Financial Statements

2018–2019

for the financial year ended 30 June 2019

Financial Summary

As at 30 June 2019 the reporting entity comprised the Department of Housing and Public Works, three commercialised business units (CBUs) (Building and Asset Services, CITEC and QFleet) and Queensland Shared Services

A Statement of Comprehensive Income and a Balance Sheet for the 2018-19 financial year for the department are provided on the following pages with explanations of significant variances from the previous year's results.

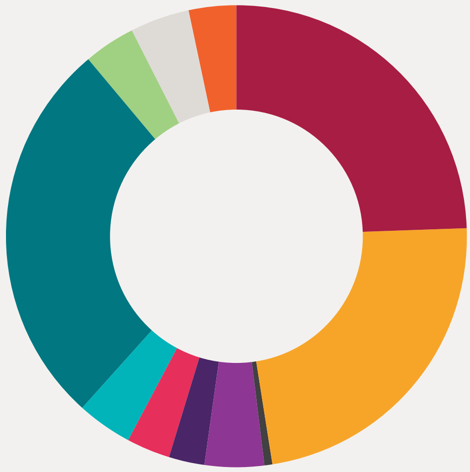
The department obtains the majority of its total income from user charges which comprise $2,021 million or 65.9% of the department's total income of $3,066 million. User charges include:

- rent of government office buildings and employee housing to other departments
- rent of social housing
- building construction and professional charges
- vehicle leasing
- services rendered by the shared service provider
- information, communication and technology services.

Effective 20 August 2018, as a result of Public Service Departmental Arrangements Notice (No. 3) 2018, responsibility for the following functions were transferred from the Department of State Development, Manufacturing, Infrastructure and Planning:

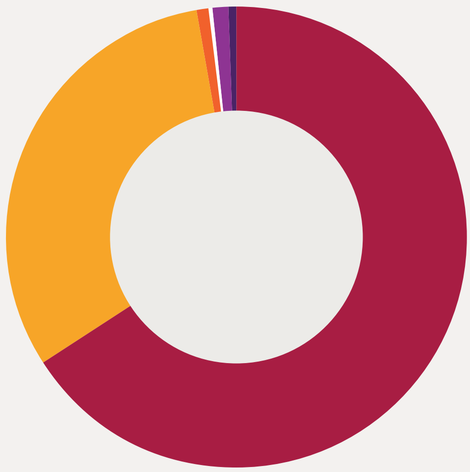
- Office of the Queensland Government Architect
- Construction Project Delivery.

Total income by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP) in 2018-19#



- Housing and Homelessness, $934.8m (24.6%)
- Government Accommodation and Building, $882.1m (23.2%)
- Procurement, $15.9m (0.4%)
- Sport and Recreation, $160.6m (4.2%)
- Digital Capability and Information, $101.2m (2.7%)
- Strategic Information and Communication Technology, $113.7m (3.0%)
- Queensland Shared Services (SSP), $139.5m (3.7%)
- Building and Asset Services, $1,038.0m (7.3%)
- QFleet, $142.5m (3.8%)
- CITEC, $150.8m (4.0%)
- General - not attributed, $120.2m (3.2%)

Total income by category in 2018–19



- User charges and fees, $2,020.5m (65.9%)
- Appropriation revenue, $962.3m (31.4%)
- Grants and other contributions, $28.8m (0.9%)
- Interest, $6.1m (0.2%)
- Other revenue, $32.4m (1.1%)
- Gains on disposal/remeasurement of assets, $16m (0.5%)

The major expense of the department is supplies and services which totals $2,052 million or 63% of the department's expenses of $3,255 million. The major supplies and services comprise government building expenses, expenses associated with providing social housing and information, communication and technology.

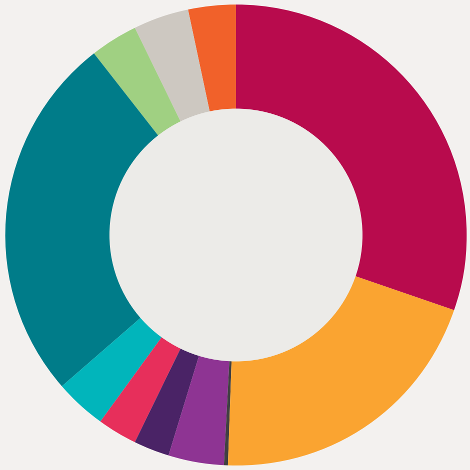
The major asset of the department is property, plant and equipment which totals $19,748 million of the department's total assets of $21,091 million (93.6%). The majority of this comprises social housing, commercial properties and the land on which these are situated.

Statement by the Chief Finance Officer

In accordance with the requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with Section 54 of the *Financial and Performance Management Standard 2019*. The statement was presented at the Audit Committee meeting in August 2019.

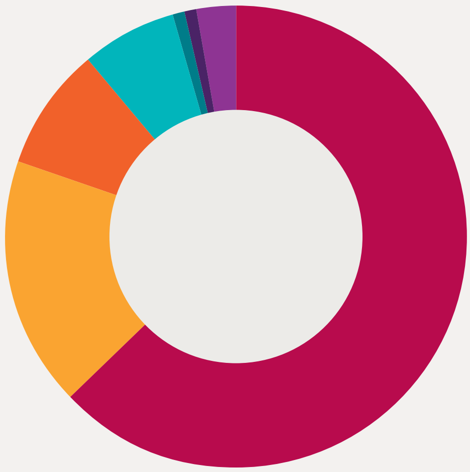
The Chief Finance Officer has fulfilled the minimum responsibilities as required by the *Financial Accountability Act 2009*.

Total expenses by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP) in 2018-19#



- Housing and Homelessness, $1,210.2m (30.3%)
- Government Accommodation and Building Policy, $805.6m (20.2%)
- Procurement, $16.7m (0.4%)
- Sport and Recreation, $156.9m (3.9%)
- Digital Capability and Information, $101.6m (2.6%)
- Strategic Information and Communication Technology, $113.5m (2.9%)
- Queensland Shared Services (SSP), $142.0m (3.6%)
- Building and Asset Services, $1,026.1m (25.7%)
- QFleet, $131.5m (3.3%)
- CITEC, $159.3m (4.0%)
- General - not attributed, $124.5m (3.1%)

Total expenses by category in 2018–19



- Supplies and services, $2,051.7m (63%)
- Employee expenses, $565.7m (17.4%)
- Depreciation and amortisation, $277.6m (8.5%)
- Grants and subsidies, $218.8m (6.7%)
- Finance/borrowing costs $28.6m (0.9%)
- Impairment losses, $26.3m (0.8%)
- Other expenses, $85.9m (2.7%)

 # Revenue and expenses by Major Departmental Services and Commercialised Business Units do not include internal departmental transaction eliminations which are eliminated in the Statement of Financial Position.

Statement of Comprehensive Income for the year ended 30 June 2019

	NOTES	Actual 2018–19 $'000	Actual 2017–18 $'000
INCOME			
User charges and fees	1	2,020,521	1,823,559
Appropriation revenue	2	962,289	809,988
Grants and other contributions		28,789	9,143
Interest		6,048	5,193
Other revenue		32,422	73,148
Gains on disposal /remeasurement of assets	3	16,017	107,999
Total income		**3,066,086**	**2,829,030**
EXPENSES			
Supplies and services	4	2,051,664	1,891,593
Employee expenses	5	565,738	440,545
Depreciation and amortisation		277,641	256,257
Grants and subsidies	6	218,752	156,090
Finance/borrowing costs		28,607	27,364
Impairment losses		26,274	8,757
Other expenses		85,907	79,935
Total expenses		**3,254,583**	**2,860,541**
Operating result before income tax		(188,497)	(31,511)
Income tax benefit /(expense)		(6,674)	(7,028)
Operating result after income tax		(195,171)	(38,539)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	7	254,247	476,231
Total other comprehensive income		254,247	476,231
TOTAL COMPREHENSIVE INCOME		**59,076**	**437,692**

Notes:

1. *The increase in user charges and fees is mainly due to the full year effect of the 2017-18 and the 2018-19 machinery-of-government changes.*
2. *The increase in appropriation revenue is mainly due to the full year effect of the 2017-18 machinery-of-government changes.*
3. *The decrease in gain on disposal/remeasurement of assets is mainly due to a decline in value in the building component of social housing residential properties in the Queensland residential property market where social housing stock is held offset by improved building valuation results for commercial properties.*
4. *The increase in supplies and services is mainly due to the full year effect of the 2017-18 and the 2018-19 machinery-of-government changes.*
5. *The increase in employee expenses is mainly due to the full year effect of the 2017-18 machinery-of-government changes.*
6. *The increase in grants and subsidies is mainly due to the full year effect of the 2017-18 machinery-of-government changes and increased expenditure in 2018-19 for various housing programs.*
7. *The 2018-19 growth in the revaluation reserve was lower than for 2017-18 mainly due to lower growth in the value of social housing residential land in the Queensland residential property market where social housing residential properties are held and the prior year net movements for the Queens Wharf Precinct and the leased assets – buildings on Deed of Grant in Trust Land.*

Balance Sheet as at 30 June 2019

	NOTES	Actual 2018–19 $'000	Actual 2017–18 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	567,354	727,917
Loans and receivables		235,531	221,523
Prepayments		65,336	68,564
Inventories		42,474	46,665
Financial assets at fair value through profit or loss		6,000	6,000
Deferred operating lease rent		4,525	4,653
Tax assets		-	447
Non-current assets classified as held for sale	9	31,421	105,248
Total current assets		**952,641**	**1,181,017**
NON-CURRENT ASSETS			
Property, plant and equipment		19,748,354	19,216,496
Financial assets at fair value through profit or loss		180,949	182,226
Deferred operating lease rent		104,285	81,205
Loans and receivables		69,345	70,533
Intangible assets		30,292	37,127
Prepayments		2,815	2,252
Deferred tax assets		2,011	1,891
Total non-current assets		**20,138,051**	**19,591,730**
TOTAL ASSETS		**21,090,692**	**20,772,747**
CURRENT LIABILITIES			
Payables		376,515	373,691
Unearned revenue		102,694	107,606
Interest-bearing liabilities		29,240	29,051
Accrued employee benefits		25,665	24,646
Lease incentives		17,521	15,466
Deferred operating lease rent		5,335	5,246
Tax liabilities		2,341	2,521
Other current liabilities		6,265	12,680
Total current liabilities		**565,576**	**570,907**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		679,627	697,374
Lease incentives		178,431	175,556
Deferred operating lease rent		139,990	120,026
Queen's Wharf deferred consideration		91,891	114,154
Unearned revenue		28,984	29,330
Deferred tax liabilities		16,877	18,185
Other non-current liabilities	10	44,455	284
Total non-current liabilities		**1,180,255**	**1,154,909**
Total Liabilities		**1,745,831**	**1,725,816**
NET ASSETS		**19,344,861**	**19,046,931**
EQUITY			
Contributed equity		17,075,205	16,828,044
Asset revaluation surplus		2,619,033	2,364,786
Accumulated surplus/(deficit)		(349,377)	(145,899)
TOTAL EQUITY		**19,344,861**	**19,046,931**

Notes:

8. The decrease in cash is mainly due to the return to the Consolidated Fund of the land premiums received by the department as consideration for the Queen's Wharf Precinct.

9. The decrease in non-current assets classified as held for sale is mainly due to the finalisation of the sale of the former GoPrint and Landcentre sites at Woolloongabba, Brisbane.

10. The increase in other non-current liabilities is mainly due to provisions for estimated rectification costs for 15 departmental owned buildings requiring remediation for non-conforming building products and transfer duty relating to the Queens Wharf Integrated Resort Development agreement.

Introduction to financial statements

The following financial statements have been prepared by the department and audited by the Auditor-General of Queensland:

- Statement of Comprehensive Income
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Comprehensive Income by Major Departmental Services, Commercialised Business Units and Shared Service Providers
- Statement of Assets and Liabilities by Major Departmental Services, Commercialised Business Units and Shared Service Providers
- Notes to the Financial Statements 2018–19
- Management Certificate
- Independent Auditor's Report.

General Information

These financial Statements cover the Department of Housing and Public Works.

The Department of Housing and Public Works is a Queensland Government department established under the *Public Service Act 2008*.

The department is controlled by the State of Queensland which is the ultimate parent.

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

1 William Street
BRISBANE QLD 4000

A description of the nature of the department's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the department's financial statements, please call 07 300 83138 or visit the departmental website http://www.hpw.qld.gov.au

Contents

Department of Housing and Public Works
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
INCOME			
User charges and fees	2.1	2,020,521	1,823,559
Appropriation revenue	2.2	962,289	809,988
Grants and other contributions		28,789	9,143
Interest		6,048	5,193
Other revenue		32,422	73,148
Total revenue		3,050,069	2,721,031
Gains on disposal/remeasurement of assets	2.3	16,017	107,999
Total income		3,066,086	2,829,030
EXPENSES			
Supplies and services	3.1	2,051,664	1,891,593
Employee expenses	3.2	565,738	440,545
Depreciation and amortisation	4.1	277,641	256,257
Grants and subsidies	3.3	218,752	156,090
Finance/borrowing costs		28,607	27,364
Impairment losses		26,274	8,757
Other expenses	3.4	85,907	79,935
Total expenses		3,254,583	2,860,541
Operating result before income tax		(188,497)	(31,511)
Income tax benefit/(expense)		(6,674)	(7,028)
Operating result after income tax		(195,171)	(38,539)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	4.1 (d)	254,247	476,231
Total other comprehensive income		254,247	476,231
Total comprehensive income		59,076	437,692

The accompanying notes form part of these financial statements.

Department of Housing and Public Works
Balance Sheet
as at 30 June 2019

	Note	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents		567,354	727,917
Loans and receivables	4.2	235,531	221,523
Prepayments		65,336	68,564
Inventories	4.4	42,474	46,665
Financial assets at fair value through profit or loss	4.5	6,000	6,000
Deferred operating lease rent		4,525	4,653
Tax assets		-	447
		921,220	1,075,769
Non-current assets classified as held for sale	4.6	31,421	105,248
Total current assets		952,641	1,181,017
NON-CURRENT ASSETS			
Property, plant and equipment	4.1	19,748,354	19,216,496
Financial assets at fair value through profit or loss	4.5	180,949	182,226
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TOTAL ASSETS		21,090,692	20,772,747
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Payables	5.2	376,515	373,691
Unearned revenue	5.5	102,694	107,606
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Total current liabilities		565,576	570,907
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Deferred tax liabilities		16,877	18,185
Other non-current liabilities	5.6	44,455	284
Total non-current liabilities		1,180,255	1,154,909
TOTAL LIABILITIES		1,745,831	1,725,816
NET ASSETS		19,344,861	19,046,931
EQUITY			
Contributed equity		17,075,205	16,828,044
Asset revaluation surplus	4.1(d)	2,619,033	2,364,786
Accumulated surplus/(deficit)		(349,377)	(145,899)
TOTAL EQUITY		19,344,861	19,046,931

The accompanying notes form part of these financial statements.

Department of Housing and Public Works
Statement of Changes in Equity
for the year ended 30 June 2019

	Contributed equity $'000	Asset revaluation surplus (Note 4.1(d)) $'000	Accumulated surplus $'000	Total $'000
Balance as at 1 July 2017	16,266,979	1,888,555	(98,922)	18,056,612
Operating result	-	-	(38,539)	(38,539)
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	476,231	-	476,231
Total comprehensive income for the year	-	476,231	(38,539)	437,692
Transactions with owners as owners				
- Appropriated equity injections (Note 6.2)	350,493	-	-	350,493
- Appropriated equity withdrawals (Note 6.2)	(58,944)	-	-	(58,944)
- Non-appropriated equity adjustments	(9,632)	-	-	(9,632)
- Net transfers in/(out) from other Queensland Government entities	279,148	-	-	279,148
- Dividends paid or declared	-	-	(8,438)	(8,438)
Net transactions with owners as owners	561,065	-	(8,438)	552,627
Balance as at 30 June 2018	16,828,044	2,364,786	(145,899)	19,046,931
Balance as at 1 July 2018	16,828,044	2,364,786	(145,899)	19,046,931
Operating result	-	-	(195,171)	(195,171)
Net effect of change in accounting standard AASB 9	-	-	(416)	(416)
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	-	254,247	-	254,247
Total comprehensive income for the year	-	254,247	(195,587)	58,660
Transactions with owners as owners				
- Appropriated equity injections (Note 6.2)	405,486	-	-	405,486
- Appropriated equity withdrawals (Note 6.2)	(132,863)	-	-	(132,863)
- Non-appropriated equity adjustments	(91,163)	-	-	(91,163)
- Net transfers in/(out) from other Queensland Government entities	65,701	-	-	65,701
- Dividends paid or declared	-	-	(7,891)	(7,891)
Net transactions with owners as owners	247,161	-	(7,891)	239,270
Balance as at 30 June 2019	17,075,205	2,619,033	(349,377)	19,344,861

The accompanying notes form part of these financial statements.

Department of Housing and Public Works
Statement of Cash Flows
for the year ended 30 June 2019

	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
User charges and fees	1,949,117	1,873,924
Appropriation receipts	909,555	775,040
GST input tax credits received from the Australian Taxation Office	200,787	198,203
GST collected from customers	155,031	149,549
Grants and other contributions	20,308	8,772
Interest receipts	4,028	2,864
Other	58,601	54,278
Outflows:		
Supplies and services	(2,060,404)	(1,943,464)
Employee expenses	(566,783)	(431,312)
GST remitted to the Australian Taxation Office	(200,318)	(178,285)
GST paid to suppliers	(192,497)	(193,510)
Grants and subsidies	(205,977)	(160,174)
Finance/borrowing costs	(24,419)	(27,200)
Taxation equivalents	(7,836)	(4,354)
Other	(11,048)	(26,681)
Net cash provided by (used in) operating activities	28,145	97,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Sales of property, plant and equipment	169,875	114,698
Loans and advances redeemed	23,757	26,961
Redemption of other financial assets	6,030	7,900
Outflows:		
Payments for property, plant and equipment	(529,785)	(365,875)
Loans and advances made	(33,903)	(31,950)
Payments for intangible assets	(2,635)	(1,719)
Net cash provided by (used in) investing activities	(366,661)	(249,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Equity injections	428,644	349,357
Borrowings	10,000	10,000
Outflows:		
Equity withdrawals	(228,332)	(63,301)
Borrowing redemptions	(15,460)	(16,179)
Dividends paid	(8,438)	(9,569)
Finance lease payments	(13,247)	(7,059)
Net cash provided by (used in) financing activities	173,167	263,249
Net increase (decrease) in cash and cash equivalents	(165,349)	110,914
Increase (decrease) in cash and cash equivalents from restructuring (Note 1.5)	4,787	36,973
Cash and cash equivalents – opening balance	727,916	580,030
Cash and cash equivalents – closing balance	567,354	727,917

The accompanying notes form part of these financial statements.

Department of Housing and Public Works
Statement of Cash Flows
for the year ended 30 June 2019

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating result to net cash from operating activities

	2019 $'000	2018 $'000
Operating surplus/(deficit) before income tax	(188,497)	(31,511)
Less: income tax benefit/(expense)	(6,674)	(7,028)
	(195,171)	(38,539)
Non-cash items:		
Depreciation and amortisation expense	277,641	256,257
Motor vehicles sold	43,764	22,551
Donated assets and services expensed	157	5
Contributed assets and services received	(7,653)	(1,250)
Impairment losses	26,274	8,757
Loss/(gain) on disposal of non-current assets	(6,996)	(4,110)
Revaluation decrement/(increment)	(4,897)	(95,604)
Write-off of assets	1,947	1,070
Net loss/(gain) on revaluation of financial assets	(6,264)	(10,411)
Change in assets and liabilities:		
(Increase) decrease in GST input tax credits receivable	(6,649)	6,017
(Increase) decrease in loans and receivables	(45,121)	26,728
(Increase) decrease in inventories	(1,479)	4,596
(Increase) decrease in prepayments	2,665	(11,684)
(Increase) decrease in deferred operating lease rent receivable	(22,952)	(20,214)
(Increase) decrease in current tax assets	447	1,831
(Increase) decrease in deferred tax assets	(120)	(479)
Acquisition of motor vehicles held for rental	(91,684)	(66,099)
Increase (decrease) in GST payable	(341)	(5,451)
Increase (decrease) in payables	34,615	3,698
Increase (decrease) in lease incentive liabilities	4,930	1,784
Increase (decrease) in unearned revenue	(10,045)	(26,615)
Increase (decrease) in accrued employee benefits	1,019	5,236
Increase (decrease) in deferred operating lease rent payable	20,053	35,040
Increase (decrease) in current tax liability	(180)	(305)
Increase (decrease) in deferred tax liability	(1,308)	1,627
Increase (decrease) in other liabilities	15,493	3,214
Net cash from operating activities	28,145	97,650

NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities

	Borrowings $'000	Finance lease liability $'000	Dividends payable $'000	Total $'000
Balance as at 1 July 2017	484,612	120,528	9,569	614,709
Cash flows:				
Cash received	10,000	-	-	10,000
Cash paid	(16,179)	(7,059)	(9,569)	(32,807)
Non-cash changes:				
Transfers from machinery-of-government changes	-	123,153	-	123,153
Leases acquired/surrendered	-	11,918	-	11,918
Other	-	(548)	-	(548)
Dividends declared	-	-	8,438	8,438
Balance as at 30 June 2018	478,433	247,992	8,438	734,863
Balance as at 1 July 2018	478,433	247,992	8,438	734,863
Cash flows:				
Cash received	10,000	-	-	10,000
Cash paid	(15,460)	(13,247)	(8,438)	(37,145)
Non-cash changes:				
Leases acquired/surrendered	-	9,094	-	9,094
Other	(7,945)	-	-	(7,945)
Dividends declared	-	-	7,891	7,891
Balance as at 30 June 2019	465,028	243,839	7,891	716,758

For changes in liabilities relating to equity appropriations refer to Note 6.2 which details equity appropriations payable/receivable.

Department of Housing and Public Works
Statement of Comprehensive Income by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP)
for the year ended 30 June 2019

	Housing and Homelessness		Government Accommodation and Building Policy		Procurement		Sport and Recreation		Digital Capability and Information		Strategic Information and Communication Technology		Queensland Shared Services (SSP)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
INCOME														
User charges and fees	413,702	415,685	716,910	655,814	-	-	8,952	5,030	27,419	14,035	3,532	61	136,956	75,419
Appropriation revenue	549,208	516,185	79,714	93,044	14,540	15,470	145,171	73,605	73,562	38,263	99,129	70,318	-	-
Grants and other contributions	13,202	1,541	6,150	6,309	-	-	5,638	-	-	-	160	-	2,338	684
Interest	1,681	1,491	2,905	2,672	93	91	-	-	-	-		-	-	-
Other revenue	19,595	14,115	(1,862)	47,434	1,282	1,672	540	157	171	29	10,894	2,861	176	201
Total revenue	997,388	949,017	803,817	805,273	15,915	17,233	160,301	78,792	101,152	52,327	113,715	73,240	139,470	76,304
Gains on disposal/remeasurement of assets	(62,608)	102,429	78,280	5,362	-	-	317	167	-	(10)	(1)	-	-	1
Total income	934,780	1,051,446	882,097	810,635	15,915	17,233	160,618	78,959	101,152	52,317	113,714	73,240	139,470	76,305
EXPENSES														
Supplies and services	739,770	703,213	694,059	685,669	6,388	7,989	33,383	19,265	42,255	19,431	68,627	36,746	50,368	27,754
Employee expenses	122,410	113,207	30,798	27,482	9,207	8,393	27,168	15,452	53,406	28,954	17,251	7,792	85,021	46,111
Depreciation and amortisation	142,747	139,280	65,390	58,465	-	-	3,651	1,960	2,256	2,185	11,516	6,088	5,512	3,393
Grants and subsidies	118,072	102,605	1,509	4,485	8	-	92,540	43,132	1,538	930	3,491	4,694	-	-
Finance/borrowing costs	18,259	18,843	121	411	-	-	-	-	2	-	4,044	2,326	14	8
Impairment losses	26,248	9,027	66	(455)	-	-	(55)	157	-	-	-	-	-	-
Other expenses	42,703	23,798	13,671	22,813	1,028	851	156	(829)	2,052	1,438	8,603	15,632	1,128	314
Total expenses	1,210,209	1,109,973	805,614	798,870	16,631	17,233	156,843	79,137	101,509	52,938	113,532	73,278	142,043	77,580
Operating result before income tax	(275,429)	(58,527)	76,483	11,765	(716)	-	3,775	(178)	(357)	(621)	182	(38)	(2,573)	(1,275)
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating result after income tax	(275,429)	(58,527)	76,483	11,765	(716)	-	3,775	(178)	(357)	(621)	182	(38)	(2,573)	(1,275)
OTHER COMPREHENSIVE INCOME														
Items that will not be reclassified to operating result														
Increase/(decrease) in asset revaluation surplus	270,566	251,318	(17,445)	218,693	-	-	1,126	6,220	-	-	-	-	-	-
Total other comprehensive income	270,566	251,318	(17,445)	218,693	-	-	1,126	6,220	-	-	-	-	-	-
Total comprehensive income	(4,863)	192,791	59,038	230,458	(716)	-	4,901	6,042	(357)	(621)	182	(38)	(2,573)	(1,275)

* Refer to Note 1.5.

Department of Housing and Public Works
Statement of Comprehensive Income by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP)
for the year ended 30 June 2019

	Commercialised Business Units											
	Building and Asset Services		QFleet		CITEC		General - not attributed		Inter-service/unit eliminations		Total department	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018* $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
INCOME												
User charges and fees	1,028,247	1,026,585	141,818	115,997	150,629	83,226	119,050	83,077	(726,694)	(651,370)	2,020,521	1,823,559
Appropriation revenue	-	-	-	-	-	-	965	3,103	-	-	962,289	809,988
Grants and other contributions	2,535	609	-	-	-	-	-	-	(1,234)	-	28,789	9,143
Interest	1,015	672	233	195	121	72	-	-	-	-	6,048	5,193
Other revenue	6,140	6,695	492	424	14	5	229	12,284	(5,249)	(12,729)	32,422	73,148
Total revenue	1,037,937	1,034,561	142,543	116,616	150,764	83,303	120,244	98,464	(733,177)	(664,099)	3,050,069	2,721,031
Gains on disposal/remeasurement of assets	18	66	-	-	11	(16)	-	-	-	-	16,017	107,999
Total income	1,037,955	1,034,627	142,543	116,616	150,775	83,287	120,244	98,464	(733,177)	(664,099)	3,066,086	2,829,030
EXPENSES												
Supplies and services	903,595	904,062	75,190	51,030	112,931	58,656	55,302	41,553	(730,204)	(663,775)	2,051,664	1,891,593
Employee expenses	117,863	114,241	4,576	4,088	41,539	22,384	59,472	52,765	(2,973)	(324)	565,738	440,545
Depreciation and amortisation	1,880	3,186	39,875	39,023	4,209	2,190	605	487	-	-	277,641	256,257
Grants and subsidies	1,586	225	8	19	-	-	-	-	-	-	218,752	156,090
Finance/borrowing costs	-	-	6,082	5,719	85	52	-	5	-	-	28,607	27,364
Impairment losses	6	15	4	-	5	13	-	-	-	-	26,274	8,757
Other expenses	1,199	886	5,781	4,648	503	264	9,083	10,120	-	-	85,907	79,935
Total expenses	1,026,129	1,022,615	131,516	104,527	159,272	83,559	124,462	104,930	(733,177)	(664,099)	3,254,583	2,860,541
Operating result before income tax	11,826	12,012	11,027	12,089	(8,497)	(272)	(4,218)	(6,466)	-	-	(188,497)	(31,511)
Income tax benefit/(expense)	(3,548)	(3,604)	(3,523)	(3,620)	397	196	-	-	-	-	(6,674)	(7,028)
Operating result after income tax	8,278	8,408	7,504	8,469	(8,100)	(76)	(4,218)	(6,466)	-	-	(195,171)	(38,539)
OTHER COMPREHENSIVE INCOME												
Items that will not be reclassified to operating result												
Increase/(decrease) in asset revaluation surplus	-	-	-	-	-	-	-	-	-	-	254,247	476,231
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-	254,247	476,231
Total comprehensive income	8,278	8,408	7,504	8,469	(8,100)	(76)	(4,218)	(6,466)	-	-	59,076	437,692

* Refer to Note 1.5.

Department of Housing and Public Works
Statement of Assets and Liabilities by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP)
as at 30 June 2019

	Housing and Homelessness		Government Accommodation and Building Policy		Procurement		Sport and Recreation		Digital Capability and Information		Strategic Information and Communication Technology		Queensland Shared Services (SSP)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CURRENT ASSETS														
Cash and cash equivalents	199,061	231,734	34,547	35,002	-	-	16,293	9,893	60	2,032	-	-	27,266	20,918
Loans and receivables	48,425	59,976	50,764	36,581	(336)	190	1,068	1,296	7,035	7,244	15,279	1,182	11,845	14,491
Prepayments	640	1,074	35,755	40,908	16	87	280	250	1,807	2,203	11,261	9,684	1,029	1,950
Inventories	-	-	348	332	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	6,000	6,000	-	-	-	-	-	-	-	-	-	-	-	-
Deferred operating lease rent	-	-	4,525	4,653	-	-	-	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	254,126	298,784	125,939	117,476	(320)	277	17,641	11,439	8,902	11,479	26,540	10,866	40,140	37,359
Non-current assets classified as held for sale	26,412	35,180	5,009	70,068	-	-	-	-	-	-	-	-	-	-
Total current assets	280,538	333,964	130,948	187,544	(320)	277	17,641	11,439	8,902	11,479	26,540	10,866	40,140	37,359
NON-CURRENT ASSETS														
Property, plant and equipment	15,936,055	15,658,930	3,270,995	3,014,810	-	-	168,955	167,485	2,732	3,228	107,731	113,083	665	734
Financial assets at fair value through profit or loss	180,949	182,226	-	-	-	-	-	-	-	-	-	-	-	-
Deferred operating lease rent	-	-	104,285	81,205	-	-	-	-	-	-	-	-	-	-
Loans and receivables	41,571	34,597	27,774	35,936	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,524	914	-	-	-	-	29	36	6,207	7,113	-	-	17,604	22,071
Prepayments	-	-	-	-	-	-	-	-	137	-	1,408	1,553	77	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	16,160,099	15,876,667	3,403,054	3,131,951	-	-	168,984	167,521	9,076	10,341	109,139	114,636	18,346	22,805
TOTAL ASSETS	16,440,637	16,210,631	3,534,002	3,319,495	(320)	277	186,625	178,960	17,978	21,820	135,679	125,502	58,486	60,164
CURRENT LIABILITIES														
Payables	149,094	133,893	90,760	64,999	1,202	1,184	4,252	4,621	6,458	7,008	28,010	30,778	3,706	4,291
Unearned revenue	20,416	20,693	24,540	9,322	97	43	1,386	1,175	-	136	236	181	83	109
Interest-bearing liabilities	17,097	16,560	-	1,269	-	-	-	-	19	-	10,770	9,829	158	111
Accrued employee benefits	5,365	4,969	1,114	1,028	520	306	1,178	1,236	2,302	2,363	612	556	3,817	3,631
Lease incentives	-	-	17,521	15,466	-	-	-	-	-	-	-	-	-	-
Deferred operating lease rent	-	-	5,335	5,246	-	-	-	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	12	2	5,124	10,268	-	-	-	-	-	-	-	-	-	-
Total current liabilities	191,984	176,117	144,394	107,598	1,819	1,533	6,816	7,032	8,779	9,507	39,628	41,344	7,764	8,142
NON-CURRENT LIABILITIES														
Interest-bearing liabilities	387,513	401,399	-	6,988	-	-	-	-	61	-	103,378	108,862	318	290
Lease incentives	-	-	178,431	175,556	-	-	-	-	-	-	-	-	-	-
Deferred operating lease rent	-	-	139,990	120,026	-	-	-	-	-	-	-	-	-	-
Queen's Wharf deferred consideration	-	-	91,891	114,154	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	28,067	29,330	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	44,455	284	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	387,513	401,399	482,834	446,338	-	-	-	-	61	-	103,378	108,862	318	290
TOTAL LIABILITIES	579,497	577,516	627,228	553,936	1,819	1,533	6,816	7,032	8,840	9,507	143,006	150,206	8,082	8,432

Department of Housing and Public Works
Statement of Assets and Liabilities by Major Departmental Services, Commercialised Business Units and Shared Service Providers (SSP)
as at 30 June 2019

	Commercialised Business Units											
	Building and Asset Services		QFleet		CITEC		General - not attributed		Inter-service/unit eliminations		Total department	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CURRENT ASSETS												
Cash and cash equivalents	134,808	178,162	30,705	27,755	9,449	19,961	115,165	202,460	-	-	567,354	727,917
Loans and receivables	118,564	106,676	9,957	8,463	16,751	17,521	16,139	11,845	(59,960)	(43,942)	235,531	221,523
Prepayments	124	131	6,413	6,192	5,184	3,252	2,827	2,833	-	-	65,336	68,564
Inventories	43,743	38,532	10,265	7,801	-	-	-	-	(11,882)	-	42,474	46,665
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	6,000	6,000
Deferred operating lease rent	-	-	-	-	-	-	-	-	-	-	4,525	4,653
Tax assets	-	-	-	447	-	-	-	-	-	-	-	447
	297,239	323,501	57,340	50,658	31,384	40,734	134,131	217,138	(71,842)	(43,942)	921,220	1,075,769
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	31,421	105,248
Total current assets	297,239	323,501	57,340	50,658	31,384	40,734	134,131	217,138	(71,842)	(43,942)	952,641	1,181,017
NON-CURRENT ASSETS												
Property, plant and equipment	488	577	249,848	244,268	9,482	11,141	1,403	2,240	-	-	19,748,354	19,216,496
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	180,949	182,226
Deferred operating lease rent	-	-	-	-	-	-	-	-	-	-	104,285	81,205
Loans and receivables	-	-	-	-	-	-	-	-	-	-	69,345	70,533
Intangible assets	3,427	4,990	-	-	1,501	2,003	-	-	-	-	30,292	37,127
Prepayments	-	-	-	-	1,171	628	22	71	-	-	2,815	2,252
Deferred tax assets	2,005	1,885	6	6	-	-	-	-	-	-	2,011	1,891
Total non-current assets	5,920	7,452	249,854	244,274	12,154	13,772	1,425	2,311	-	-	20,138,051	19,591,730
TOTAL ASSETS	303,159	330,953	307,194	294,932	43,538	54,506	135,556	219,449	(71,842)	(43,942)	21,090,692	20,772,747
CURRENT LIABILITIES												
Payables	123,165	126,532	18,041	17,733	8,229	10,881	15,440	15,713	(71,842)	(43,942)	376,515	373,691
Unearned revenue	46,784	67,244	6,570	6,530	904	683	1,678	1,490	-	-	102,694	107,606
Interest-bearing liabilities	-	-	-	-	1,196	1,169	-	113	-	-	29,240	29,051
Accrued employee benefits	5,820	5,620	199	183	1,993	1,757	2,745	2,997	-	-	25,665	24,646
Lease incentives	-	-	-	-	-	-	-	-	-	-	17,521	15,466
Deferred operating lease rent	-	-	-	-	-	-	-	-	-	-	5,335	5,246
Tax liabilities	18	2,521	2,323	-	-	-	-	-	-	-	2,341	2,521
Other current liabilities	518	1,773	-	-	611	637	-	-	-	-	6,265	12,680
Total current liabilities	176,305	203,690	27,133	24,446	12,933	15,127	19,863	20,313	(71,842)	(43,942)	565,576	570,907
NON-CURRENT LIABILITIES												
Interest-bearing liabilities	-	-	186,512	176,512	1,845	3,041	-	282	-	-	679,627	697,374
Lease incentives	-	-	-	-	-	-	-	-	-	-	178,431	175,556
Deferred operating lease rent	-	-	-	-	-	-	-	-	-	-	139,990	120,026
Queen's Wharf deferred consideration	-	-	-	-	-	-	-	-	-	-	91,891	114,154
Unearned revenue	-	-	-	-	917	-	-	-	-	-	28,984	29,330
Deferred tax liabilities	993	1,408	15,878	16,374	6	403	-	-	-	-	16,877	18,185
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	44,455	284
Total non-current liabilities	993	1,408	202,390	192,886	2,768	3,444	-	282	-	-	1,180,255	1,154,909
TOTAL LIABILITIES	177,298	205,098	229,523	217,332	15,701	18,571	19,863	20,595	(71,842)	(43,942)	1,745,831	1,725,816

1 BASIS OF PREPARATION

1.1 Authorisation of financial statements

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

1.2 General information

The Department of Housing and Public Works is a not-for-profit Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland which is the ultimate parent and therefore a related party. Other Queensland public sector entities, over which the State has control, joint control or significant influence are also related parties of the Department of Housing and Public Works. The department's principal activities are described in Note 1.4 below and include major activities involving other Queensland Government entities such as construction and maintenance programs, motor vehicle fleet management, office accommodation, government employee housing, information and communication technology and corporate services. Transactions with related party entities that are individually or collectively significant are reported throughout these financial statements. Transactions with key management personnel (who are all related parties) are reported in Note 8.1.

The head office and principal place of business of the department is 1 William Street, Brisbane, Queensland 4000.

For information in relation to the department's financial statements, please call 07 3008 3138 or visit the department's website at www.hpw.qld.gov.au.

1.3 Statement of compliance

The department has prepared these general purpose financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009* , the Australian Accounting Standards and Interpretations applicable to not-for-profit entities, and Queensland Treasury's Minimum Reporting Requirements.

1.4 Department objectives and principal activities

The objectives and principal activities of the department are reflected in the services undertaken by the department which are summarised below.

The department's purpose is to unify diverse services to benefit Queenslanders and support government service delivery including housing and homelessness, building policy, public works, sports and recreation, digital and information technology and government corporate services. Our focus for the future is to drive toward building better connected, healthier communities supported by a responsive government.

The department's vision is working together with respect and compassion to influence change and deliver responsive services that build a healthy and connected Queensland.

To support the delivery of the Queensland Government's objective and to achieve our vision we deliver the following services:

Housing and Homelessness

Housing and Homelessness provides housing assistance and homelessness support services to Queenslanders most in need, through a mix of direct delivery and arrangements with funded service providers. This includes remote Aboriginal and Torres Strait Islander housing, social and private housing assistance, homelessness support services and crisis accommodation.

Housing and Homelessness also partners with other governments, not for profit and private organisations to support the provision of affordable housing and increase the supply of housing.

Housing and Homelessness also includes regulatory services which regulate residential services, residential parks and retirement villages industries and monitors and regulates Queensland's community housing providers.

1.4 Department objectives and principal activities (continued)

Government Accommodation and Building Policy

Building Policy supports government and industry by developing building and plumbing related policy including for industry fairness, legislation and codes; administering building tribunals; managing a pre-qualification system for contractors and consultants to tender for government building work; and developing best practice tendering and contracts for government building contracts.

Government Accommodation delivers office accommodation and employee housing solutions for the Queensland Government, as well as managing significant strategic building and portfolio initiatives.

Procurement

Procurement manages the Queensland Government's procurement policy and related frameworks. It provides expert advice to stakeholders and helps enable agencies to achieve their procurement outcomes by sharing procurement information, best practice and innovation; developing whole-of-government frameworks in areas including capability, accreditation and performance. In addition to policy and framework management, Procurement provides category management for General Goods and Services.

Sport and Recreation

Sport and Recreation develops and delivers a suite of funding programs to support community sport and active recreation needs and provides education and training programs that contribute to building the capacity of the sport and recreation sector.

Sport and Recreation also provides resources for parents, carers and teachers aimed at encouraging all Queenslanders, particularly young people, to be more physically active and by managing purpose-built sport and active recreation facilities, including the Queensland Recreation Centres.

Sport and Recreation works to develop and support elite athletes at the Queensland Academy of Sport.

Digital Capability and Information

Digital Capability and Information develops and delivers innovative digitally enabled and integrated government services that are simpler and faster for the community to access online or through phone and counter channels. It leads a major program of work to accelerate the delivery of proactive and personalised services, designed around the customer. It drives digital economy development and digital capability programs.

Digital Capability and Information leads Queensland public authorities in managing and preserving Queensland public records in a useable form and improves public access to the collection by embracing digital government practices. It is also responsible for implementing the Government's commitment to making government data open for anyone to access, use and share.

Strategic Information and Communication Technology

Strategic Information and Communication Technology supports the delivery of multi-agency ICT programs and projects, data analytics, and manages ICT strategic procurement arrangements and major ICT contracts.

The Queensland Government Chief Information Office provides advice to government on digital ICT and investment.

Queensland Shared Services

Queensland Shared Services facilitates a range of corporate services including finance and human resource management to government departments and statutory bodies, excluding Queensland Health and the Department of Education.

Building and Asset Services

Building and Asset Services, in partnership with its Queensland government agency customers, delivers strategic asset management by managing risks for diverse building asset portfolios and providing expertise in planning, procurement and delivery of new building infrastructure, building maintenance and asset and facilities management. Building and Asset Services provides agency customers access to professional, technical and ancillary services, and works closely with industry and suppliers to maximise value for money procurement and contract management outcomes.

1.4 Department objectives and principal activities (continued)

QFleet

QFleet is responsible for whole-of-government fleet management and advisory services. Services include vehicle procurement and contract management, fleet advisory services to public sector departments, as well as government-funded organisations, in-service maintenance, accident management, and end-of-life repairs and vehicle remarketing.

CITEC

CITEC delivers consolidated, core ICT infrastructure services for the Queensland Government, covering data centre, network, storage, data protection, and ICT platform and solution integration services. CITEC also delivers information solutions to customers in business and the community Australia-wide on a fully commercial basis.

1.5 Machinery-of-government changes

Public Service Departmental Arrangements Notice (No.3 and No.4) 2017

Details of transfer: Responsibility for the following functions were transferred from the former Department of Science, Information Technology and Innovation:

- Smart Service Queensland
- Queensland State Archives
- Strategic ICT including CITEC
- Queensland Shared Services

Responsibility for Sport and Recreation was transferred from the former Department of National Parks, Sport and Racing.

Date of transfer: Effective from 13 December 2017

Public Service Departmental Arrangements Notice (No.1) 2018

Details of transfer: Responsibility for the following functions were transferred from the Department of the Premier and Cabinet:

- One-Stop Shop Strategy and Implementation Office
- Digital Economy and Productivity
- Queensland Government Chief Information Office

Date of transfer: Effective from 1 March 2018

Public Service Departmental Arrangements Notice (No.3) 2018

Details of transfer: Responsibility for the following functions were transferred from the Department of State Development, Manufacturing, Infrastructure and Planning:

- Construction Project Delivery
- Office of the Queensland Government Architect.

Date of transfer: Effective from 1 September 2018.

1.5 Machinery-of-government changes (continued)

Assets and liabilities transferred

	2019	2018			
	Department of State Development, Manufacturing, Infrastructure and Planning	**Department of Science, Information Technology and Innovation**	**Department of National Parks, Sport and Racing**	**Department of the Premier and Cabinet**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Controlled					
Cash and cash equivalents	4,787	22,897	11,869	2,207	36,973
Loans and receivables	-	72,108	2,665	140	74,913
Prepayments	-	15,447	345	194	15,986
Property, plant and equipment	63,350	130,386	159,920	806	291,112
Intangible assets	-	30,170	46	4,552	34,768
Total assets	68,137	271,008	174,845	7,899	453,752
Payables	536	48,660	6,514	1,998	57,172
Unearned revenue	-	4,420	1,341	130	5,891
Interest-bearing liabilities	-	123,153	-	-	123,153
Accrued employee benefits	-	4,379	602	747	5,728
Deferred tax liabilities	-	599	-	-	599
Other liabilities	4,251	228	-	-	228
Total liabilities	4,787	181,439	8,457	2,875	192,771
Net assets	63,350	89,569	166,388	5,024	260,981
Administered					
Cash and cash equivalents		5,000	131	-	5,131
Loans and receivables		2,508	-	-	2,508
Prepayments		15,721	-	-	15,721
Total assets		23,229	131	-	23,360
Payables		2,765	131	-	2,896
Total liabilities		2,765	131	-	2,896
Net assets		20,464	-	-	20,464

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. These transfers are from related parties.

The following budgeted appropriations were reallocated from these departments to the Department of Housing and Public Works as part of the machinery-of-government changes:

	2019	**2018**
	$'000	**$'000**
Controlled - appropriation	2,190	216,819
Controlled - equity adjustments	108,000	(1,848)
Administered - appropriation	-	8,879

1.6 Measurement

The historical cost convention is used unless fair value is stated as the measurement basis.

1.7 Presentation

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero.

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

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 to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

1.8 New and revised accounting standards

AASB 9 Financial Instruments

AASB 9 became applicable for the current reporting period. While there was no change to the classification and measurement of the department's financial assets as a result of adopting AASB 9, the new impairment requirements have resulted in changes to the calculation of impairment allowances.

The department has two types of financial assets that are affected by AASB 9's new expected credit loss impairment model, social housing debtors and rental bond loans.

For impairment of social housing debtors, the department's existing policy has been to measure lifetime expected credit losses using a provision matrix. There is no change to this policy as it complies with the simplified approach under AASB 9.

For rental bond loans the department has adopted the general approach under AASB 9, measuring the twelve month expected credit losses followed by, where there has been a significant increase in credit risk, a lifetime expected credit loss. This has resulted in an allowance for impairment being assessed for all rental bond loans rather than only those that are credit impaired. The transitional provisions of AASB 9 do not require that prior periods are re-stated. Therefore these adjustments are not reflected in the balance sheet as at 30 June 2018, but are recognised in the opening balance sheet at 1 July 2018. Accordingly, decreases of $0.416 million are made to the opening balance of both loans and receivables and accumulated surplus.

The department's other financial assets are also subject to the impairment requirements of AASB 9 however no material impairment losses have been identified.

Refer to Note 8.3 for details of the future impact of accounting standards not yet effective.

	2019 $'000	2018 $'000

2 REVENUE

2.1 User charges and fees

	2019 $'000	2018 $'000
Property rental - offices*	459,054	453,998
Property rental - social housing	406,512	406,781
Property rental - government employee housing*	41,963	44,777
Building services*	607,690	567,899
Information, communication and technology services**	145,441	85,096
Services rendered by shared service provider*	124,663	67,167
Vehicle leasing*	88,021	86,176
Vehicle sales	49,871	26,089
Other**	97,306	85,576
Total	2,020,521	1,823,559

* These line items are primarily related party transactions with other Queensland state government entities.

**Approximately half of these user charges and fees have been collected from related parties (Queensland state government entities).

User charges and fees controlled by the department are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty.

Property rental income in respect of commercial operating leases (offices) is recognised on a straight-line basis over the lease term.

Revenue for building services is recognised on fixed price construction contracts and for services rendered in accordance with the percentage of completion method. Stage of completion is measured by reference to the proportion of physical work completed. Revenue is recognised on fixed price construction contracts when the outcome of the contract is reliably known. Where the outcome is not reliably known, revenue is recognised to the value of costs incurred where it is probable that the costs are recoverable. Expected losses are recognised as an expense where it is probable that the total contract costs will exceed total contract revenue.

2.2 Appropriation revenue

Reconciliation of payments from consolidated fund to appropriation revenue recognised in operating result

	2019 $'000	2018 $'000
Budgeted appropriation revenue	1,091,871	709,455
Transfers from/to other headings - variation in headings	(2,428)	-
Transfers from/to other departments - redistribution of public business	2,190	217,893
Lapsed appropriation revenue	(182,078)	(152,308)
Total appropriation receipts (cash)	909,555	775,040
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	53,975	33,574
Plus: Transfer of deferred appropriation payable from other Queensland Government entities	519	2,530
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(56,020)	(53,975)
Net appropriation revenue	908,029	757,169
Plus: Deferred appropriation payable to Consolidated Fund (expense)	54,260	52,819
Appropriation revenue recognised in Statement of Comprehensive Income	962,289	809,988

Appropriations provided under the *Appropriation Act 2018* are recognised as revenue when received or when a receivable is recognised after approval by Queensland Treasury. Where it is agreed with Queensland Treasury that a payable is recognised at year end, an expense is also recognised.

The department's appropriation is from Queensland Treasury which is a related party.

	2019 $'000	2018 $'000

2.3 Gains on disposal/remeasurement of assets

	2019 $'000	2018 $'000
Revaluation increment - buildings	4,897	95,604
Net gain on financial assets at fair value through profit or loss	4,399	8,469
Impairment loss reversal (receivables)	19	68
Net gain on disposal of property, plant and equipment	6,702	3,858
Total	16,017	107,999

3 EXPENSES

3.1 Supplies and services

	2019 $'000	2018 $'000
Property rental	434,754	426,586
Cost of sales		
Building, construction and maintenance services	385,572	371,456
Motor vehicles and land sold through inventory	44,268	22,685
Property repairs and maintenance	343,292	328,450
Outsourced service delivery - Housing and Homelessness Services	175,188	168,851
Rates to local governments*	171,646	168,943
Information, communication and technology expenses	186,795	110,069
Other property expenses	65,877	86,491
Consultants and contractors	98,023	69,942
Motor vehicle costs**	25,326	23,094
Electricity and gas	22,844	26,860
Other	98,079	88,166
Total	2,051,664	1,891,593

Property rental expenses in respect of operating leases are recognised on a straight line basis over the period of the lease term.

* The department is not required to pay general rates to local governments for properties covered by Section 95 of the *Housing Act 2003* so these payments are considered special payments. Consequently, rates to local governments include special payments totalling $52.197 million (2018 $52.539 million) in respect of general rates.

** Motor vehicle costs include registration for QFleet motor vehicles paid to a related party.

3.2 Employee expenses

	2019 $'000	2018 $'000
Employee benefits		
Wages and salaries	434,800	337,634
Annual leave levy	46,796	35,362
Employer superannuation contributions	57,610	44,946
Long service leave levy	9,174	7,215
Termination benefits	663	229
Other employee benefits	648	673
	549,691	426,059
Employee-related expenses	16,047	14,486
Total	565,738	440,545

Wages and salaries

Wages and salaries due (but unpaid at reporting date) are recognised in the Balance Sheet at 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.

3.2 Employee expenses (continued)

Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These payments are related party transactions as they are made to Queensland Treasury. 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.

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 Enterprise Bargaining Agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

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 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.

Employee-related expenses

Payroll tax and workers' compensation insurance (paid to related parties) are a consequence of employing staff, but are not counted in an employee's total remuneration package. They are not employee benefits, and are recognised separately as employee-related expenses.

Number of employees

The number of employees (measured on a full-time equivalent basis) as at 30 June 2019 is 5,436 (2018 5,286).

Key management personnel and remuneration disclosures are detailed in Note 8.1.

3.3 Grants and subsidies

	2019 $'000	2018 $'000
Housing grants		
Private housing programs	43,531	30,535
Aboriginal and Torres Strait Islander housing*	62,115	63,232
Social rental housing**	11,118	6,064
Other	1,308	2,774
Sport and recreation grants†	92,540	43,132
Other grants and subsidies‡	8,140	10,353
Total	218,752	156,090

The above amounts include the following related party transactions.

* Includes $1.401 million (2018 $4.220 million) paid to Department of Aboriginal and Torres Strait Islander Partnerships for housing.

** Includes $1.052 million (2018 $1.059 million) paid to Brisbane Housing Company for housing.

† Includes $5.553 million (2018 nil) paid to Stadiums Queensland for the Carrara Stadium loan.

‡ Includes nil (2018 $3.497 million) paid to the former Department of Science, Information Technology and Innovation for information technology fitouts prior to the machinery-of-government change.

	2019 $'000	2018 $'000

3.4 Other expenses

	2019 $'000	2018 $'000
Deferred appropriation payable to Consolidated Fund	54,260	52,819
Insurance premiums - Queensland Government Insurance Fund	15,377	15,474
Insurance premiums - other	7,718	6,012
External audit fees*	1,837	1,328
Losses:**		
Buildings subject to insurance	1,586	1,070
Public money	1	12
Special payments:***		
Court awarded damages	-	293
Ex-gratia payments - other	101	652
Other	5,027	2,275
Total	85,907	79,935

* Total audit fees quoted by the Queensland Audit Office (related party) relating to the 2018-19 financial statements are $0.929 million (GST exclusive) (2018 $0.930 million). Other audit services relate to the audit of the report on service provider controls.

** Certain losses of public property are insured with the Queensland Government Insurance Fund (QGIF) (related party). The claims made in respect of these losses have yet to be assessed by QGIF, and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of a claim, revenue will be recognised for the agreed settlement amount. For each accepted claim the department is liable for the first $10,000, being the insurance excess.

*** Special payments include ex-gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments over $5,000 include ex gratia payments to certain borrowers for maintenance of their houses.

The total of all special payments includes rates payments that are required to be disclosed within Supplies and services (Note 3.1).

4 ASSETS

4.1 Property, plant and equipment

	2019 $'000	2018 $'000
Land: at fair value	10,536,454	10,302,949
Buildings: at fair value	7,100,280	7,020,454
Leased assets: at fair value		
Gross	1,548,243	1,455,592
Less accumulated depreciation	(455,364)	(450,299)
	1,092,879	1,005,293
Plant and equipment: at cost		
Gross	639,453	608,624
Less accumulated depreciation	(212,520)	(206,303)
	426,933	402,321
Infrastructure: at fair value		
Gross	318,832	335,468
Less accumulated depreciation	(97,939)	(95,401)
	220,893	240,067
Heritage and cultural assets: at fair value		
Gross	180,299	175,590
Less accumulated depreciation	(129,056)	(124,158)
	51,243	51,432
Work in progress: at cost	319,672	193,980
Total	19,748,354	19,216,496

4.1 Property, plant and equipment (continued)

Property, plant and equipment reconciliation

	Land $'000	Buildings $'000	Leased assets $'000	Plant and equipment $'000	Infrastructure $'000	Heritage and cultural assets $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July 2017	9,726,138	6,820,155	944,006	398,408	220,138	40,053	141,107	18,290,005
Transfers from other Queensland Government entities	80,484	74,808	118,294	14,578	18,948	-	4,708	311,820
Transfers to other Queensland Government entities	(95)	(345)	-	-	-	-	(614)	(1,054)
Acquisitions	33,724	22,140	13,368	70,220	-	-	349,198	488,650
Transfers between classes	1,797	210,798	89,860	1,311	259	(3,606)	(300,419)	-
Transfers to inventories	-	-	-	(25,640)	-	-	-	(25,640)
Disposals	(6)	(2,361)	(2,024)	(698)	-	-	-	(5,089)
Assets reclassified as held for sale	(120,199)	(46,307)	-	-	-	-	-	(166,506)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	581,106	-	(124,294)	-	3,927	15,492	-	476,231
Net revaluation increments/(decrements) recognised in operating result	-	95,604	-	-	-	-	-	95,604
Depreciation	-	(154,038)	(33,917)	(55,858)	(3,205)	(507)	-	(247,525)
Carrying amount at 30 June 2018	10,302,949	7,020,454	1,005,293	402,321	240,067	51,432	193,980	19,216,496
Carrying amount at 1 July 2018	10,302,949	7,020,454	1,005,293	402,321	240,067	51,432	193,980	19,216,496
Transfers from other Queensland Government entities	-	94	1,308	-	-	-	63,350	64,752
Transfers to other Queensland Government entities	(8)	(1,854)	-	(61)	(125)	-	-	(2,048)
Acquisitions	36,835	27,176	9,364	95,460	650	-	451,244	620,729
Transfers between classes	4,024	238,702	109,276	36,027	205	-	(388,234)	-
Transfers to inventories	-	-	-	(46,229)	-	-	-	(46,229)
Disposals	(1,617)	(2,243)	(1,184)	(38)	-	-	(668)	(5,750)
Assets reclassified as held for sale	(65,344)	(25,210)	-	-	-	-	-	(90,554)
Net revaluation increments/(decrements) recognised in asset revaluation surplus	259,615	-	9,491	-	(15,217)	358	-	254,247
Net revaluation increments/(decrements) recognised in operating result	-	4,897	-	-	-	-	-	4,897
Depreciation	-	(161,736)	(40,669)	(60,547)	(4,687)	(547)	-	(268,186)
Carrying amount at 30 June 2019	10,536,454	7,100,280	1,092,879	426,933	220,893	51,243	319,672	19,748,354

4.1 Property, plant and equipment (continued)

(a) Acquisitions

Cost is used for the initial recording of all property, plant and equipment asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. The lease liability is recognised at the same amount. Lease payments are allocated between the principal component of the lease liability and the interest expense.

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

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

Buildings	$10,000
Leased assets	$10,000
Infrastructure	$10,000
Heritage and cultural	$5,000
Plant and equipment	$5,000
Land	$1

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

Subsequent expenditure that increases the originally assessed service potential or useful life of an asset is capitalised to the value of that asset. Maintenance expenditure that merely restores original service potential (arising from ordinary wear and tear) is expensed.

Land improvements undertaken by the department are included with buildings.

(b) Measurement

Land, buildings, leased assets (excluding the Government Wireless Network, see Note 4.1(h)), 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. All assets are valued at highest and best use unless otherwise stated.

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

Plant and equipment is measured at cost. The carrying amounts are not materially different from their fair value.

Capital works in progress are measured at their acquisition cost or construction cost.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment

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

The department has a Property Asset Management Committee (of which the Chief Finance Officer is a member) that oversees the valuation process undertaken by Housing and Homelessness, Queensland Government Accommodation Office, Government Employee Housing and Sport and Recreation. These units determine the specific revaluation practices and procedures. There are separate committees to provide detailed oversight of their revaluation practices, reports and outcomes arising from each annual review.

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. All assets are valued at highest and best use, which is generally consistent with current use.

All assets measured at fair value are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

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

For assets revalued using a cost valuation method (e.g. current replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount. This is generally referred to as the 'gross method'.

For assets revalued using a market or income-based valuation approach, accumulated depreciation is eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

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

When an asset is derecognised, any revaluation surplus included in equity in respect of that asset is not transferred to accumulated surplus.

(i) Social housing – land and buildings

Fair value is primarily determined by establishing current market value from the sale prices of comparable properties as there are usually active and liquid residential property markets which provide sufficient applicable sales evidence. The revaluation framework for social housing assets has been developed in recognition of the large number, homogenous nature, location and density of the property portfolio.

As at 30 June 2019, the department revalued its social housing properties by dividing the state into geographical regions and homogenous groups within each region according to certain criteria (including number of bedrooms, condition, previous value, age of property, building type). Properties were sampled for specific appraisal from groups where the department owns its highest proportion of properties and where there is adequate market depth to determine fair value. In 2018-19 31% (2017-18 30%) of properties were specifically appraised. A sample of valuations that resulted in significant movements (+ or - 20% or greater than $1 million) was reviewed by the department for reasonableness against external market information.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(i) Social housing – land and buildings (continued)

Following the specific appraisals of the representative sample of properties, separate indices were calculated for assets within each region using the mean of the ratios of the previous year's values to the current year's values. To ensure the integrity of the valuation results used to derive the indices, the department used two independent valuers to provide specific appraisals for different properties within the sample for that region. Properties with similar characteristics were given to each valuer. The mean of the test valuations provided by the second valuation firm must be within one standard deviation (+ or -) of the mean of the valuations provided by the primary valuation firm, and the relative standard error rate ≤ 4%, before the indices are accepted.

The indices were subsequently applied to properties across each region not specifically appraised, in order to derive current market values. An analysis performed by the department has indicated that on average, the variance between an indexed asset value and the valuation by an independent valuer when performed on a rotational basis is not significant, and the department's indices are sound.

Every five years, the sample is increased to further test the robustness of the index calculation process, and to provide greater coverage of the property portfolio by specific appraisal. The increased sample size was last applied to the valuations for 2016-17 .

Specific appraisals of land are undertaken at the same time as the related building revaluations are performed.

The most significant inputs into the valuations were location, bedroom count, price per square metre (units generally), land size (detached houses generally), condition and a discount factor applied to accommodation in recognition of the cost of obtaining strata title to sell. Under the fair value hierarchy there are two inputs categorised as unobservable – condition of the property and the discount applied to some multi-unit properties without strata title on individual units.

The condition rating of the properties is supplied to the valuers as part of the valuation kit. The condition rating of the properties does not result in a significant adjustment to the valuations as the department's renewal policy requires properties to be maintained to a satisfactory standard, with property condition assessed at least once every three years by internal inspection.

The discounts applied to some multi-unit residential properties where there is no strata title for individual units results in adjustments to the level two inputs that are significant to the fair value measurement, and those buildings become subject to level three hierarchy disclosures. Where single title (i.e. not strata title) exists over multi-unit properties, an adjustment is made to reflect the required costs for strata title.

<u>*Key assumptions*</u> : The following assumptions were made in relation to the valuation of social housing properties:
- All assets were valued at highest and best use. There were no assets valued where it was assumed that the highest and best use was other than its current use.
- Valuers have made the assumption that the data provided by the department is current and a true reflection of the characteristics of each property, e.g. number of bedrooms and property size.
- Valuers have assumed that all properties are in sound condition with no essential repairs required, or have assumed that the condition of the interior is consistent with the exterior of the building.
- Where recent sales for comparable properties were limited, valuers have assessed market value with reference to older sales in the area, sales in comparable areas or have applied an income approach.

(ii) Leased assets - buildings on Deed of Grant in Trust (DOGIT) land

Leased buildings are specifically appraised at least once every five years on a rolling basis. Any new leases, and new constructions, are revalued when the community receives its next specific appraisal or at most within five years. Indices provided by independent valuers are applied for the intervening years. As at 30 June 2019, an independent valuer performed specific appraisals or supplied indices. As there is no active market for buildings on DOGIT land the current replacement cost method is used. Current replacement cost reflects the current cost that would be required to replace the service capacity of the asset as it currently exists. The cost is estimated to be the amount that would be incurred by a market participant to acquire or construct a substitute asset, adjusted for comparable utility and obsolescence.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(iii) Government employee houses – land and buildings

Fair value for Queensland Government employee houses is determined by establishing market value, primarily by the direct comparison method of valuation, or by indexation. There are usually active and liquid residential property markets which provide sufficient applicable sales evidence. Where there is no active and liquid market for assets, fair value is the current replacement cost. Where properties are indexed a number of indices are used depending on the location:
- indices supplied by a registered valuer
- indices applied to social housing properties
- indices applied to Deed of Grant in Trust properties.

Specific appraisals are performed on these properties once every five years. They were last specifically appraised by an independent valuer in 2015-16. Properties that aren't specifically appraised in any given year are indexed.

(iv) Commercial properties – land and buildings

As at 30 June 2019, commercial properties were either:
- specifically appraised by independent valuers
- indexed using Rawlinsons Brisbane Construction Cost Index or
- indexed using a location-specific market index provided by an independent valuer.

These properties are specifically appraised on a rolling basis every two to four years, using a combination of market, income and cost-based approaches. Specific appraisals are procured annually in volatile property market conditions.

Valuation methods include direct comparison, capitalisation or discounted cash flow approaches or a combination of approaches depending on the size of the property and the available market evidence. Key inputs for valuation methods include sale prices, square metre of land or building area, capitalisation rates, rent rates, discount rates, operating expense rates per square metre and lease terms. These measures are influenced by market supply and demand dynamics. Building characteristics, such as size, grade and condition as well as functional, physical and economic obsolescence factors were also determinants considered by the valuers in assessing values. Valuers are required to maximise the use of observable property market evidence in determining values. In localities with adequate market activity, valuation methods are adopted that have direct reference to recent sales evidence of comparable properties.

Some localities, particularly remote areas, lack sufficient market activity to derive building values directly from sales evidence. Also, the specialised nature of some assets, such as convention centres and other purpose built structures, do not have an active market. Fair value for these assets has been assessed using current replacement cost.

Land values were assessed by the valuers having regard to market evidence of recent and relevant land sales. Land location, size, shape, elevation, accessibility, zoning and development potential were aspects considered in determining land values. Physical, legal and statutory constraints, such as heritage listings, easements, flooding and environmental, were also considered by the valuers.

(v) Sport and recreation properties - land and buildings

The majority of the sport and recreation buildings are Queensland Recreation Centres. As there is insufficient sales activity for these types of properties to derive market based valuations, the buildings are valued using the current replacement cost. Management judge that the highest and best use of these properties is their current use.

Land is comprised of freehold and reserve land. Freehold land is valued using comparisons to land that is similar in topography and location. For reserve land, market data is adjusted by the valuer to reflect the nature of the restriction and therefore uses unobservable inputs.

Specific appraisals are performed on these properties once every five years. Buildings were last specifically appraised by an independent valuer in 2014-15. Properties that aren't specifically appraised in any given year are indexed.

4.1 Property, plant and equipment (continued)

(c) Revaluation of property, plant and equipment (continued)

(vi) Infrastructure

The infrastructure assets include Roma Street Parkland improvements, the Goodwill Bridge and the Kurilpa Bridge. Fair value for the infrastructure assets is assessed using current replacement cost due to the lack of market sales evidence for such assets.

Infrastructure assets are specifically appraised at least every four years, using independent experts. They were subject to specific appraisal at 30 June 2019 by an independent valuer taking into account useful life, age, condition and functionality. Quantity surveyors assessed the replacement cost for the valuer. The valuer's assumptions for the infrastructure assets include:

- the property complies with all statutory requirements with respect to health, building, town planning and fire safety regulations
- a detailed structural survey would not reveal defects
- improvements are sited within title boundaries and without encroachment.

(vii) Heritage and cultural assets

Heritage and cultural buildings at Queen's Wharf Precinct are valued in accordance with Note 4.1(i).

Fair value for the department’s other heritage and cultural buildings is assessed based on relevant market evidence for similar assets. In localities where there is insufficient sales activity to derive market-based valuations, the buildings are valued using the current replacement cost and reproduction cost methods. This is also the case for unique or highly specialised buildings for which there is no comparable property market evidence. Properties are specifically appraised every four years unless there is an indication that more frequent revaluation is required. Specific appraisals were last performed by an independent valuer in 2017-18. At 30 June 2019 these properties were all indexed except for one property which was specifically appraised.

(d) Asset revaluation surplus by class

	Land $'000	Leased assets $'000	Infrastructure $'000	Heritage and cultural assets $'000	Total $'000
Balance at 1 July 2017	1,578,564	190,867	115,333	3,791	1,888,555
Net revaluation increments/(decrements)	581,106	(124,294)	3,927	15,492	476,231
Balance at 30 June 2018	2,159,670	66,573	119,260	19,283	2,364,786
Balance at 1 July 2018	2,159,670	66,573	119,260	19,283	2,364,786
Net revaluation increments/(decrements)	259,615	9,491	(15,217)	358	254,247
Balance at 30 June 2019	2,419,285	76,064	104,043	19,641	2,619,033

4.1 Property, plant and equipment (continued)

(e) Fair value measurement

Categorisation of fair values recognised as at 30 June 2019

	Level 2 $'000		Level 3 $'000		Total $'000	
	2019	2018	2019	2018	2019	2018
Land						
- social housing	9,234,011	8,992,987	-	-	9,234,011	8,992,987
- government employee housing	155,326	160,647	-	-	155,326	160,647
- commercial	597,429	591,407	461,991	471,338	1,059,420	1,062,745
- sport and recreation	20,271	20,126	67,426	66,444	87,697	86,570
Total land	10,007,037	9,765,167	529,417	537,782	10,536,454	10,302,949
Buildings						
- social housing	2,703,931	2,687,665	2,917,856	2,947,235	5,621,787	5,634,900
- government employee housing	467,733	445,657	30,759	29,412	498,492	475,069
- commercial	605,226	528,573	299,220	305,974	904,446	834,547
- sport and recreation	-	-	75,555	75,938	75,555	75,938
Total buildings	3,776,890	3,661,895	3,323,390	3,358,559	7,100,280	7,020,454
Infrastructure	-	-	220,893	240,067	220,893	240,067
Heritage and cultural assets	6,834	6,714	44,409	44,718	51,243	51,432
Total	13,790,761	13,433,776	4,118,109	4,181,126	17,908,870	17,614,902

Level 3 significant valuation inputs

Asset class	**Type of significant unobservable inputs**
Land	Future estimates of non-cash consideration to be received under non-cancellable contractual arrangements. The discount rate used to calculate a single present value of the future estimates. Land tenure.
Buildings	Discounts for non-strata title units. This represents the cost of obtaining strata title to sell.
Infrastructure	Infrastructure replacement costs are on a per component basis. Remaining useful lives.
Heritage and cultural assets	Building replacement/ reproduction cost rates. Remaining useful lives. Capitalisation rates. Future estimates of non-cash consideration to be received under non-cancellable contractual arrangements. The discount rate used to calculate a single present value of the future estimates.

(f) Impairment

Property, plant and equipment 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 an impairment loss.

(g) Depreciation

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

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

Any subsequent 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.

	2019 $'000	2018 $'000

4.1 Property, plant and equipment (continued)

(g) Depreciation (continued)

Assets subject to finance leases are depreciated on a straight-line basis over the term of the lease, or where it is likely that the department will obtain ownership of the asset, the expected useful life of the asset to the department.

Assets under construction (work-in-progress) are not depreciated until they reach their 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 of property, plant and equipment.

Key estimate: For each class of asset the following depreciation rates are used:

Buildings	1% to 14%	
Leased assets	3% to 25%	
Plant and equipment	3% to 50%	
Infrastructure	1% to 33%	in accordance with useful life of components
Heritage and cultural assets	1% to 3%	

Remaining useful lives are reviewed annually. Where remaining useful lives require modification, the depreciation expense changes from the date of assessment until the end of the useful life (for both current and future years). The estimation of useful lives requires management judgement in assessing the condition of the building.

Key judgement: A key strategic asset management principle of the department is the efficient and effective maintenance and upgrade of social housing properties to optimise the useful lives of assets. Property condition is assessed at least once every three years by internal inspection. This results in a condition rating being assigned, and informs future maintenance and upgrade activities. A property that is ready for demolition has a condition rating of one and a property that is like new has a condition rating of ten. Management has assessed that where 95% of social housing buildings have a condition rating greater than eight, this supports the annual revision of the remaining useful life for social housing buildings to 50 years.

(h) Leased assets

The department is lessee under various finance leases. Net carrying amounts are shown below:

	2019 $'000	2018 $'000
Buildings on Deed of Grant in Trust land	981,996	887,194
Government Wireless Network equipment	107,441	113,030
Other	3,442	5,069
	1,092,879	1,005,293

Buildings on Deed of Grant in Trust land are acquired under 40 year finance leases with a number of Aboriginal and Torres Strait Islander councils. The leases facilitate the construction and/or refurbishment of properties on communal land in accordance with the National Partnership Agreement on Remote Indigenous Housing and the later National Partnership on Remote Housing, entered into between the Australian Government and the Queensland Government. The properties are initially recognised at the present value of the minimum lease payments, which is lower than the fair value of the leased property.

The Government Wireless Network (GWN) is a digital radio network provisioned, operated and maintained by a telecommunication service provider under a service agreement dated September 2013. During various roll-out stages of the GWN, the department gained progressive control over the GWN equipment through the department's exclusive ‘right to use’ the equipment under the GWN agreement. Also included in the GWN is the right to receive replacement of exclusive assets over the life of the agreement. The gross carrying value of the GWN represents the present value of future payments under the service agreement attributable to the assets.

(i) Queen's Wharf Precinct

On 16 November 2015 the Queensland Government entered into contractual arrangements with the Destination Brisbane Consortium (‘the Consortium') to redevelop the Queen’s Wharf Precinct in the centre of Brisbane into an Integrated Resort Development (‘the IRD Project’). The redevelopment area is located between the Brisbane River and George Street, and between Alice and Queen Streets (‘the IRD Precinct’).

4.1 Property, plant and equipment (continued)

(i) Queen's Wharf Precinct (continued)

The Department of Housing and Public Works is the owner of the majority of land and buildings within the IRD Precinct. A leasehold development lease and a freehold development lease for the project commenced on 22 February 2018 transferring responsibility of the whole of the site to the Consortium. As at 30 June 2019 the land and buildings in the precinct have been valued on the basis that the contractual arrangements are considered to be non-cancellable and the highest and best use of the land and buildings in the precinct is that of an IRD. The fair value is based on the income approach with the cash and future estimates for the non-cash consideration to be received under the contractual arrangements discounted to a single present value. Under the fair value hierarchy the future estimates of the non-cash consideration and the discount rate are categorised as unobservable inputs. As at 30 June 2019, the carrying value of the land and buildings within the IRD Precinct was $478.784 million (2018 $488.783 million).

(j) Long-term Community Housing Program

The department's Long-term Community Housing Program aims to deliver long-term rental housing that is secure, appropriate and affordable, for persons whose needs are not adequately met by other housing options. Under this program the department may provide grants of property or monetary assistance to community housing providers. Grant funding is provided for the construction, purchase or upgrade of dwellings and community housing providers may also contribute land and funding for the dwellings. The terms and conditions of the grant funding are contained in agreements entered into between the State and the provider. Legal title to dwellings funded under this program may be held by the provider or the department. As at 30 June 2019, the department had provided funding in relation to 3,169 (2018 3,388) properties under this program where title is held by the provider. Due to the fact that the department does not have sole control of these assets, and they are not material, these assets are not disclosed as department assets.

4.2 Loans and receivables

	2019 $'000	2018 $'000
Current		
Trade debtors	193,735	171,290
Rental bond loans	24,630	26,150
Less: allowance for impairment loss	(9,655)	(10,301)
	14,975	15,849
Social housing debtors - rent and maintenance	34,211	30,187
Less: allowance for impairment loss	(25,762)	(13,068)
	8,449	17,119
Annual leave reimbursements*	9,062	8,446
Long service leave reimbursements*	2,777	2,385
Housing loans	5,210	5,111
Finance lease receivables	1,323	1,323
Total current loans and receivables	235,531	221,523
Non-current		
Rental bond loans	6,154	6,533
Less: allowance for impairment loss	(2,414)	(2,588)
	3,740	3,945
Housing loans	37,831	30,652
Finance lease receivables	27,774	35,936
Total non-current loans and receivables	69,345	70,533

*Refer to note 3.2 for further information.

4.2 Loans and receivables (continued)

Loans and receivables are measured at amortised cost which approximates their fair value at reporting date. Loans and receivables are recognised at the amount due at the time of sale or service delivery with the exception of housing loans, which reflect the monies lent, plus interest and other costs, less repayments from borrowers. Settlement of trade debtors is generally required within 30 days from invoice date. Bond loan terms range from 18 to 30 months. Original housing loan terms range from 10 to 30 years on average.

Related party receivables include the following debts owed at 30 June by other Queensland public sector entities:
- trade debtors - mostly comprised of debts owed for building maintenance/construction, information and communication technology and corporate services
- annual and long service leave reimbursements receivable.

Movements in allowance for impairment loss

	Current			Non-current
	Rental bond loans $'000	Social housing debtors $'000	Total $'000	Rental bond loans $'000
Balance at 1 July 2017 as per AASB 139	9,774	12,866	22,640	2,444
Increase in allowance recognised in operating result	1,545	(182)	1,363	399
Amounts written-off during the year	(1,018)	384	(634)	(255)
Balance at 30 June 2018 as per AASB 139	10,301	13,068	23,369	2,588
Amounts restated through accumulated surplus	416	-	416	-
Balance at 1 July 2018 as per AASB 9	10,717	13,068	23,785	2,588
Increase in allowance recognised in operating result	2,725	14,100	16,825	773
Amounts written-off during the year	(3,787)	(1,406)	(5,193)	(947)
Balance at 30 June 2019 as per AASB 9	9,655	25,762	35,417	2,414

The department's impairment accounting policies for loans and receivables are outlined in note 4.3.

4.3 Credit risk

The department is exposed to credit risk on its loans and receivables. The maximum exposure to credit risk at balance date is the gross carrying amount of these assets without taking into account collateral. The department manages credit risk by monitoring all funds owed on a timely basis.

Rental bond loans and social housing debtors

Risk management

Rental bond loans and social housing debtors are the main sources of credit risk for the department. To manage credit risk, the department's preferred payment method is Easypay, which consists of three types of electronic deductions, the Rent Deduction Scheme (through the Commonwealth Department of Human Services - Centrelink), the Direct Deduction Facility through the Commonwealth Department of Veteran Affairs and a bank direct debit through financial institutions. The department actively pursues outstanding debts and it is policy to not provide further housing assistance to customers with a prior debt to the department, until that debt has been repaid or where customers have made an agreement to and progress repaying the debt through a Deed of Repayment arrangement.

Loss allowance

To measure the loss allowance under AASB 9, the department has used the following approach.

For social housing debtors the department has applied the simplified approach in AASB 9 and has calculated the lifetime expected credit loss on a collective basis.

4.3 Credit risk (continued)

Rental bond loans and social housing debtors (continued)

For rental bond loans the department has applied, on a collective basis, the general approach for measuring the loss allowance. This involves the recognition of a lifetime expected credit loss for loans that have a significant increase in credit risk. A 12-month expected credit loss is recognised for those loans that do not have a significant increase in credit risk. Loans are considered to have a significant increase in credit risk where they have repayments that are past due.

To calculate the lifetime expected credit losses for both rental bond loans and social housing debtors, the department uses a provision matrix that is based on the department's historical credit loss experience for various groups of debtors with shared credit risk characteristics, adjusted for current circumstances and forward-looking factors where relevant. Loss histories associated with the various debtor groups are reviewed to determine percentage rates to be applied to calculate the expected credit loss. Social housing debts are grouped based on days past due, the nature of the debt (rent or maintenance) and the type of property (remote Indigenous housing or public housing). Bond loan debts are grouped based on days past due and current vs terminated tenancy.

Write-offs

Debts are written off against the relevant allowance for impairment when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:
- bankruptcy conditions apply
- customers are deceased
- the tenancy is terminated and the debt is low value
- for all other amounts - the tenancy is terminated (and for bond loan customers the bond is disbursed) and multiple attempts to contact the customer (through various channels) and recover the debt have been unsuccessful.

The write-off of a debt does not release the customer from the debt and future action may be taken to recover the debt if further housing assistance is sought. A debt may only be waived in exceptional circumstances after a full review of the debt has been undertaken.

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

Housing loans

Housing loans have low credit risk and accordingly no impairment allowance is recognised for these debts. Most loans in the department's housing lending portfolio are secured by a registered first mortgage over the property concerned. Loans under the Rental Purchase Plan scheme are secured through title to the property remaining with the department until the purchase is fully completed under the contract. For loans under the Pathways Shared Equity Program, title to the property is held jointly by the department and the borrower until the purchase is fully completed under the contract. Housing loans generally have a low level of arrears and defaults, and a lot of the loans were provided many years ago based on much lower residential property values. The level of write-offs has been immaterial.

Other receivables

Trade debtors and finance lease receivables have low credit risk as they are predominately with other state and commonwealth government agencies. The level of write-offs has been immaterial and therefore no impairment allowance is recognised for these receivables.

Ageing of past due but not impaired loans and receivables

This disclosure relates only to comparative balances at 30 June 2018. Under AASB 9, effective from 1 July 2018 a loss allowance is assessed for all receivables.

	Overdue				
	Less than 30 days $'000	**30-60 days $'000**	**61-90 days $'000**	**More than 90 days $'000**	**Total $'000**
2018 Loans and receivables	25,624	3,240	4,020	5,295	38,179

	2019 $'000	2018 $'000
4.4 Inventories		
Inventory held for resale		
Construction work in progress*	31,811	38,478
Motor vehicles	10,265	7,801
Finished goods	348	332
	42,424	46,611
Raw materials	50	54
Total	42,474	46,665
*Construction work in progress comprises:		
Contract costs incurred to date	120,355	83,390
Profit recognised to date	15,716	11,217
Less: Allowance for foreseeable losses	(260)	(287)
Less: Progress billings	(104,000)	(55,842)
	31,811	38,478

Inventories are valued at the lower of cost and net realisable value.

Construction work in progress related to projects managed by Building and Asset Services is carried at cost plus profit recognised to date, based on an estimation of the value of work completed, less progress billings and less any allowance for foreseeable losses. An allowance for the total loss on a contract is made as soon as the loss is identified.

Costs include both variable and fixed costs directly related to specific contracts, and those which can be attributed to contract activity in general and allocated to specific contracts on a reasonable basis. Also included are costs expected to be incurred under penalty clauses and rectification provisions.

Project bank accounts

The department enters into a number of building and construction project contracts during its ordinary course of business. For each of these contracts a competitive tendering process is undertaken to appoint head contractors, who in turn, may engage subcontractors to complete part of the works.

Under the *Building Industry Fairness (Security of Payment) Act 2017* ("the Act"), the head contractor would establish a project bank account with the head contractor as trustee and both the head contractor and the 'first tier' subcontractors as beneficiaries.

Each project bank account is a set of three trust accounts intended to facilitate all payment transactions for the head contractor and first tier subcontractors. The general trust account will receive the progress payments from the principal as required under the head contract and distribute payments to the head contactor and subcontractors and transfers of retentions and disputed amounts. The retention trust account will hold subcontractors' cash retentions until ready to be paid out while the disputed funds trust account will hold disputed amounts pending resolution of any disputes between the head contractor and subcontractors.

The department has no involvement in the management of the trust accounts except in limited circumstances where the head contractor is terminated or enters insolvency and, under Section 54 of the Act, the department may step into the role of trustee. During 2018-19 there have been no situations where the department has had to step into the role of trustee.

	2019	2018
	$'000	$'000

4.5 Financial assets at fair value through profit or loss

The department has two housing products which are classified as financial assets at fair value through profit or loss, being Rental Purchase Plan and Pathways Shared Equity.

Under a Rental Purchase Plan agreement, clients obtain a loan from the department for the purchase of a part share in a home and pay monthly instalments which include both a loan repayment (including interest) and a rent component. Under the Pathways Shared Equity Program, clients obtain a loan from the department for the purchase of a share in a property they are currently renting from the department. Clients pay monthly loan repayments to the department.

The department does not have effective control of properties subject to these agreements and its interest in the properties meets the definition of a financial instrument. Fair value is based on the net market value of the department's proportion of the underlying properties.

Loans provided under the loan agreements for these products are disclosed as housing loans receivable.

The department is exposed to market risk through its interest in Rental Purchase Plan and Pathways Shared Equity properties as the value of the department's interest in the properties is directly related to movements in the residential property market in the respective areas where they are located. Historically between 80% to 90% of the value of the department's interest in these properties is concentrated in the south-east corner of Queensland.

4.6 Non-current assets classified as held for sale

	2019	2018
Land	24,553	82,984
Buildings	6,868	22,264
Total	31,421	105,248

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

The assets are measured at the lower of their carrying amount and their fair value less costs to sell. Any write-down to fair value less costs to sell is a non-recurring valuation. The write-down is recognised as an impairment loss expense. These assets are no longer depreciated upon being classified as held for sale.

These assets consist of social housing, government employee housing and commercial properties to be sold in line with ongoing portfolio management strategies to ensure the alignment of cost-effective and suitable properties with client needs in specific locations. These sales are generally achieved by listing the properties on the open market, but may also be negotiated directly with prospective purchasers (e.g. another Queensland Government agency or community organisation) or existing tenants.

The technique to determine fair value less costs to sell for land and buildings is consistent with the technique used for the department's social housing, government employee housing and commercial properties (i.e. market and income approaches) and so the valuation represents a level two measurement. Refer to Note 4.1 for further details about the valuation of land and buildings.

		2019 $'000	2018 $'000
5	**LIABILITIES**		
5.1	**Interest-bearing liabilities**		
	Current		
	Australian Government borrowings	15,450	15,149
	Queensland Treasury Corporation borrowings	-	1,269
	Finance lease liability	13,790	12,633
	Total current interest-bearing liabilities	29,240	29,051
	Non-current		
	Australian Government borrowings	263,066	278,516
	Queensland Treasury Corporation borrowings	186,512	183,499
	Finance lease liability	230,049	235,359
	Total non-current interest-bearing liabilities	679,627	697,374

Borrowings

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, and then subsequently held at amortised cost using the effective interest method. Borrowing costs are recognised as an expense.

The fair value of Australian Government borrowings and Queensland Treasury Corporation borrowings is notified by the Queensland Treasury Corporation and is calculated using discounted cash flow analysis. It is classified as a level three fair value in the fair value hierarchy. The carrying amount and fair value of borrowings is disclosed below:

	2019		2018	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Australian Government borrowings	278,516	351,849	293,665	336,500
Queensland Treasury Corporation borrowings	186,512	189,737	184,768	186,142

Finance lease liabilities

Future minimum lease payments under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Not later than one year	22,860	22,041	19,030	17,974
Later than one year and not later than five years	102,068	99,699	86,189	82,354
Later than five years	247,565	261,179	138,620	147,664
	372,493	382,919	243,839	247,992
Less future finance charges	(128,654)	(134,927)	-	-
Present value of minimum lease payments	243,839	247,992	243,839	247,992

The department has entered into a number of land and building finance leases with councils in remote Aboriginal and Torres Strait Islander communities to facilitate new social housing and housing upgrades. Each lease has a life of 40 years with an option exercisable by the department to renew for another 40 years included in the lease contract. The leases have no purchase options. In respect of these leases, contingent rent of $4.202 million (2018 $3.886 million) was recognised as an expense. This consisted of annual CPI adjustments to lease payments and property rates payable under the lease agreements.

Effective from 13 December 2017, a finance lease for the Government Wireless Network was transferred from the Department of Science, Information Technology and Innovation. The lease is a means of funding the acquisition and replacement of information and communication equipment. Lease payments are fixed and the lease does not have escalation clauses other than in the event of payment default. The department has options to purchase this equipment at the expiry of the lease period, at an agreed cost determined in reference to a reasonable written down value of the equipment at termination date.

Refer to Note 4.1(a) and 4.1(h) for further information on these leases.

	2019 $'000	2018 $'000

5.2 Payables

	2019 $'000	2018 $'000
Current		
Trade creditors	247,120	268,148
Grants and subsidies payable	42,569	32,078
Deferred appropriation payable to Consolidated Fund	56,020	53,975
Equity adjustment payable	20,972	2,119
Dividends	7,891	8,438
GST payable	20,527	20,868
GST input tax credits receivable	(18,584)	(11,935)
Net GST payable	1,943	8,933
Total	376,515	373,691

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.

The department recognises as payable those dividends declared on, or before, the reporting date, in relation to the profit of the commercialised business units. The entire amount of declared dividends remaining undistributed at the reporting date is recognised.

5.3 Lease incentives

	2019 $'000	2018 $'000
Current		
1 William St, Brisbane	13,841	13,841
Other	3,680	1,625
Total	17,521	15,466
Non-current		
1 William St, Brisbane	153,332	172,481
Other	25,099	3,075
Total	178,431	175,556

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

5.4 Queen's Wharf deferred consideration

The developer of the Queen’s Wharf Project is providing the state with cash and non-cash consideration in return for the right to develop the Precinct and operate the Integrated Resort Development. The upfront cash received cannot be recognised as revenue until completion of the Project. Until this point in time, the upfront cash is recognised with a corresponding liability.

5.5 Unearned revenue

	2019 $'000	2018 $'000
Current		
Construction contracts	61,057	65,868
Rent	20,485	20,693
Finance lease revenue	1,323	1,322
Other	19,829	19,723
Total	102,694	107,606
Non-current		
Finance lease revenue	27,774	29,330
Other	1,210	-
Total	28,984	29,330

	2019 $'000	2018 $'000

5.6 Other liabilities

	2019 $'000	2018 $'000
Current		
Provisions	3,034	9,460
Other	3,231	3,220
Total	6,265	12,680
Non-current		
Provisions	44,106	-
Other	349	284
Total	44,455	284

The following additional provisions were recognised in 2018-19:

- $27.622 million for rectification costs for 15 department owned buildings requiring remediation to address the presence of combustible cladding. All 15 buildings have had interim risk mitigation strategies implemented and are safe for occupation pending final remediation. On the basis of specialist fire engineering assessment and advice, these buildings will require cladding alterations to be progressively implemented for non-conforming building products. The program of rectification works will commence in 2019-20 and continue over a number of years.
- $19 million for transfer duty relating to the Queens Wharf Precinct Integrated Resort Development (IRD) agreement payable to Queensland Treasury (related party) when the IRD long term lease is issued.

5.7 Liquidity risk

The department is exposed to liquidity risk in respect of its payables, Australian Government and Queensland Treasury Corporation (related party) borrowings and finance lease liabilities. The department reduces the exposure to liquidity risk by ensuring it has sufficient funds available to meet these obligations as they fall due.

The department has overdraft facilities of $45.450 million (2018 $61.650 million) with the Commonwealth Bank and working capital facilities of $60 million (2018 $60 million) with Queensland Treasury Corporation. These facilities were undrawn as at 30 June and are available for future use.

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 will differ from the amortised cost (carrying amount) where this is based on principal loan amount outstanding or discounted cash flows.

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

		Undiscounted cash flows			
	Amortised	Contractual maturity payable in			
2019	Cost $'000	<1 year $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial liabilities					
Payables	376,515	376,515	-	-	376,515
Interest-bearing liabilities					
Australian Government borrowings	278,516	27,831	106,375	263,077	397,283
Queensland Treasury Corporation borrowings	186,512	6,089	24,284	186,512	216,885
Finance lease liability	243,839	22,860	102,068	247,565	372,493
Total	1,085,382	433,295	232,727	697,154	1,363,176

5.7 Liquidity risk (continued)

2018	Amortised Cost $'000	Undiscounted cash flows – Contractual maturity payable In <1 year $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial liabilities					
Payables	373,691	373,691	-	-	373,691
Interest-bearing liabilities					
Australian Government borrowings	293,665	28,202	108,445	288,839	425,486
Queensland Treasury Corporation borrowings	184,768	7,667	27,997	180,867	216,531
Finance lease liability	247,992	22,041	99,699	261,179	382,919
Total	1,100,116	431,601	236,141	730,885	1,398,627

6 EQUITY

6.1 Contributed equity

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity during the reporting and comparative years and are disclosed in the Statement of Changes in Equity:

- appropriations for equity adjustments (refer to Note 6.2)
- non-appropriated equity adjustments
- non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes.

6.2 Appropriations recognised in equity

	2019 $'000	2018 $'000
Reconciliation of payments from consolidated fund to equity adjustment		
Budgeted equity adjustment appropriation	225,903	180,146
Transfers from/to other departments - redistribution of public business	108,000	(799)
Unforeseen expenditure	-	121,730
Lapsed equity adjustment	(42,427)	-
Equity adjustment receipts (payments)	291,476	301,077
Less: Opening balance of equity adjustment receivable	-	(4,416)
Less: Transfer of equity adjustment receivable from other Queensland Government entities	-	(2,993)
Plus: Opening balance of equity adjustment payable	2,119	-
Less: Closing balance of equity adjustment payable	(20,972)	(2,119)
Equity adjustment recognised in contributed equity	272,623	291,549

7 BUDGET TO ACTUAL COMPARISON

Following machinery-of-government changes outlined in Note 1.5 and as required by Queensland Treasury policy under such circumstances, the budget figures used in this comparison represent the Adjusted Budget figures for the financial year, as published in the latest Service Delivery Statement tabled in Parliament.

STATEMENT OF COMPREHENSIVE INCOME

	Variance notes	Adjusted budget 2019 $'000	Actual 2019 $'000	Variance $'000
INCOME				
User charges and fees		1,967,169	2,020,521	53,352
Appropriation revenue	1	1,095,829	962,289	(133,540)
Grants and other contributions		7,485	28,789	21,304
Interest		6,058	6,048	(10)
Other revenue		39,323	32,422	(6,901)
Total revenue		3,115,864	3,050,069	(65,795)
Gains on disposal/remeasurement of assets		3,773	16,017	12,244
Total income		3,119,637	3,066,086	(53,551)
EXPENSES				
Supplies and services		2,083,893	2,051,664	(32,229)
Employee expenses		588,164	565,738	(22,426)
Depreciation and amortisation		272,482	277,641	5,159
Grants and subsidies	2	325,224	218,752	(106,472)
Finance/borrowing costs		28,880	28,607	(273)
Impairment losses		8,431	26,274	17,843
Other expenses		29,934	85,907	55,973
Total expenses		3,337,008	3,254,583	(82,425)
Operating result before income tax		(217,371)	(188,497)	28,874
Income tax benefit/(expense)		(706)	(6,674)	(5,968)
Operating result after income tax		(218,077)	(195,171)	22,906
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to operating result				
Increase/(decrease) in asset revaluation surplus	3	-	254,247	254,247
Total other comprehensive income		-	254,247	254,247
Total comprehensive income		(218,077)	59,076	277,153

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

BALANCE SHEET

	Variance notes	Adjusted budget 2019 $'000	Actual 2019 $'000	Variance $'000
CURRENT ASSETS				
Cash and cash equivalents	4	283,521	567,354	283,833
Loans and receivables	5	183,398	235,531	52,133
Prepayments		67,336	65,336	(2,000)
Inventories		56,999	42,474	(14,525)
Financial assets at fair value through profit or loss		5,000	6,000	1,000
Deferred operating lease rent		5,560	4,525	(1,035)
Tax assets		3,139	-	(3,139)
		604,953	921,220	316,267
Non-current assets classified as held for sale		23,004	31,421	8,417
Total current assets		627,957	952,641	324,684
NON-CURRENT ASSETS				
Property, plant and equipment		19,208,450	19,748,354	539,904
Financial assets at fair value through profit or loss		182,613	180,949	(1,664)
Deferred operating lease rent		103,699	104,285	586
Loans and receivables		72,768	69,345	(3,423)
Intangible assets		33,302	30,292	(3,010)
Prepayments		161	2,815	2,654
Deferred tax assets		312	2,011	1,699
Total non-current assets		19,601,305	20,138,051	536,746
TOTAL ASSETS		20,229,262	21,090,692	861,430
CURRENT LIABILITIES				
Payables	6	196,288	376,515	180,227
Unearned revenue		94,315	102,694	8,379
Interest-bearing liabilities		29,870	29,240	(630)
Accrued employee benefits		22,833	25,665	2,832
Lease incentives	7	14,768	17,521	2,753
Deferred operating lease rent		6,313	5,335	(978)
Tax liabilities		326	2,341	2,015
Other current liabilities	9	3,434	6,265	2,831
Total current liabilities		368,147	565,576	197,429
NON-CURRENT LIABILITIES				
Interest-bearing liabilities		673,217	679,627	6,410
Lease incentives	7	152,773	178,431	25,658
Deferred operating lease rent		135,316	139,990	4,674
Queen's Wharf deferred consideration	8	121,840	91,891	(29,949)
Unearned revenue		27,872	28,984	1,112
Deferred tax liabilities		17,256	16,877	(379)
Other non-current liabilities	9	837	44,455	43,618
Total non-current liabilities		1,129,111	1,180,255	51,144
TOTAL LIABILITIES		1,497,258	1,745,831	248,573
NET ASSETS / TOTAL EQUITY		18,732,004	19,344,861	612,857

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

STATEMENT OF CASH FLOWS

	Variance notes	Adjusted budget 2019 $'000	Actual 2019 $'000	Variance $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
User charges and fees		1,958,813	1,949,117	(9,696)
Appropriation receipts	10	1,094,061	909,555	(184,506)
GST input tax credits received from Australian Taxation Office		220,578	200,787	(19,791)
GST collected from customers		165,791	155,031	(10,760)
Grants and other contributions		7,485	20,308	12,823
Interest receipts		3,909	4,028	119
Other		37,511	58,601	21,090
Outflows:				
Supplies and services		(2,124,060)	(2,060,404)	63,656
Employee expenses		(588,375)	(566,783)	21,592
GST remitted to Australian Taxation Office		(187,862)	(200,318)	(12,456)
GST paid to suppliers		(199,019)	(192,497)	6,522
Grants and subsidies	11	(325,224)	(205,977)	119,247
Finance/borrowing costs		(28,853)	(24,419)	4,434
Taxation equivalents		(4,851)	(7,836)	(2,985)
Other		(43,421)	(11,048)	32,373
Net cash provided by (used in) operating activities		(13,517)	28,145	41,662
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	12	97,425	169,875	72,450
Loans and advances redeemed	13	33,802	23,757	(10,045)
Redemption of other financial assets		5,000	6,030	1,030
Outflows:				
Payments for property, plant and equipment		(520,649)	(529,785)	(9,136)
Loans and advances made		(37,180)	(33,903)	3,277
Payments for intangible assets		(5,884)	(2,635)	3,249
Net cash provided by (used in) investing activities		(427,486)	(366,661)	60,825
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Equity injections		398,588	428,644	30,056
Borrowings		12,500	10,000	(2,500)
Outflows:				
Equity withdrawals	14	(184,686)	(228,332)	(43,646)
Borrowing redemptions		(16,729)	(15,460)	1,269
Dividends paid		(5,718)	(8,438)	(2,720)
Finance lease payments		(13,790)	(13,247)	543
Net cash provided by (used in) financing activities		190,165	173,167	(16,998)
Net increase (decrease) in cash and cash equivalents		(250,838)	(165,349)	85,489
Increase (decrease) in cash and cash equivalents from restructuring		4,383	4,787	404
Cash and cash equivalents – opening balance		529,976	727,916	197,940
Cash and cash equivalents – closing balance		283,521	567,354	283,833

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Explanations of major variances

Major variances have been assessed as meeting both of the following criteria:

- The line item within the Statement of Comprehensive Income or the Balance Sheet is material (greater than 10%) compared to total income, total expenses, total assets (less property, plant and equipment) or total liabilities, as applicable. The line item within the Statement of Cash Flows is material (greater than 10%) compared to total inflows or total outflows (as applicable) for the relevant cash flow category (i.e. operating/investing/financing).

- The variance between the actual amount and the adjusted budget is greater than 10% except for payments for property, plant and equipment (Statement of Cash Flows) and employee expenses and supplies and services (Statement of Comprehensive Income) where 5% is used.

The department may include as major variances, line items not meeting the above criteria, but which are considered material due to their nature.

Statement of Comprehensive Income

1 *Appropriation revenue*
The variance of ($133.540 million) is mainly due to:
- a decrease of $88.695 million in Housing and Homelessness Services including:
  - net deferrals ($27.072 million) mainly from 2018-19 to 2019-20 and outer years for various housing programs due to changes in timing as a result of the complexity of the delivery of work, including initiatives under the Queensland Housing Strategy Program ($12.796 million), Future of Property and Tenancy System project ($5.536 million) and works in the remote Aboriginal and Torres Islander communities ($7.560 million)
  - transfers from appropriation revenue to equity funding ($32.321 million) for Housing Construction and Jobs Program ($17.394 million), Remote Indigenous Capital Delivery ($8.900 million) and student accommodation on Thursday Island ($6.027 million)
  - the National Rental Affordability Scheme ($29.302 million) to align with the expected timing of payments under the Scheme
- a decrease of $31.125 million in Sport and Recreation mainly due to net deferrals from 2018-19 to 2019-20 due to changes in the timing of delivery for a significant capital project ($8.055 million), Female Facilities Program ($6.582 million), Get in the Game Programs ($6.706 million) and other committed grant programs ($4.033 million) as the timing of payments is reliant on third party claims.

2 *Grants and subsidies*
The variance of ($106.472 million) is mainly due to:
- a decrease of $68.301 million in Housing and Homelessness Services mainly due to the net transfer from capital grants to capital works in 2018-19 ($33.318 million) due to changes in program delivery for Housing Construction and Jobs Program and Remote Indigenous Capital Delivery, underspend for upgrades ($14.074 million) and maintenance ($4.091 million) in the remote Aboriginal and Torres Strait Islander communities mainly due to extreme weather events in a number of communities and the timing of program delivery for various social and private housing programs ($16.818 million)
- a decrease of $31.550 million in Sport and Recreation grant programs mainly due to net deferrals from 2018-19 to 2019-20 due to changes in the timing of delivery for a significant capital project ($8.055 million), Female Facilities Program ($6.582 million), Get in the Game Programs ($6.706 million) and other committed grant programs ($4.458 million) as the timing of payments is reliant on third party claims.

3 *Asset revaluation surplus*
The department does not budget for movements in the fair value of property, plant and equipment as this is reflective of market movements which cannot be reliably estimated, particularly given the size and diversity of the department's property portfolio.

The variance of $254.247 million principally represents increases in the value of social housing residential land ($261.075 million). The movement in social housing land values principally reflects increased values across the South East Queensland residential property market. These increases were offset by a moderate reduction in North West Queensland and Central Queensland as properties in this area continue to be impacted by the decline in housing demand resulting from the post mining capital investment phase and falling commodity prices.

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Balance Sheet

4 *Cash and cash equivalents*

The variance of $283.833 million is mainly due to:

- increased cash balance for Housing and Homelessness Services ($149.510 million) mainly due to a higher cash opening balance ($77.946 million) for timing differences in capital works, grants and supplies and services expenditure in 2017-18 for various Housing and Homelessness Services programs, as well as the timing in 2018-19 of expenditure for property, plant and equipment ($27.839 million), grants and subsidies ($25.414 million), outsourced service delivery ($9.101 million) and lower supplies and services ($10.562 million)
- increased cash balance for Public Works ($103.003 million) mainly due to timing of contractor invoices for work delivered but paid after 30 June ($38.839 million), deferrals from 2018-19 to 2019-20 mainly for capital, maintenance and information technology projects committed but not finalised ($51.061 million) and higher residential property sales than anticipated ($6.104 million).

5 *Loans and receivables - current*

The variance of $52.133 million is mainly due to:

- increased volume of invoices raised in June for Project Delivery client capital projects ($26.700 million)
- timing of client invoices for recovery of commercial office building outgoings, shared services and information technology charges ($9.000 million)
- a net increase in Building and Asset Services receivables ($6.878 million) due to higher sales associated with increased client programs delivered and billed in June
- an increase in Housing and Homelessness bond loans receivables ($3.711 million) mainly due to lower bond loan redemptions than budgeted, partly offset by lower bond loan advances than budgeted as demand is client driven and difficult to predict.

6 *Payables*

The variance of $180.227 million is mainly due to:

- an increase in approved net deferrals relating to revenue and equity appropriation funding ($106.294 million) mainly for capital projects, grants, maintenance and information technology projects committed but not finalised
- an increase in Building and Asset Services trade creditors ($27.618 million) mainly due to a higher value of supplier invoices received in June compared to budget due to the increased volume of work
- an increase in Project Delivery trade creditors ($24.400 million) due to a higher value of suppliers invoices received in June for client capital projects delivered but not due for payment at 30 June
- an increase in Social Rental Housing and Remote Indigenous Housing capital works creditors ($18.250 million) for work delivered but not due for payment at 30 June.

7 *Lease incentives*

The variance of $28.411 million is mainly due to a change in lease incentive accounting treatment for the leased commercial office portfolio; incentives are now recognised by the department rather than the occupying agency.

8 *Queen's Wharf deferred consideration*

The variance of ($29.949 million) is due to the transfer duty to be paid from the cash consideration received under the contractual arrangements. During 2018-19 Queensland Treasury finalised the transfer duty assessment on the Residential Development Agreement and provided guidance on the calculation of the future transfer duty on the Integrated Resort Development Agreement. The duty paid in 2018-19 and estimated future duty is greater than the departments initial estimate.

9 *Other liabilities*

The variance of $46.449 million is mainly due to:

- the estimated rectification costs ($27.622 million) for 15 department owned buildings requiring remediation for non-conforming building products
- the estimated transfer duty ($19 million) for the Queen's Wharf Precinct Integrated Resort Development agreement as outlined in variance note 8 above.

7 BUDGET TO ACTUAL COMPARISON (CONTINUED)

Statement of Cash Flows

10 *Appropriation receipts*

The variance of ($184.506 million) mainly relates to appropriation revenue net deferrals ($133.540 million) as outlined in variance note 1 above plus net deferrals ($56.020 million) relating to revenue appropriation funding as outlined in variance note 6 above.

11 *Grants and subsidies*

The variance of ($119.247 million) mainly relates to the grants and subsidies net deferrals and net transfer from capital grants to capital works as outlined in variance note 2 plus an increase in Housing and Homelessness Services capital grants accruals for work delivered but not due for payment at 30 June.

12 *Sales of property, plant and equipment*

The variance of $72.450 million is mainly due to the sale proceeds for the former GoPrint and Landcentre sites at Woolloongabba, Brisbane.

13 *Loans and advances redeemed*

The variance of ($10.045 million) for lower redemptions on loans is mainly due to lower bond loan advances in 2017-18 and 2018-19 as demand is client driven and difficult to predict.

14 *Equity withdrawals*

The variance of ($43.646 million) is mainly due to the return to the Consolidated Fund of sale proceeds for the former GoPrint and Landcentre sites at Woolloongabba, Brisbane, partially offset by a reduction in the value of the Queen's Wharf Precinct cash consideration returned due to the transfer duty payable as outlined in variance note 8 above.

8 OTHER INFORMATION

8.1 Key management personnel disclosures

(a) Details of key management personnel

The department's responsible Minister is identified as part of the department's key management personnel (KMP), consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures.* That Minister is the Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport.

The following details for non-ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the department. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management. (There were no material related party transactions with KMP during 2018-19 other than what is reported in this KMP note.)

Position	Position responsibility
Director-General	Responsible for executive leadership, overall strategic direction and the financial administration of the department.
Deputy Director-General, Building Policy and Asset Management[1]	Responsible for providing strategic leadership to deliver high quality outcomes under the department's capital works and building asset management programs, accommodation and employee housing programs and disaster management coordination efforts. The role is critical in developing and maintaining effective partnerships and relationships with key stakeholders and clients including interface with the building industry.
Deputy Director-General, Housing, Homelessness and Sport[1]	Responsible for providing strategic leadership to design and deliver housing and homelessness services in Queensland through remote Aboriginal and Torres Strait Islander housing, social and private housing assistance, homelessness support services, crisis accommodation and regulatory services which regulate residential services, residential parks and retirement villages industries in Queensland. The role also provides strategic leadership for sport and recreation strategies and programs as well as initiatives to build the capacity of the sport and recreation industry.
Deputy Director-General, Digital Technology and Services[1]	Responsible for providing strategic leadership on whole-of-government ICT initiatives that enable modern, responsive and integrated frontline services for Queenslanders and preserves and improves access to Queensland's record-related information. The role also provides strategic leadership to deliver a range of corporate transactional and advisory services and associated technology solutions across Queensland Government departments and agencies.
Deputy Director-General, Portfolio Strategy and Chief Advisor, Queensland Government Procurement[1]	Responsible for providing strategic coordination across the department and leading effective whole-of-government change across procurement, service transformation and digitisation, delivering a more responsive government for all Queenslanders. The Chief Advisor Queensland Government Procurement oversees the entire Queensland Government procurement system, establishing policy, strategy and governance of Queensland's agency led, centrally enabled procurement function.
Assistant Director-General, Digital Platforms and Data[2]	Responsible for providing strategic leadership on whole-of-government ICT initiatives that enable modern, responsive and integrated frontline services for Queenslanders.
Assistant Director-General, Sport and Recreation[2]	Responsible for strategic leadership of the division implementing strategies and programs to encourage active lifestyles and initiatives to build the capacity of the sport and recreation industry.
Assistant Director-General, Building Legislation and Policy[2]	Responsible for leading, managing and coordinating all building-related policy areas for government, by ensuring close working relationships between individual policy groups resulting in efficient and effective policies for all building related functions. The position is also accountable for the provision of expert policy advice and implementation of building legislation and policy.
Assistant Director-General, Responsive Government[3]	Responsible for oversight and successful delivery of the Responsive Government Program. The program includes direct delivery by staff in the Responsive Government Group, activation and oversight of service delivery within the Digital Technology and Services Division, and activation of effective partnerships and delivery by partner agencies.
Assistant Director-General, Corporate Services	Responsible for providing strategic leadership to deliver the department's corporate support services.

8.1 Key management personnel disclosures (continued)

(a) Details of key management personnel (continued)

Position	Position responsibility
Queensland Government Chief Information Officer[6]	Responsible for providing independent quality advice to the Director-General and Minister on information communication technology issues from a whole-of-government perspective.
Deputy Director-General, Public Works and Asset Management[1]	Responsible for providing strategic leadership to deliver high quality outcomes under the government's building asset management programs and responsibility for the department's government accommodation and property portfolio.
Deputy Director-General, Housing and Homelessness Services[1]	Responsible for providing strategic leadership to design and deliver housing and homelessness services in Queensland through remote Aboriginal and Torres Strait Islander housing, social and private housing assistance, homelessness support services, crisis accommodation and regulatory services which regulate residential services, residential parks and retirement villages industries in Queensland.
Deputy Director-General, Sport and Recreation Services[2,5]	Responsible for providing strategic leadership for sport and recreation activities including strategies and programs for encouraging active lifestyles and initiatives to build the capacity of the sport and recreation industry.
Assistant Director-General, Building Industry and Policy[2]	Responsible for providing strategic leadership to deliver effective and efficient Queensland building and plumbing policy and legislation through engagement with the building construction industry.
Assistant Director-General, Queensland Government Procurement[1]	Responsible for providing strategic leadership to support the delivery of the Queensland Government's procurement and services strategies, policies and direction across government and responsibility for fleet management services and the procurement of general goods and services.
Assistant Director-General, Digital Capability, Information and Transaction Based Services[1,5]	Responsible for providing strategic leadership to revitalise Queensland Government services; the increase of Queensland's digital capability; preserves and improves access to Queensland's record-related information; and enhances the customer experience with the Queensland Government.
Assistant Director-General, Qld Shared Services[4,5]	Responsible for providing strategic leadership to deliver high quality, integrated services for a range of corporate transactional and advisory services and associated technology solutions across Queensland Government departments and agencies.
Assistant Director-General, Strategic ICT[2,5]	Responsible for providing strategic leadership on whole-of-government ICT initiatives that enable modern, responsive and integrated frontline services for Queenslanders.

[1] These positions were retitled and responsibilities broadened as part of the departmental realignment effective from 1 July 2018.

[2] These positions were retitled as part of the departmental realignment effective from 1 July 2018 and were considered KMP from 24 May 2019.

[3] This position was created as part of the departmental realignment effective from 1 July 2018 and was considered a KMP position from 24 May 2019.

[4] This position ceased as part of the departmental realignment effective from 1 July 2018.

[5] These positions transferred to the department effective from 13 December 2017 as part of the machinery-of-government changes. Refer to Note 1.5.

[6] This position transferred to the department effective from 1 March 2018 as part of the machinery-of-government changes. Refer to Note 1.5.

(b) Remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of ministers. The majority of ministerial entitlements are paid by the Legislative Assembly with the remaining 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 the Queensland Treasury's Report on the 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 are specified in employment contracts.

8.1 Key management personnel disclosures (continued)

(b) Remuneration policies (continued)

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses 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 car parking together with fringe benefits tax applicable to the benefit.

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

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

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

No remuneration packages for key management personnel provide for any performance or bonus payments.

(c) Remuneration expenses

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

1 July 2018 – 30 June 2019

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total expenses
	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000
Director-General	437	11	9	56	513
Deputy Director-General, Building Policy and Asset Management[1]	242	12	5	27	286
Deputy Director-General, Building Policy and Asset Management (Acting 11/02/19 - 15/03/19)	26	1	-	1	28
Deputy Director-General, Housing, Homelessness and Sport (to 15/07/2018)	13	1	-	2	16
Deputy Director-General, Housing, Homelessness and Sport (from 16/07/2018)	260	10	5	26	301
Deputy Director-General, Digital Technology and Services	258	11	5	28	302
Deputy Director-General Portfolio Strategy and Chief Advisor Queensland Government Procurement[2] (to 17/06/19)	271	-	6	29	306
Deputy Director-General Portfolio Strategy and Chief Advisor Queensland Government Procurement (Acting from 18/06/19)	8	-	-	1	9
Assistant Director-General, Digital Platforms and Data[3]	28	1	1	3	33
Assistant Director-General, Sport and Recreation[3]	26	1	-	3	30
Assistant Director-General, Building Legislation and Policy[3]	25	1	1	3	30
Assistant Director-General, Responsive Government (Acting)[3]	32	1	1	2	36

8.1 Key management personnel disclosures (continued)

(c) Remuneration expenses (continued)

Position	Short-term employee expenses: Monetary expenses $'000	Short-term employee expenses: Non-monetary benefits $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Total expenses $'000
Assistant Director-General, Corporate Services	247	13	5	22	287
Queensland Government Chief Information Officer	337	10	7	38	392

[1] During the period 24 December 2018 to 6 January 2019, the position of Director-General was performed by the Deputy Director-General Building Policy and Asset Management. The remuneration paid to this KMP for this period is reflected above in the total expenses against their substantive position.

[2] During the period 4 August 2018 to 2 September 2018, the position of Director-General was performed by the Deputy Director-General Portfolio Strategy and Chief Advisor Queensland Government Procurement. The remuneration paid to this KMP for this period is reflected above in the total expenses against their substantive position.

[3] Effective from 24 May 2019, these positions became KMP as they were included in the strategic decision making meetings of the Executive Leadership Team.

1 July 2017 – 30 June 2018

Position	Short-term employee expenses: Monetary expenses $'000	Short-term employee expenses: Non-monetary benefits $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Total expenses $'000
Director-General	439	11	9	54	513
Deputy Director-General, Public Works and Asset Management	247	14	5	28	294
Deputy Director-General, Housing and Homelessness Services	262	11	5	28	306
Deputy Director-General, Sport and Recreation[1]	106	7	2	11	126
Assistant Director-General, Building Industry and Policy	233	14	5	25	277
Assistant Director-General, Queensland Government Procurement	250	-	5	28	283
Assistant Director-General, Corporate Services	231	14	5	22	272
Assistant Director-General, Digital Capability, Information and Transaction Based Services[2]	127	6	2	15	150
Assistant Director-General, Queensland Shared Services[3]	130	6	3	14	153
Assistant Director-General, Strategic ICT[4]	130	6	3	14	153
Queensland Government Chief Information Officer[5]	137	4	3	15	159

[1] The total cost of this position for 2017/18 was $260,538.
[2] The total cost of this position for 2017/18 was $283,449.
[3] The total cost of this position for 2017/18 was $279,607.
[4] The total cost of this position for 2017/18 was $281,096.
[5] The total cost of this position for 2017/18 was $398,088.

8.2 Unrecognised items

(a) Commitments for expenditure

Commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	Not later than one year $'000	Later than one year and not later than five years $'000	Later than five years $'000	Total $'000
2019				
Non-cancellable operating leases	453,913	1,277,125	967,372	2,698,410
Property, plant and equipment	318,970	11,228	-	330,198
Total	772,883	1,288,353	967,372	3,028,608
2018				
Non-cancellable operating leases	406,704	1,078,671	997,792	2,483,167
Property, plant and equipment	269,693	6,624	-	276,317
Total	676,397	1,085,295	997,792	2,759,484

Operating leases are entered into as a means of acquiring access to office accommodation. Rental payments are usually subject to fixed rate escalation clauses detailed in the lease. Most leases contain renewal clauses but no purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

The department has entered into a significant operating lease for office accommodation at 1 William St, Brisbane. The lease term is 15 years with renewal options of 2 x 5 years. Rent escalation is fixed at 3.5% per annum. Commitments for lease payments under this lease are included in the figures above.

(b) Future operating lease receivables

The department has non-cancellable operating subleases with other Queensland Government entities in respect of the office accommodation referred to in Note 8.2(a). Future minimum lease payments receivable under these subleases are as follows.

	Not later than one year $'000	Later than one year and not later than five years $'000	Later than five years $'000	Total $'000
2019				
Non-cancellable operating subleases	402,992	1,175,202	937,601	2,515,795
2018				
Non-cancellable operating subleases	370,038	988,554	947,958	2,306,550

8.3 Future impact of accounting standards not yet effective

The department has established an Implementation Project to manage the transition to AASB 15 *Revenue from Contracts with Customers* , AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* . At the date of authorisation of the financial report, the expected material impacts of applicable new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 16 *Leases*

This standard is effective for 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* .

Outcome of review as lessee

AASB 16 will result in the majority of leases being recognised on the Balance Sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term (up to one year) and low-value leases.

Based on the results of the department's Implementation Project, AASB 16 is expected to have a material impact on the department as lessee for Queensland Government Accommodation Office (QGAO) leases and Housing and Homelessness Services (HHS) Deed of Grant in Trust (DOGIT) leases.

In accordance with Queensland Treasury's policy, the department 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 at 1 July 2019.

QGAO Transition Balances as at 30 June 2019

The department has recognised deferred operating lease rent liabilities of $145 million and lease incentive liabilities of $9 million relating to rent-free periods under AASB 117 as at 30 June 2019. These balances will be de-recognised through accumulated surplus on 1 July 2019.

As at 30 June 2019 fit-out assets of $141 million relating to fit-outs funded through lease incentives have been capitalised as property, plant and equipment. These assets will be excluded from the right-of-use asset transition value as at 1 July 2019.

The corresponding lease incentive liabilities of $187 million relating to fit-outs and cash incentives retained by QGAO as at 30 June 2019 will be eliminated on transition against their respective right-of-use assets on 1 July 2019.

QGAO Opening Balances as at 1 July 2019

As at the reporting date, QGAO has non-cancellable operating lease commitments of $2,675 million relating to Queensland Government office accommodation (refer to Note 8.2 (a)). Of these commitments, approximately $23 million relate to short-term leases and other adjustments which will be recognised as expenses in the Statement of Comprehensive Income.

For the remaining $2,652 million lease commitments, the department expects to recognise right-of-use assets of $2,224 million on 1 July 2019, fit-out assets of $141 million, and lease liabilities of $2,412 million.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability and the initial estimate of restoration costs, less any lease incentives received. The right-of-use asset will give rise to a depreciation expense in future years.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments (including relevant lease incentives) during the initial lease term that are not yet paid, using Queensland Treasury Corporation's fixed rate loan rate that corresponds with the lease commencement month and term. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

8.3 Future impact of accounting standards not yet effective (continued)

HHS Deed of Grant in Trust (DOGIT) Transition Balances as at 30 June 2019

As at the reporting date, the department has recognised finance lease assets of $982 million and finance lease liabilities of $126 million relating to HHS DOGIT leases (refer to Notes 4.1 and 5.1). Finance lease assets are currently held at fair value (current replacement cost) and will therefore be de-recognised through accumulated surplus on 1 July 2019. The $76 million leased asset revaluation surplus (relating to HHS DOGIT leases) will also be closed as an adjustment to the opening balance of accumulated surplus at 1 July 2019.

HHS Deed of Grant in Trust (DOGIT) Opening Balances as at 1 July 2019

The department expects to recognise right-of-use assets of approximately $805 million on 1 July 2019 and lease liabilities of $158 million.

In accordance with Queensland Treasury policy, the right-of-use asset will be initially recognised at cost less accumulated depreciation, consisting of the initial amount of the associated lease liability, plus any capital works completed on the underlying property up to 30 June 2019. The right-of-use asset will give rise to a depreciation expense in future years. The department will also no longer recognise revaluation adjustments to the asset revaluation surplus for these right-of-use assets.

The lease liability will be initially recognised at an amount equal to the finance lease liability as at 30 June 2019. On 1 July each year, the lease liability will be impacted by CPI increases to lease payments, which were excluded from the financial lease liability calculated under AASB 117.

Overall, assets will be approximately $177 million lower due to the right-of-use asset being measured at cost rather than fair value, offset by the increase in the lease liability. The lease liability will be $31 million higher on 1 July 2019 due to the cumulative impact of CPI increases effective on 1 July each year.

Outcome of review as lessor

The department has completed its review of the impact of adoption of AASB 16 and has identified the following impacts on lessor accounting.

During the 2018-19 financial year, the department accounted for operating leases under AASB 117 for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through Government Employee Housing (GEH). Operating lease revenue under QGAO and GEH arrangements totalled $539 million for the current financial year. These arrangements are exempt from lease accounting under AASB 16 due to the department having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements.

Motor vehicles provided by QFleet are also exempt from lease accounting under AASB 16 due to the department holding substantive substitution rights for vehicles provided.

Transition Balances as at 30 June 2019

Existing QFleet and GEH leases under AASB117 *Leases* did not include fixed increases, and as a result the straight-lining of this lease income did not result in deferred operating lease rent receivables in the Balance Sheet. Therefore, no adjustments will be required on transition to AASB 16 for these leases.

As at the reporting date, QGAO has future operating lease commitment receivables of $2,516 million (refer to Note 8.2 (a)) and deferred operating lease rent receivables of $109 million (refer to Note 4.2) relating to Queensland Government office accommodation under AASB 117 *Leases* as at 30 June 2019. As QGAO arrangements are exempt from lease accounting under AASB 16, the deferred operating lease rent receivable will be de-recognised through accumulated surplus on 1 July 2019.

8.3 Future impact of accounting standards not yet effective (continued)

Opening Balances as at 1 July 2019

From 2019-20 onwards, user charges and fees revenue for QGAO, GEH and QFleet services will be recognised in accordance with AASB 15 as the various performance obligations associated with these services are rendered.

Overall Transitional Impact of AASB 16

Overall, the transitional impact on the Balance Sheet and the Statement of Comprehensive Income of AASB 16 on the department is as follows:

Balance Sheet impact on 1 July 2019:
- $2,103 million increase in liabilities
- $1,938 million increase in assets
- $76 million decrease in asset revaluation surplus
- $89 million increase in opening accumulated deficit

Statement of Comprehensive Income impact budgeted for the 2019-20 financial year, as compared to 2018-19:
- $68 million increase in appropriation revenue
- $381 million decrease in supplies and services expense
- $390 million increase in depreciation expense
- $59 million increase in finance and borrowing costs

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

These standards are effective for the department from 1 July 2019. Based on the results of the department's Implementation Project the department does not expect AASB 1058 or AASB 15 to have a material impact to its revenue recognition.

8.4 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, Luxury Car Tax (in respect of certain fleet vehicles) and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised.

Agreements have been reached with Queensland Treasury for the commercialised business units of the department to pay an income tax equivalent, in accordance with the requirements of the National Tax Equivalents Regime.

Where a commercialised business unit is subject to the tax equivalents regime, the income tax equivalent expense is calculated based on the Balance Sheet approach under which temporary differences are identified for each asset and liability. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Balance Sheet as a tax asset or a tax liability.

Tax assets are not brought to account unless realisation of the asset is probable. Tax assets relating to commercialised business units with tax losses are only brought to account to the extent that future profits are probable. Recovery of deferred tax assets is primarily based on projected operational results outlined in three year forecasting budgets provided to Queensland Treasury.

8.5 Administered activities

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

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as administered appropriation revenue.

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

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items.

	Variance notes	Original Budget 2019 $'000	Actual 2019 $'000	Budget Variance 2019 $'000	Actual 2018 $'000
8.5 Administered activities (continued)					
Administered revenues					
Appropriation revenue	1	47,978	52,386	4,408	21,712
User charges and fees		114	104	(10)	85
Other revenue		-	34	34	32
Total administered revenues		48,092	52,524	4,432	21,829
Administered expenses					
Supplies and services	2	11,809	18,179	6,370	14,406
Grants and subsidies		40,270	39,527	(743)	7,397
Transfer of administered revenue to government		114	140	26	116
Other expenses		-	-	-	1,980
Total administered expenses		52,193	57,846	5,653	23,899
Operating result		(4,101)	(5,322)	(1,221)	(2,070)
Administered current assets					
Cash	3	4,412	2,541	(1,871)	6,834
Receivables		332	26	(306)	-
Prepayments		4,101	4,101	-	4,101
Total administered current assets		8,845	6,668	(2,177)	10,935
Administered non-current assets					
Prepayments		5,468	5,468	-	9,569
Total administered non-current assets		5,468	5,468	-	9,569
Administered current liabilities					
Payables		-	179	179	1,980
Total administered current liabilities		-	179	179	1,980
Net administered assets		14,313	11,957	(2,356)	18,524

Budget to actual comparison - explanations of major variances

1 *Appropriation revenue*

The variance of $4.408 million is mainly due to additional funding provided for Queensland Building and Construction Commission ($5.300 million) to address reform initiatives including Queensland Building Plan reforms.

2 *Supplies and Services*

The variance of $6.370 million is mainly due to additional funding for Queensland Building and Construction Commission ($5.300 million) to address reform initiatives including Queensland Building Plan reforms and additional expenditure ($1.100 million) relating to the 1 William Street Brisbane ICT contract management arrangements with funding received in 2017-18.

3 *Cash*

The variance of ($1.871 million) is mainly due to additional expenditure for the 1 William Street Brisbane ICT contract management arrangements as outlined in variance note 2.

	2019 $'000	2018 $'000

8.5 Administered activities (continued)

Reconciliation of payments from consolidated fund to administered income

	2019 $'000	2018 $'000
Budgeted appropriation	47,978	3,510
Transfers from/to other headings	2,428	11,825
Unforeseen expenditure	-	8,735
Total administered appropriation receipts (cash)	50,406	24,070
Plus: Opening balance of deferred administered appropriation payable to Consolidated Fund	1,980	19
Less: Net transfer of administered appropriation receivable from other Queensland Government entities	-	(2,377)
Less: Closing balance of deferred administered appropriation payable to Consolidated Fund	-	(1,980)
Net administered appropriation revenue	52,386	19,732
Plus: Deferred administered appropriation payable to Consolidated Fund (expense)	-	1,980
Administered appropriation revenue	52,386	21,712

8.6 Agency transactions and balances

As the department performs only a custodial role in respect of agency transactions and balances, they are not recognised in the financial statements but are disclosed in these notes for the information of users.

(a) Building and Asset Services

Building and Asset Services acts as an agent on behalf of other Queensland Government agencies in relation to the procurement and project management for large capital works projects.

	2019 $'000	2018 $'000
Agency revenues		
Receipts for goods and services	480,536	425,959
Agency expenses		
Payments for supplies and services	480,536	425,959
Agency current assets		
Receivables	77,881	79,695
Agency current liabilities		
Bank overdraft	50,948	48,384
Payables	24,344	28,688
Other	2,589	2,623
Total	77,881	79,695

Fees received for the provision of these services are included in user charges.

(b) Resource management services

The department acts as an agent on behalf of other Queensland Government agencies and Allegis Global Solutions in relation to the provision of resource management services for information and communication technology contractors. The department does not receive any fees for providing agent services but is entitled to the interest earned from a bank account associated with this agency arrangement. The department engages information and communication technology contractors through the resource management service – the receipts and payments relating to these engagements are included in these figures.

	2019 $'000	2018 $'000
Agency revenues		
Receipts for goods and services	138,691	134,543
Agency expenses		
Payments for supplies and services	136,729	134,959
Agency current assets		
Cash	8,869	7,459

	2019 $'000	2018 $'000

8.6 Agency transactions and balances (continued)

(c) Smart Service Queensland

Effective from 13 December 2017, Smart Service Queensland was transferred from the Department of Science, Information Technology and Innovation. Smart Service Queensland acts as an agent for collection and payment processing services, and undertakes certain transactions on behalf of Queensland Government agencies and its clients.

	2019 $'000	2018 $'000
Agency cash assets		
Balance at 1 July	344	-
Transfers from machinery-of-government changes	-	242
Collections during the period	54,900	33,400
Distributions according to clients' instructions during the period	(54,848)	(33,298)
Balance at 30 June	396	344

Fees received for the provision of these services are included in user charges.

(d) Construction Project Delivery

Effective from 1 September 2018, Construction Project Delivery was transferred from the Department of State Development, Manufacturing, Infrastructure and Planning (refer to Note 1.5). Construction Project Delivery acts as an agent on behalf of other Queensland Government agencies and non-government entities to project manage major capital works projects. Fees received for the provision of these services are included in user charges.

	2019 $'000	2018 $'000
Agency revenues		
Receipts for goods and services	40,574	-
Agency expenses		
Payments for supplies and services	40,574	-
Agency current assets		
Receivables	36,413	-
Agency current liabilities		
Payables*	36,413	-

*This amount includes $25.552 million payable to the Public Works controlled bank account.

(e) Agent transactions - machinery-of-government

The department acted as an agent, processing transactions on behalf of the Department of Environment and Science, the Department of Innovation, Tourism Industry Development and the Commonwealth Games and the Department of the Premier and Cabinet following machinery-of-government changes. This arrangement ceased on 27 July 2018.

	2019 $'000	2018 $'000
Revenues	488	12,533
Expenses	(8,409)	(78,134)
Assets	3,267	(1,545)
Liabilities	(7,090)	(7,309)

8.7 Events occurring after balance date

Executive government approved on 21 August 2019 that Building and Asset Services, one of the department's Commercialised Business Units, will be renamed QBuild and 300 additional tradespeople including apprentices will be employed over the next three years.

Department of Housing and Public Works

Management Certificate of the Department of Housing and Public Works

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:

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

(ii) 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 Housing and Public Works for the financial year ended 30 June 2019; and of the financial position of the department at the end of that year; and

The Director-General, as the Accountable Officer of the department, acknowledges responsibility under 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.

DEM'Leod

Deborah McLeod
BCom, FCPA
Chief Finance Officer
Department of Housing and Public Works

29 August 2019

L Carroll

Liza Carroll
B.Ed, M.Ed (Hons)
Director-General
Department of Housing and Public Works

29 August 2019

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Housing and Public Works

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Housing and Public Works.

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 balance sheet and statement of assets and liabilities by major departmental services, commercialised business units and shared service providers 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 services, commercialised business units and shared service providers 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.

Valuation of social housing land ($9.234 billion) and buildings ($5.622 billion)

Refer to Note 4.1 in the financial report

Key audit matter	How my audit addressed the key audit matter

The department engaged independent valuers to perform specific appraisal valuations representing 31% of social housing properties in the current year using significant inputs such as location, bedroom count, price per square metre, land size, condition and a discount factor applied to accommodation in recognition of the cost of obtaining strata title to sell.
Specific judgement was required in relation to:
• the condition of the property. The condition rating of the properties was supplied to the valuer by management based on property condition assessments performed at least once every three years by internal inspection. Management assessed the overall condition of properties by using a rating scale of one (property ready for demolition) to ten (property is as new), and assessed that over 95% of properties had a condition rating of greater than eight at balance date. Judgement is required for interpreting and applying this condition rating scale.
• the discount applied to some multi-unit properties without strata title on individual units. Where there is no comparable sales data available, strata comparison is applied with discount to non-strata units determined by the independent valuer.
	My procedures included, but were not limited to
	• Verifying the adequacy of management's review of the valuation process by inspecting final valuation approvals and evidence of oversight by property committees.
	• For specific appraisal valuations in the current year:
	  ○ reviewing evidence to confirm the competence, capability and objectivity of the independent valuers
	  ○ obtaining an understanding of the appraiser's methodology (including by reviewing the terms of engagement and valuers' methodology statements) and comparing for appropriateness to common industry practice
	  ○ for a sample of valuations, evaluating the relevance, completeness and accuracy of market evidence (comparable sales for similar properties) provided to support the fair value, including by benchmarking against other published market data
	  ○ comparing the reasonableness of discount rates applied to properties without strata title to industry benchmarks.
	• Auditing the condition rating system for reasonableness and appropriate application. This included:
	  ○ observing the property condition assessments being performed by management for a sample of social housing buildings and vouching the accuracy of management's recorded condition ratings
	  ○ for a sample of social housing buildings, re-performing the calculation of the overall property condition rating determined by management, including verification of benchmark data (inputs such as size and bedroom count) and locality indices applied by management to supporting documentation
	  ○ inspecting maintenance/upgrade costs incurred during the year and assessing management's total asset management plans to support management's judgement that properties rated greater than eight are in sound condition.

Key audit matter	How my audit addressed the key audit matter
The department updated the fair values of the remaining properties using indices it derived from the results of the specific appraisal valuations. The development of these indices required significant judgement for determining the criteria for classifying properties into homogenous groups with materially similar characteristics.	• For indexations in the current year: ○ evaluating the methodology for appropriateness relative to common industry practice ○ verifying the appropriateness of the criteria for classifying properties by considering the common characteristics of each homogenous group, and investigating whether homogenous groups required further disaggregation where they experienced a broad range of fair value movements for specific appraisal valuations in the current year ○ re-performing the calculation of a sample of valuation indices applied by management for properties with common characteristics in a sample of regions. ○ benchmarking the indices against property market movements published by various relevant industry participants such as the Valuer-General of Queensland to evaluate their reasonableness.

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.

MReardon

30 August 2019

Michelle Reardon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane