physical condition and level of customisation.

D1 FAIR VALUE MEASUREMENT (continued)

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES (continued)

Infrastructure

The majority of the value of the Infrastructure class is comprised of roads and tracks, which exist on national park and state forestland. For road assets, the department has adopted the valuation

methodology and framework developed by the Roads and Transport Alliance (RTA) as part of the Roads Alliance Valuation Project. The Roads Alliance Project methodology is based on the models developed by the Department of Transport and Main Roads (TMR), which is updated annually. The methodology includes the componentisation of roads allowing separate useful lives to be set for each component, with an indefinite life being applied to the most material part of the road asset being earthworks.

Valuation Approach: Current Replacement Cost.

Effective Date of Last Specific Appraisal: 30 June 2019 by management experts with rates provided by Lemmah Pty Ltd.

Inputs: Roads valuation methodology is a resource-based assessment using a series of road stereotypes that identify road types, terrain, climate, and soil type. These road stereotypes are then priced by a commercial estimating firm for raw materials, cost of construction processes and other construction inputs using current market rates. These unit rates, including underlying assumptions and specific details contained in the stereotypes are ratified annually by TMR and a local government panel consisting of a cross-section of experts in conjunction with the commercial estimating firm.

Key inputs used in the valuation of the road infrastructure have been applied as per the following:

- Unit rates – unit costs are sourced from the RTA and tailored for certain unique stereotypes of the department
- Terrain, soil type and environment – data is provided by independent third parties
- Road widths – the department has developed and approved a design guideline that standardises the way roads are classified, maintained and constructed to ensure consistency. This assessment includes the build requirements for each road stereotype except for high value roads that require tailored engineering specifications
- Condition assessments – as only high value depreciable assets are impacted by road conditions, the department has focused its rolling fieldwork data collection on these stereotypes with most of the roads now being reviewed. Where data has yet to be collected, data collected from other roads within the stereotype has been applied
- Length and stereotype – this data is recorded from the department's spatial dataset which is reviewed as part of a five-year rolling program, and
- In determining the value attributable to the infrastructure class of assets, consideration was given around the future economic benefit of certain roads. In that sense particular roads were excluded from the total value attributed to this class that would not be replaced or are not the responsibility of the department.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

D1 FAIR VALUE MEASUREMENT (continued)

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES (continued)

Categorisation of fair values

	Level 2		Level 3		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Land	34,227	42,254	532,348	564,208	566,576	606,462
Buildings	-	1,564	339,883	325,078	339,883	326,643
Infrastructure	-	-	2,860,078	2,999,719	2,860,078	2,999,719
Heritage and cultural	-	-	1,592,730	1,568,201	1,592,730	1,568,201
	34,227	43,818	5,325,039	5,457,206	5,359,267	5,501,025

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

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:

<i>Category</i>	<i>Notes</i>	2019 \$'000	2018 \$'000
Financial assets			
Cash and cash equivalents	C1	146,803	134,562
Receivables at amortised cost	C2	57,054	28,830
Total		<u>203,857</u>	<u>163,392</u>
Financial Liabilities			
Payables at amortised cost	C5	74,577	63,229
Total		<u>74,577</u>	<u>63,229</u>

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

Risk Exposure

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

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-2 FINANCIAL RISK MANAGEMENT

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 at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment. The carrying amount of receivables, disclosed in Note C2, represents the maximum exposure to credit risk.
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 through its trading in the normal course of business.

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, earnings at risk	The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default 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 sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

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

		2019 Payable in:		
	Notes	<1 Year \$'000	>5 Years \$'000	Total \$'000
Financial Liabilities				
Payables	C5	74,577	-	74,577
		74,577	-	74,577
		2018 Payable in:		
	Notes	<1 Year \$'000	>5 Years \$'000	Total \$'000
Financial Liabilities				
Payables	C5	63,229	-	63,229
		63,229	-	63,229

Interest Rate Sensitivity Analysis

The department does not have any financial liabilities, however it does have interest bearing financial assets of cash held with Queensland Treasury Corporation (QTC). The impact on the departments operating result and equity would be attributable to the exposure to variable interest rates on its deposits with QTC.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

D3 CONTINGENCIES

Litigation in Progress

On the reporting date, the following cases were filed in the courts naming the State of Queensland acting through the Department of Environment and Science as defendant:

	2019	2018
Court of Appeal	2	1
Supreme Court	1	1
Land Court	1	8
Magistrates Court	1	1
Queensland Civil and Administrative Tribunal	1	-
	6	11

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. The department has also received notification of eight (8) other cases that are not yet subject to court action. This may or may not result in subsequent litigation. In this context, insurance cover for the department has been sought in respect of some of the matters through the Queensland Government Insurance Fund.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

D4 COMMITMENTS

Non-Cancellable Operating Lease Commitments

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

	2019 \$'000	2018 \$'000
Not later than one year	14,339	16,224
Later than one year but not later than five years	50,580	15,142
Later than five years	41,305	12,246
	<u>106,224</u>	<u>43,612</u>

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, however inflation escalation clauses and periodic market reviews may apply.

Some of the operating leases contain renewal and extension options. No operating lease contains restrictions on financing or other leasing activities.

Capital Expenditure Commitments

Material classes of capital expenditure commitments (inclusive of non-recoverable GST input tax credits), contracted for at reporting date but not recognised in the accounts are payable as follows:

	2019 \$'000	2018 \$'000
Property, plant and equipment		
Not later than one year	22,757	24,549
Intangible assets		
Not later than one year	1,080	3,970
	<u>23,837</u>	<u>28,519</u>

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 effective dates are set out below:

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

The transition date for both AASB 15 and AASB 1058 is 1 July 2019. Consequently, these standards will first apply to the department when preparing the financial statements for 2019-20. The department has reviewed the impact of AASB 15 and AASB 1058 and identified the following impact of the adoption of the new standards.

The department currently recognises monies held for an Environmental Management Precinct as unearned revenue. Under AASB 15 the revenue would have been recognised when the monies were received. From 1 July 2019, the department will decrease unearned revenue by \$13.611 million and increase equity (retained earnings) by \$13.611 million.

The department will monitor the impact of all contracts subsequently entered into to ensure any material impacts are recognised after 1 July 2019.

AASB 16 Leases

This standard will first apply to the department from 1 July 2019. 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

Under AASB 16, certain operating leases (as defined by the current AASB 117 and shown at Note D4) will be reported on the statement of financial position as right-of-use assets and lease liabilities.

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. Furthermore a reduction of any lease incentive received, any adjustment to the initial estimate of restoration costs, and any adjustment to initial direct costs incurred by the lessee is also to be considered. 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 in the lease. The finance charge will be calculated at the effective rate of interest. 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. In accordance with Queensland Treasury's policy, the department will apply the 'cumulative approach', and will 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.

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

Outcome of review as lessee

The department has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income and has identified the following major impacts which are outlined below.

During the 2018-19 financial year, the Department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program. Lease payments under these arrangements totalled \$14.34 million per annum. The department has been advised by Queensland Treasury and DHPW that, effective 1 July 2019, amendments to the framework agreements that govern QGAO and GEH will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements. From 2019-20 onwards, costs for these services will continue to be expensed as supplies and services expense when incurred.

The department has also been advised by Queensland Treasury and DHPW that, effective 1 July 2019, motor vehicles provided under DHPW's QFleet program will be exempt from lease accounting under AASB 16. This is due to DHPW holding substantive substitution rights for vehicles provided under the scheme. From 2019-20 onward, costs for these services will continue to be expensed as supplies and services expense when incurred. Existing QFleet leases were not previously included as part of non-cancellable operating lease commitments.

The department has quantified the transitional impact on the Statement of Financial Position and statement of Comprehensive Income of all qualifying lease arrangements that will be recognised on-balance sheet under AASB 16, as follows.

- Statement of Financial Position impact on 1 July 2019:
 - \$5.52 million increase in lease liabilities
 - \$5.52 million increase in right-of-use assets.
- Statement of Comprehensive Income impact expected for the 2019-20 financial year, as compared to 2018-19:
 - \$0.59 million increase in depreciation and amortisation expense
 - \$0.08 million increase in interest expense
 - \$0.65 million decrease in supplies and services expense
 - This results in a net increase of \$0.02 million in total expenses.

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.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the department's activities, or have no material impact on the department.

SECTION 5 NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES

This note compares the published adjusted budget figures for the reporting year to actual results in respect of the department's major classes of controlled income, expenses, assets and liabilities. An explanation of major variances is also included.

E1-1 STATEMENT OF COMPREHENSIVE INCOME - BUDGET TO ACTUAL COMPARISON

	Budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000	Variance % of Budget
Income from continuing operations				
<i>Revenue</i>				
Appropriation revenue	651,475	750,383	98,908	15%
User charges and fees	130,999	131,612	613	0%
Grants and other contributions	33,596	82,817	49,221	147%
Royalties and land rents	1,244	1,270	26	2%
Interest	480	862	382	80%
Other revenue	2,845	3,414	569	20%
<i>Total revenue</i>	820,639	970,358	149,719	18%
Revaluation increment	23	31,705	31,682	137,748%
Total income from continuing operations	820,662	1,002,063	181,401	22%
Expenses from continuing operations				
Employee expenses	294,450	301,628	7,178	2%
Supplies and services	265,181	222,613	(42,568)	(16%)
Grants and subsidies	163,058	272,259	109,201	67%
Depreciation and amortisation	94,962	89,239	(5,723)	(6%)
Revaluation decrement	-	113,151	113,151	100%
Other expenses	7,204	44,532	37,328	518%
Total expenses from continuing operations	824,855	1,043,422	218,567	26%
Operating result for the year	(4,193)	(41,359)	(37,166)	886%

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-2 STATEMENT OF COMPREHENSIVE INCOME - EXPLANATION OF MAJOR VARIANCES

Revenue	
<i>Appropriation revenue:</i>	The increase primarily relates to the timing of funding for payments to local councils to compensate for Queensland Waste Levy costs (\$111.5 million) offset by re-profiling in funding for Queensland Reef Water Quality Program and Land Restoration Fund.
<i>User charges and fees:</i>	The variance is due to an increase in revenue from environmental licence fees and other user charges.
<i>Grants and other contributions:</i>	The positive variance is primarily due to unbudgeted income from environmental offsets (\$26.5 million) and funding from the Queensland Reconstruction Authority for the restoration of departmental assets as a result of natural disasters including the Riparian Recovery Program (\$10.8 million) plus funding for minor externally funded programs.
Expenses	
<i>Employee expenses:</i>	The increase in outflow is primarily related to new funding that allowed for increased expenditure on employee costs to deliver various programs including Wet Tropics Management Authority and externally funded programs.
<i>Supplies and Services:</i>	The decrease is primarily due to the net deferral of operating costs associated with a number of programs. This includes the Queensland Waste Levy (\$5.4 million), Queensland Reef Water Quality Program (\$9.0 million), Land Restoration Fund (\$9.4 million) and Investigation into Underground Coal Gasification (\$7.3 million).
<i>Grants and subsidies:</i>	The variance is primarily related to new funding payments to local councils for commencement of the Queensland Waste Levy (\$111.5 million) and Natural Disaster Relief and Recovery Arrangement Exceptional Circumstances (Category D) Funding 2017 Environmental Recovery Package (\$7.3 million).
<i>Depreciation and amortisation:</i>	The variance is the result of budget identified for potential increases in depreciation as a result of revaluation increases that did not eventuate.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-3 STATEMENT OF FINANCIAL POSITION - BUDGET TO ACTUAL COMPARISON

	Budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000	Variance % of Budget
Current assets				
Cash and cash equivalents	74,996	146,803	71,807	96%
Receivables	28,808	57,054	28,246	98%
Other assets	3,227	2,481	(746)	(23%)
Total current assets	107,031	206,338	99,307	93%
Non-current assets				
Receivables	65	-	(65)	(100%)
Property, plant and equipment	5,500,640	5,470,097	(30,543)	(1%)
Intangible assets	20,235	17,651	(2,584)	(13%)
Total non-current assets	5,520,940	5,487,748	(33,192)	(1%)
Total assets	5,627,971	5,694,086	66,115	1%
Current liabilities				
Payables	34,899	74,577	39,678	114%
Accrued employee benefits	11,192	13,179	1,987	18%
Other liabilities	20,905	14,267	(6,638)	(32%)
Provision - onerous contract	53	53	-	0%
Total current liabilities	67,049	102,076	35,027	52%
Total liabilities	67,049	102,076	35,027	52%
Net assets	5,560,922	5,592,010	31,088	1%
Equity				
Total equity	5,560,922	5,592,010	31,088	1%

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-4 STATEMENT OF FINANCIAL POSITION – EXPLANATION OF MAJOR VARIANCES

Assets	
<i>Cash and cash equivalents:</i>	The variance is predominately due to an increase in cash related to unbudgeted environmental offset revenue (\$27 million), advance payment (\$10.8 million) from Queensland Reconstruction Authority for the Disaster Recovery Funding Arrangements – Riparian Recovery Program, monies held representing unspent appropriation and equity funding from Queensland Treasury (\$47.1 million) offset by the payment of the short term concessional loan to facilitate the commencement of the Container Refund Scheme (\$29.2 million).
<i>Receivables:</i>	The increase is predominantly due to a short term concessional loan (\$29.2 million) to facilitate the commencement of the Container Refund Scheme.
<i>Property, plant and equipment:</i>	The decrease is predominantly due to unbudgeted revaluation decrements that occurred in the 2018-19 financial year.
<i>Intangibles assets:</i>	The variance is predominately due to the de-recognition of assets under construction of \$0.9 million and non replacement of systems coming to the end of their useful life.
Liabilities	
<i>Payables:</i>	The variance is primarily due to deferred appropriation payable of \$38.5 million to the Consolidated Fund for various limited life funded programs.
<i>Accrued employee benefits:</i>	The variance relates to the timing of accrued employee benefits for salary, wages, annual leave and long service leave payable.
<i>Other liabilities:</i>	Decrease is due to timing differences to the utilisation of previously received funding from external parties at financial year end.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-5 STATEMENT OF CASH FLOWS – BUDGET TO ACTUAL COMPARISON

	Budget 2019 \$'000	Actual 2019 \$'000	Variance Variance \$'000	Variance % of Budget
Cash flows from operating activities				
<i>Inflows:</i>				
Service appropriation receipts	651,475	719,617	68,142	10%
User charges and fees	130,645	132,996	2,351	2%
Grants and other contributions	33,596	82,817	49,221	147%
GST input tax credits received from ATO	-	31,694	31,694	100%
Interest received	480	863	383	80%
Other income	9,768	4,566	(5,202)	(53%)
<i>Outflows:</i>				
Employee expenses	(294,560)	(301,820)	(7,260)	2%
Supplies and services	(272,684)	(214,948)	57,736	(21%)
Grants and subsidies	(163,058)	(271,524)	(108,466)	67%
GST remitted to ATO	-	(31,549)	(31,549)	100%
Other expenses	(6,116)	(6,877)	(761)	12%
Net cash provided by (used in) operating	89,546	145,835	56,289	63%
Cash flows from investing activities				
<i>Inflows:</i>				
Loans and advances	11,053	22	(11,031)	(100%)
Proceeds from sales of property, plant and equipment	185	306	121	65%
<i>Outflows:</i>				
Loans and advances	(5,000)	(28,434)	(23,434)	469%
Payments for property, plant, and equipment, and intangibles	(95,000)	(74,641)	20,359	(21%)
Net cash (used in) investing activities	(88,762)	(102,747)	(13,985)	16%
Cash flows from financing activities				
<i>Inflows:</i>				
Borrowings	5,000	-	(5,000)	(100%)
Equity injections	73,526	45,586	(27,940)	(38%)
Equity adjustments	-	2,996	2,996	100%
<i>Outflows:</i>				
Borrowing redemptions	(11,053)	-	11,053	(100%)
Equity withdrawals	(78,737)	(79,429)	(692)	1%
Net cash provided by (used in) financing	(11,264)	(30,847)	(19,583)	174%
Net increase (decrease) in cash and cash equivalents	(10,480)	12,241	22,721	(217%)
Cash and cash equivalents opening balance	85,476	134,562	49,086	57%
Cash and cash equivalents closing	74,996	146,803	71,807	96%

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-6 STATEMENT OF CASH FLOWS – EXPLANATION OF MAJOR VARIANCES

Cash flows from operating activities	
Inflows	
<i>Service appropriation receipts:</i>	The increase primarily relates to the timing of funding for payments to local councils to compensate for Queensland Waste Levy costs (\$111.5 million) offset by re-profiling in funding for Queensland Reef Water Quality Program and Land Restoration Fund.
<i>User charges and fees:</i>	The variance is due to an increase in revenue from environmental licence fees and other user charges.
<i>Grants and other contributions:</i>	The positive variance is primarily due to unbudgeted income from environmental offsets (\$26.5 million) and funding from the Queensland Reconstruction Authority for the restoration of departmental assets as a result of natural disasters including the Riparian Recovery Program (\$10.8 million) plus funding for minor externally funded programs.
Outflows	
<i>Employee expenses:</i>	The increase in outflow is primarily related to new funding that allowed for increased expenditure on employee costs to deliver various programs including Wet Tropics Management Authority and externally funded programs.
<i>Supplies and services:</i>	The decrease is primarily due to the net deferral of operating costs associated with a number of programs. This includes the Queensland Waste Levy (\$5.4 million), Queensland Reef Water Quality Program (\$9.0 million), Land Restoration Fund (\$9.4 million) and Investigation into Underground Coal Gasification (\$7.3 million).
<i>Grants and subsidies:</i>	The variance is primarily related to new funding payments to local councils for commencement of the Queensland Waste Levy (\$111.5 million) and Natural Disaster Relief and Recovery Arrangement Exceptional Circumstances (Category D) Funding 2017 Environmental Recovery Package (\$7.3 million).
Cash flows from investing activities	
Inflows	
<i>Loans and advances:</i>	The variance is a result of a Government funding decision subsequent to the original budget.
Outflows	
<i>Loans and advances:</i>	The increase is due to a short term concessional loan (\$29.2 million) to facilitate the commencement of the Container Refund Scheme.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

E1 BUDGETARY REPORTING DISCLOSURES – CONTROLLED ACTIVITIES (continued)

E1-6 STATEMENT OF CASH FLOWS – EXPLANATION OF MAJOR VARIANCES (continued)

Outflows	
<i>Loans and advances:</i>	The variance relates to the loan for the implementation of the Container Refund Scheme (\$29.2 million).
<i>Payments for sales of property, plant and equipment:</i>	The decrease in outflow is primarily due to delayed works as a result of adverse weather conditions and complex approvals processes and stakeholder engagements.
Cash flows from financing activities	
Inflows	
<i>Borrowing:</i>	The variance is a result of a Government funding decision subsequent to the original budget.
<i>Equity injections:</i>	The decrease is primarily due to delayed works as a result of adverse weather conditions and complex approvals processes and stakeholder engagements.
Outflows	
<i>Borrowing redemptions:</i>	The variance is a result of a Government funding decision subsequent to the original budget.

SECTION 6 WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF-GOVERNMENT AND THIRD PARTIES

F1 ADMINISTERED ITEMS

The department administers, but does not control, certain activities on behalf of the Queensland Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

These transactions and balances are not significant in comparison to the department's overall financial performance and financial position.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

Royalties are recognised as revenues when revenue can be measured reliably with a sufficient degree of certainty through a notice of extraction.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F1 ADMINISTERED ITEMS (continued)

F1-1 SCHEDULE OF ADMINISTERED ITEMS

	Notes	2019 \$'000	2018 \$'000
Administered revenue			
Revenues from Government		142,510	71,194
User charges and fees		5,701	5,754
Royalties		4,142	2,843
Other revenues		312	62
Total administered revenue		152,665	79,853
Administered expenses			
Supplies and services		30	74
Grants and subsidies	F1-2	142,510	71,194
Other expenses		7	-
Losses		-	(158)
Transfers of administered revenue to Government		10,118	8,743
Total administered expenses		152,665	79,853
Operating surplus/(deficit)		-	-
Administered assets			
<i>Current</i>			
Cash		(249)	(3,285)
Receivables		384	3,285
Total current assets		135	-
Administered liabilities			
<i>Current</i>			
Payables		135	-
Total administered liabilities		135	-
Net administered assets		-	-
Accumulated surplus		-	-
Total administered equity		-	-

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F1 ADMINISTERED ITEMS (continued)

F1-2 GRANTS AND SUBSIDIES

	2019 \$'000	2018 \$'000
State Library of Queensland	64,664	29,113
Queensland Art Gallery	32,915	16,600
Queensland Museum	31,727	13,894
Queensland Performing Arts Trust	10,604	5,287
Queensland Theatre Company	2,600	1,300
Other	-	5,000
	<u>142,510</u>	<u>71,194</u>

F1-3 ADMINISTERED ACTIVITIES – BUDGETARY REPORTING DISCLOSURES

This note compares the published adjusted budget figures for the reporting year 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.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F1 BUDGETARY REPORTING DISCLOSURES – ADMINISTERED ACTIVITIES (continued)

F1-4 ADMINISTERED ACTIVITIES – BUDGET TO ACTUAL COMPARISON

	Variance Notes	Adjusted Budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000	Variance % of Budget
Administered income					
Revenues from Government		139,452	142,510	3,058	2%
User charges and fees		107,508	5,701	(101,807)	(95%)
Royalties		1,552	4,142	2,590	167%
Other revenue		465	312	(153)	(33%)
Total administered income		248,977	152,665	(96,312)	(39%)
Administered expenses					
Supplies and services		-	30	30	100%
Grants and subsidies		139,452	142,510	3,058	2%
Other expenses		-	7	7	100%
Transfers of administered revenue to Government		109,525	10,118	(99,407)	(91%)
Total administered expenses		248,977	152,665	(96,312)	(39%)
Operating surplus/(deficit)		-	-	-	-
Administered assets					
<i>Current</i>					
Cash		180	(249)	(429)	(238%)
Receivables		409	384	(25)	(6%)
Total current assets		589	135	(454)	(77%)
Administered liabilities					
<i>Current</i>					
Payables		-	135	135	100%
Transfers to Government payable		42	-	(42)	(100%)
Total administered liabilities		42	135	93	221%
Net administered assets		547	-	(547)	(100%)
Accumulated surplus		547	-	(547)	(100%)
Total administered equity		547	-	(547)	(100%)

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F1 BUDGETARY REPORTING DISCLOSURES – ADMINISTERED ACTIVITIES (continued)

F1-5 ADMINISTERED ACTIVITIES - EXPLANATION OF MAJOR VARIANCES

Administered Income	
<i>User charges and fees:</i>	The decrease is due to the rescheduling of the commencement of the Queensland Waste Levy to 1 July 2019 (\$100.7 million).
<i>Royalties:</i>	The increase is due to the re-categorisation of sand mining royalties to match the forecast performance and additional fines and forfeiture revenue for the year.
Administered expenses	
<i>Transfers of administered item revenue to Government:</i>	The decrease is due to the rescheduling of the commencement of the Queensland Waste Levy to 1 July 2019 (\$100.7 million).

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F2 TRUST TRANSACTIONS AND BALANCES

The department holds cash and bank guarantees on behalf of companies and individuals for the following:

- As a condition of the environmental authority for petroleum and gas leases under the *Environmental Protection Act 1994*, applicants are required to provide financial security in the form of cash or a bank guarantee to ensure compliance with specific requirements set by the State of petroleum and gas activities, to prevent or minimise any environmental harm, or to rehabilitate or restore the environment. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- As a condition of other miscellaneous environment management sections of the *Environmental Protection Act 1994* and other relevant Acts, financial assurances are held in the form of cash or bank guarantee to ensure compliance with specific environmental requirements as determined.

As the department acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in these notes for the information of users. Applicable audit arrangements are also shown.

	2019 \$'000	2018 \$'000
Trust collections and distributions		
<i>Collections</i>		
Environmental	1,473	28
Mining	13,724	1,830
Total collections	15,197	1,858
<i>Distributions</i>		
Environmental	(2,000)	(39)
Mining	(90,541)	(4,711)
Total distributions	(92,541)	(4,750)
Increase (decrease) in trust accounts	(77,344)	(2,892)
Trust assets and liabilities		
<i>Current assets</i>		
Cash	2,116	79,460
Total trust assets	2,116	79,460
<i>Non-current liabilities</i>		
Environmental	2,116	2,643
Mining	-	76,817
Total trust liabilities	2,116	79,460

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

F2 TRUST TRANSACTIONS AND BALANCES (continued)

At the reporting date, the department held bank guarantees to the value of \$31.61 million in relation to the following:

- \$31.02 million relating to petroleum and gas in accordance with the lease conditions under the *Environmental Protection Act 1994*; and
- \$0.42 million relating to environmental management activities under the *Environmental Protection Act 1994* and other miscellaneous acts as relevant.

This represents the maximum value the department is potentially entitled to if agreed conditions are not fulfilled.

The Mineral and Energy Resources (Financial Provisioning) Bill was passed by Parliament on 30 November 2018. The Bill established a financial provisioning scheme to deal with the environmental impacts of resource activities via a scheme fund. The Financial Assurance Information Registry (FAIR) is the new central registry for the scheme administrator. As a result of the Bill the department has transferred cash and liability balances held, as well as bank guarantees, to Queensland Treasury on 1 April 2019. The final balance of cash and guarantees transferred to the scheme are shown in the following table. These figures are included in the trust distribution reported above:

	Petroleum and Gas	Mining
Bank Guarantees	\$1,233,084,294	\$1,252,046
Cash Financial Assurance	\$1,962,536	\$10,307,685

SECTION 7 OTHER INFORMATION

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Details of Key Management Personnel

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*. That Minister is the Minister for Environment and the Great Barrier Reef, and Minister for Science and Minister for the Arts.

The following details for non-Ministerial key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2018-19 and 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	Directs the overall efficient, effective and economical administration of the department. The position also sets the department's strategic direction and priorities.
Deputy Director-General, Conservation and Sustainability Services ⁽¹⁾ (ceased 31 January 2019)	Provides strategic leadership and direction of the departments conservation and sustainability services.
Deputy Director-General, Environmental Policy and Programs ⁽¹⁾ (Formerly Deputy Director-General, Environmental Policy and Planning)	Provides strategic leadership and direction of the departments strategy, policy and legislation to support Queensland Government's environmental agenda.
Deputy Director-General, Environmental Services and Regulation	Provides strategic leadership and direction of the departments regulatory program, ensuring that it is targeted, consistent and transparent in its facilitation of sustainable development and strong environmental performance.
Deputy Director-General, Protected Area Innovation, Engagement and Policy ⁽¹⁾ (ceased 31 January 2019)	Provides strategic leadership and direction of the departments policy development and engagement functions relating to Queensland's protected areas and is responsible for embedding innovative culture and practice.

⁽¹⁾ The department underwent an organisational restructure effective 4 February 2019. The restructure affected Divisional names and members of the Executive Management.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Position	Position Responsibility
Deputy Director-General, Queensland Parks and Wildlife Service and Partnerships ⁽¹⁾ (Formerly Deputy Director-General, Queensland Parks and Wildlife Service)	Provides strategic leadership, direction and management for the National Parks within the State and leads the First Nations Strategy and engagement for the department.
Deputy Director-General, Science and Technology ⁽¹⁾ (Formerly Assistant Director-General, Science)	Provides strategic leadership and direction of the departments scientific and technical advice and services. The division, with the Queensland Chief Scientist, provides strategic leadership for the government's investment in science and research, and policy development.
Deputy Director-General Corporate Services	Provides strategic leadership and direction for the departments corporate services under the Business and Corporate Partnership model.
Deputy Director-General Arts and Heritage ⁽¹⁾ (Formerly Deputy Director-General, Arts)	Provides strategic leadership and direction of the departments heritage agenda and the efficient, effective and economic administration of Arts Queensland.
Executive Director, Office of the Director-General	Leads the executive and Ministerial correspondence and liaison associated with the conduct of the Director-General and the department.

⁽¹⁾ The department underwent an organisational restructure effective 4 February 2019. The restructure affected Divisional names and members of the Executive Management.

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

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 the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as 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 KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for key management personnel comprise the following components:

- Short term employee benefits 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 was a key management person;
 - non-monetary benefits consisting of provision of vehicle and car parking together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment benefits expensed include amounts expensed in respect of employer superannuation obligations.
- Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.
- Remuneration packages for the Executive Management Personnel do not provide for any performance or bonus payments.

KMP Remuneration Expense

The following disclosures focus on the expenses incurred by the department that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Expense 2018-19

Position (Date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Expenses \$'000	\$'000	\$'000	\$'000
Director-General	402	20	8	47	477
Deputy Director-General, Conservation and Sustainability Services (01/07/2018 to 31/01/2019)	130	6	3	15	154
Deputy Director-General, Environmental Policy and Programs	251	10	5	28	294
Deputy Director-General, Environmental Services and Regulation (01/07/2018 to 16/04/2019)	197	8	4	22	231
Deputy Director-General, Environmental Services and Regulation (13/05/2019 to 30/06/2019)	35	1	1	3	40
Deputy Director-General, Protected Area Innovation, Engagement and Policy (01/07/2018 to 31/01/2019)	149	7	3	16	175
Deputy Director-General, Queensland Parks and Wildlife Services and Partnerships	257	10	5	28	300
Deputy Director-General, Science and Technology	229	9	5	20	263
Deputy Director-General, Corporate Services (01/07/2018 to 12/05/2019)	186	9	4	21	220
Deputy Director-General, Corporate Services (13/05/2019 to 30/06/2019)	33	1	1	3	38
Deputy Director-General, Arts and Heritage (01/07/2018 to 25/04/2019 and 01/06/2019 to 30/06/2019)	188	7	4	24	223
Executive Director, Office of the Director-General	176	20	4	18	218

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Expense 2017-18

Position (Date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Expenses \$'000	\$'000	\$'000	\$'000
Director-General (13/12/2017 to 30/06/2018)	236	12	4	23	275
Director-General (01/07/2017 to 12/12/2017)	203	-	4	24	231
Deputy Director-General, Conservation and Sustainability Services	218	12	5	20	255
Deputy Director-General, Environmental Policy and Planning	253	12	5	28	298
Deputy Director-General, Environmental Services and Regulation	247	12	5	28	292
Deputy Director-General, Protected Area Innovation, Engagement and Policy (13/12/2017 to 30/06/2018)	125	5	2	13	145
Deputy Director-General, Queensland Parks and Wildlife Services (13/12/2017 to 30/06/2018)	142	5	3	15	165
Assistant Director-General, Science (13/12/2017 to 30/06/2018)	118	6	2	11	137
Deputy Director-General, Corporate Services	215	14	4	23	256
Deputy Director-General, Arts Queensland (01/01/2018 to 30/06/2018)	118	4	2	13	137
Senior Director, Office of the Director-General (13/12/2017 to 30/06/2018)	92	5	2	10	109

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G2 RELATED PARTY TRANSACTIONS

Transactions with people/entities related to KMP

The department has no transactions with people or entities related to the KMP.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue Note B1-1 and equity injections.

In addition to the corporate services provided to the Department of Environment and Science, the department also participates in a Business Corporate Partnership arrangement whereby some departments "host" a number of strategic and operational corporate services provided to a number of other "recipient" departments. This arrangement was developed with a focus on ensuring economies of scale, service integration, scalability, and responsiveness.

The "host" department of each corporate service function receives the appropriation of funds and reports full time equivalent positions in the respective department. The model is multi-layered for different corporate services functions. That is, some functions are provided to two departments, and some provided to four departments with any combination in between.

As a "host", this department provides defined services to the following departments for which no charges are levied:

<i>Recipient Department</i>	<i>Services Provided by Department of Environment and Science</i>
Department of Agriculture and Fisheries	Internal Audit; Procurement; Right to Information; Privacy; Graduate Program; Ministerial and Executive Correspondence Support
Department of Innovation, Tourism, Industry Development and the Commonwealth Games	Internal Audit; Right to Information; Graduate Program; Ministerial and Executive Correspondence Support
Department of Natural Resources, Mines and Energy	Internal Audit; Procurement; Right to Information; Privacy; Graduate Program; Ministerial and Executive Correspondence Support

Corporate services income and expenses attributable solely to the Department of Environment and Science are apportioned across the major departmental services while corporate services income and expenses attributable under the Business Corporate Partnership arrangements are outlined in the Statement of Comprehensive Income by Major Departmental Services.

Functions (and allocation of revenue and expenses) hosted by other departments in the Business Corporate Partnership are disclosed in the relevant department's financial statements.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G2 RELATED PARTY TRANSACTIONS (continued)

The Department of Environment and Science receives defined services from the following departments for which no charges are levied:

<i>Provider Department</i>	<i>Services received by Department of Environment and Science</i>
Department of Agriculture and Fisheries	Fleet Management; Information and Communications Technology (ICT)
Department of Natural Resources, Mines and Energy	Property and Facilities Management; Legal Services

The department receives some information technology services from the Department of Agriculture and Fisheries as a fee for service within the Business Corporate Partnership.

The department has also had transactions with other Queensland Government entities. These include the following material transactions:

- QTC –cash and investment management. Refer to Note C1.
- Department of Housing and Public Works - office accommodation. Refer to Note B2-2
- Queensland Shared Services – shared service provider expenses. Refer to Note B2-2
- State Valuation Services – valuation services. Refer to Note D1
- Queensland Performing Arts Trust, Queensland Museum, State Library of Queensland, Queensland Art Gallery – statutory body grant funding. Refer to Note F1-2

G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Changes in accounting policies – AASB 9 *Financial Instruments*

The department has applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continues to be reported under AASB 139 *Financial Instruments: Recognition and Measurement*. The nature and effect of the changes as a result of adoption of this new accounting standard are described below:

Classification and measurement

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the department's business model for managing the assets.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY (continued)

The department's debt instruments comprise of receivables disclosed in Note C2. They were classified as Loans and Receivables as at 30 June 2018 (under AASB 139) and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely payments of principal and interest. As such, they continue to be measured at amortised cost beginning 1 July 2018.

		AASB 9 Measurement category		
		Balances at 1 July 2018		
		Balances as at	Fair value	Fair value
		30 June 2018	through OCI	through
		Amortised cost		profit or loss
AASB 139 Measurement category	\$'000	\$'000	\$'000	\$'000
Loans and receivables				
- Trade and other receivables	28,830	29,365	-	-
		29,365	-	-

Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

On adoption of AASB 9's new impairment model, the department reduced its impairment losses by \$0.54 million on its trade receivables. This resulted in an increase in opening accumulated surplus of \$0.54 million. Below is a reconciliation of the ending impairment allowance under AASB 139 to the opening gain allowance under AASB 9.

		Impairment	Re-	Loss
		allowance	measurement	allowance
		30 June 2018		1 July 2018
AASB 139 measurement category	AASB 9 measurement category	\$'000	\$'000	\$'000
Loans and receivables				
- Trade and other receivables	Amortised cost	1,819	(535)	1,284
		1,819	(535)	1,284

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2018-19.

Accounting standards applied for the first time

Other than AASB 9 *Financial Instruments*, which is detailed above, no accounting standards that apply to the department for the first time in 2018-19 have any material impact on the financial statements.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2019

G4 TAXATION

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

Department of Environment and Science

Management Certificate

For the year ended 30 June 2019

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Environment and Science for the year ended 30 June 2019 and of the financial position of the department at the end of that year.

The Director-General, as the Accountable Officer of the Department, acknowledges responsibility under section 8 and section 15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Lynda Delaforce
Chief Finance Officer
Department of Environment and Science

Date: 23.8.19



Jamie Merrick
Director-General
Department of Environment and Science

Date: 23.8.19

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Environment and Science

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Environment and Science.

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 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 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

Infrastructure assets - Roads valued using current replacement cost (\$2,766 million)

Refer to Note C3-1 in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Road infrastructure assets is material to the Statement of Financial Position of Department of Environment and Science (DES) and is valued on a current replacement cost basis. Current replacement cost is calculated using a valuation model developed by the Roads and Transport Alliance as part of the Roads Alliance Valuation Project.</p> <p>Current replacement cost comprises:</p> <ul style="list-style-type: none"> gross replacement cost less accumulated depreciation. <p>DES derived the gross replacement cost of road infrastructure assets at balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> identifying the significant parts of the road infrastructure assets that have different replacement costs per unit the factors used to categorise road stereotypes (such as lengths, widths, road conditions, region, terrain and soil types) estimating the total useful life of each significant part of each infrastructure asset. <p>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> assessing management's processes over road infrastructure assets, policies on reviewing useful lives and depreciation methodology obtaining an understanding of the road infrastructure assets valuation methodology and challenging its appropriateness assessing management's evaluation of unit rates provided by the Roads Alliance Valuation Project (third party provider) assessing the adequacy of management's review of the valuation process assessing the results of management's regional visits where confirmation and/or changes in key inputs were noted assessing the valuation outcomes against management's regional fieldwork and desktop work testing road infrastructure assets on a sample basis to assess the completeness and accuracy of the fixed asset register testing road infrastructure assets application of unit rates in the valuation calculation on a sample basis Assessing the reasonableness of infrastructure assets useful lives by: <ul style="list-style-type: none"> reviewing management's assessment of useful lives verifying the calculation of depreciation expenses.

Heritage and cultural assets - land (\$1,317 million)

Refer to Note C3-1 in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Heritage and Cultural Assets is primarily comprised of land administered under the <i>Nature Conservation Act 1992</i> and is material to the Statement of Financial Position of Department of Environment and Science (DES). The land was valued by an independent valuation expert under DES' 5-year rolling program as well as valuing the top 20 land parcels every year, which covers 30 per cent of the asset class.</p> <p>The fair value of Heritage and Cultural Assets was derived after considering the value of similar properties in the same location and then adjusting the market value to reflect restrictions on the land.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> assessing the adequacy of management's review of the valuation process assessing the competence, capability and objectivity of the valuation specialist obtaining an understanding of the land valuation methodology and appropriateness using common industry practices assessing management's evaluation of the specific appraisal valuation results provided by the independent valuation specialist testing land sales on a sample basis to independently confirm the market price used by independent valuation specialist evaluating the reasonableness of any adjustments applied to the fair value due to the restrictions on use.

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 2019:

- 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.



Damon Olive
as delegate of the Auditor-General

28 August 2019
Queensland Audit Office
Brisbane