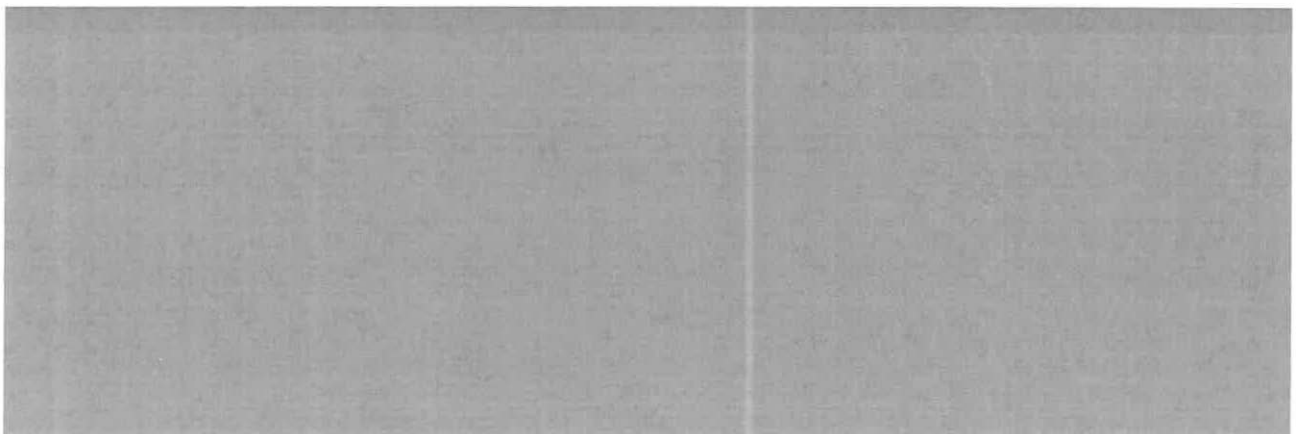


Department of Environment and Science

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020



Department of Environment and Science
Table of Contents
for the year ended 30 June 2020

Table of Contents	Page
Statement of Comprehensive Income	1
Statement of Comprehensive Income by Major Departmental Service	2
Statement of Financial Position	4
Statement of Assets and Liabilities by Major Departmental Service	5
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Statement of Cash Flows	9
SECTION 1	10
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT	10
A1 BASIS OF FINANCIAL STATEMENT PREPARATION	10
A1-1 GENERAL INFORMATION	10
A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS	10
A1-3 PRESENTATION	10
A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE	11
A1-5 BASIS OF MEASUREMENT	11
A1-6 THE REPORTING ENTITY	12
A2 DEPARTMENTAL OBJECTIVES	12
A3 MACHINERY-OF-GOVERNMENT CHANGES	13
A4 CONTROLLED AND ASSOCIATED ENTITIES	14
SECTION 2	17
NOTES ABOUT OUR FINANCIAL PERFORMANCE	17
B1 REVENUE	17
B1-1 APPROPRIATION REVENUE	17
B1-2 USER CHARGES AND FEES	18
B1-3 GRANTS AND OTHER CONTRIBUTIONS	18
B1-4 ROYALTIES AND LAND RENTS	20
B1-5 OTHER REVENUE	20
B2 EXPENSES	21
B2-1 EMPLOYEE EXPENSES	21
B2-2 SUPPLIES AND SERVICES	23
B2-3 GRANTS AND SUBSIDIES	24
B2-4 OTHER EXPENSES	25

Department of Environment and Science

Table of Contents

for the year ended 30 June 2020

SECTION 3	26
NOTES ABOUT OUR FINANCIAL POSITION	26
C1 CASH AND CASH EQUIVALENTS	26
C2 RECEIVABLES	27
C2-1 IMPAIRMENT OF RECEIVABLES	28
C3 PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION EXPENSE	31
C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT	31
C3-2 RECOGNITION AND ACQUISITION	33
C3-3 MEASUREMENT USING HISTORICAL COST	34
C3-4 MEASUREMENT USING FAIR VALUE	34
C3-5 DEPRECIATION EXPENSE	34
C3-6 IMPAIRMENT	35
C4 INTANGIBLES AND AMORTISATION EXPENSE	36
C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT	36
C4-2 RECOGNITION AND MEASUREMENT	37
C4-3 AMORTISATION EXPENSE	37
C5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES	38
C5-1 LEASES AS LESSEE	38
C5-2 LEASES AS LESSOR	40
C6 PAYABLES	41
C7 ACCRUED EMPLOYEE BENEFITS	42
C8 OTHER LIABILITIES	42
C9 EQUITY	43
C9-1 CONTRIBUTED EQUITY	43
C9-2 APPROPRIATIONS RECOGNISED IN EQUITY	43
SECTION 4	44
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES	44
D1 FAIR VALUE MEASUREMENT	44
D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES	44
D2 FINANCIAL RISK DISCLOSURES	49
D2-1 FINANCIAL INSTRUMENT CATEGORIES	49
D2-2 FINANCIAL RISK MANAGEMENT	50
D2-3 LIQUIDITY RISK - CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES	52
D3 CONTINGENCIES	53
D4 COMMITMENTS	53

Department of Environment and Science

Table of Contents

for the year ended 30 June 2020

D5 EVENTS AFTER THE BALANCE DATE	54
D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE	54
SECTION 5	55
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET	55
E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES	55
E1-1 STATEMENT OF COMPREHENSIVE INCOME - BUDGET TO ACTUAL COMPARISON	55
E1-2 STATEMENT OF COMPREHENSIVE INCOME - EXPLANATION OF MAJOR VARIANCES	56
E1-3 STATEMENT OF FINANCIAL POSITION - BUDGET TO ACTUAL COMPARISON	57
E1-4 STATEMENT OF FINANCIAL POSITION - EXPLANATION OF MAJOR VARIANCES	58
E1-5 STATEMENT OF CASH FLOWS - BUDGET TO ACTUAL COMPARISON	59
E1-6 STATEMENT OF CASH FLOWS - EXPLANATION OF MAJOR VARIANCES	60
SECTION 6	62
WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF-GOVERNMENT AND THIRD PARTIES	62
F1 ADMINISTERED ITEMS	62
F1-1 SCHEDULE OF ADMINISTERED ITEMS	63
F1-2 USER CHARGES AND FEES	64
F1-3 GRANTS AND SUBSIDIES	64
F1-4 ADMINISTERED ACTIVITIES - BUDGET TO ACTUAL COMPARISON	65
F1-5 ADMINISTERED ACTIVITIES - EXPLANATION OF MAJOR VARIANCES	66
F2 TRUST TRANSACTIONS AND BALANCES	67
SECTION 7	69
OTHER INFORMATION	69
G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES	69
G2 RELATED PARTY TRANSACTIONS	74
G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY	75
G3-1 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS	76
G3-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES	77
G3-3 IMPACT OF ADOPTION OF AASB 15 AND AASB 1058 IN THE CURRENT PERIOD	80
G3-4 AASB 16 LEASES	80
G4 TAXATION	84
G5 CLIMATE RISK DISCLOSURE	84
Management Certificate	85

**Department of Environment and Science
Statement of Comprehensive Income
for the year ended 30 June 2020**

	Notes	2020 \$'000	2019 \$'000
Income from continuing operations			
<i>Revenue</i>			
Appropriation revenue	B1-1	619,245	750,383
User charges and fees	B1-2	150,913	160,280
Grants and other contributions	B1-3	51,794	82,817
Royalties and land rents	B1-4	1,019	1,270
Interest		800	862
Other revenue	B1-5	8,131	3,414
<i>Total revenue</i>		<u>831,902</u>	<u>999,026</u>
Gains on disposal		857	306
Revaluation increment	C3-1	31,428	31,705
Total income from continuing operations		<u>864,187</u>	<u>1,031,037</u>
Expenses from continuing operations			
Employee expenses	B2-1	326,632	301,628
Supplies and services	B2-2	236,445	222,613
Grants and subsidies	B2-3	148,586	272,259
Depreciation and amortisation		92,150	89,239
Revaluation decrement	C3-1	-	113,151
Other expenses	B2-4	34,228	73,506
Total expenses from continuing operations		<u>838,041</u>	<u>1,072,396</u>
Operating result from continuing operations		<u>26,146</u>	<u>(41,359)</u>
Other comprehensive income			
Increase/(decrease) in asset revaluation surplus	C3-1	48,984	(22,669)
Total other comprehensive income		<u>48,984</u>	<u>(22,669)</u>
Total comprehensive income		<u><u>75,130</u></u>	<u><u>(64,028)</u></u>

Department of Environment and Science
Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2020

	Environmental Protection	Parks, Wildlife and Conservation	Science	Arts Queensland	Heritage Protection	CAA	Corporate Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations								
Appropriation revenue	121,184	273,180	88,506	128,198	4,660	-	3,517	619,245
User charges and fees	67,648	24,995	1,928	46,644	193	9,486	19	150,913
Grants and other contributions	7,741	34,864	7,585	1,603	1	-	-	51,794
Royalties and land rents	-	1,019	-	-	-	-	-	1,019
Interest	1	799	-	-	-	-	-	800
Other revenue	770	5,547	33	1,779	2	-	-	8,131
Total revenue	197,344	340,404	98,052	178,224	4,856	9,486	3,536	831,902
Gains on disposal	2	846	9	-	-	-	-	857
Revaluation increment	-	31,398	28	-	2	-	-	31,428
Total income from continuing operations	197,346	372,648	98,089	178,224	4,858	9,486	3,536	864,187
Expenses from continuing operations								
Employee expenses	94,400	159,246	44,700	14,051	3,507	8,052	2,676	326,632
Supplies and services	57,558	99,037	40,210	34,981	845	3,003	811	236,445
Grants and subsidies	52,489	36,732	9,238	49,774	353	-	-	148,586
Depreciation and amortisation	2,465	32,090	6,572	50,967	56	-	-	92,150
Other expenses	2,564	2,005	484	28,902	31	193	49	34,228
Total expenses from continuing	209,476	329,110	101,204	178,675	4,792	11,248	3,536	838,041
Operating result from continuing operations	(12,130)	43,538	(3,115)	(451)	66	(1,762)	-	26,146
Other comprehensive income								
Increase/(decrease) in asset revaluation surplus	-	42,711	-	6,273	-	-	-	48,984
Total other comprehensive income	-	42,711	-	6,273	-	-	-	48,984
Total comprehensive income	(12,130)	86,249	(3,115)	5,822	66	(1,762)	-	75,130

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

	Environmental Protection	Species & Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations									
Appropriation revenue	246,522	38,989	5,067	250,672	72,565	129,501	-	7,067	750,383
User charges and fees	67,798	682	185	30,365	1,851	49,387	9,135	877	160,280
Grants and other contributions	13,932	32,995	1	27,483	7,631	762	-	13	82,817
Royalties and land rents	-	-	-	1,270	-	-	-	-	1,270
Interest	10	548	-	300	2	-	-	2	862
Other revenue	407	352	-	2,418	18	203	3	13	3,414
Total revenue	328,669	73,566	5,253	312,508	82,067	179,853	9,138	7,972	999,026
Gains on disposal	-	3	-	293	10	-	-	-	306
Revaluation increment	-	9	-	25,647	6,049	-	-	-	31,705
Total income from continuing operations	328,669	73,578	5,253	338,448	88,126	179,853	9,138	7,972	1,031,037
Expenses from continuing operations									
Employee expenses	84,020	34,605	3,441	114,285	40,916	13,671	7,649	3,041	301,628
Supplies and services	49,843	15,841	1,020	80,161	35,501	32,975	2,974	4,298	222,613
Grants and subsidies	183,228	18,501	169	16,135	1,679	52,390	-	157	272,259
Depreciation and amortisation	1,952	496	211	31,221	5,686	49,548	-	125	89,239
Revaluation decrement	(102)	(285)	-	83,442	(105)	30,201	-	-	113,151
Other expenses	11,125	4,907	491	16,162	5,120	30,735	183	4,783	73,506
Total expenses from continuing	330,066	74,065	5,332	341,406	88,797	209,520	10,806	12,404	1,072,396
Operating result for the year	(1,397)	(487)	(79)	(2,958)	(671)	(29,667)	(1,668)	(4,432)	(41,359)
Other comprehensive income									
Increase/(decrease) in asset revaluation reserve	-	2	5	(38,028)	2,529	12,823	-	-	(22,669)
Total other comprehensive income	-	2	5	(38,028)	2,529	12,823	-	-	(22,669)
Total comprehensive income	(1,397)	(485)	(74)	(40,986)	1,858	(16,844)	(1,668)	(4,432)	(64,028)

Department of Environment and Science
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	C1	146,444	146,803
Receivables	C2	31,751	56,999
Other assets		5,161	2,481
Total current assets		<u>183,356</u>	<u>206,283</u>
Non-current assets			
Receivables	C2	41	55
Property, plant and equipment	C3-1	5,548,814	5,470,097
Intangible assets	C4	22,856	17,651
Right-of-use assets	C5-1	4,642	-
Total non-current assets		<u>5,576,353</u>	<u>5,487,803</u>
Total assets		<u>5,759,709</u>	<u>5,694,086</u>
Current liabilities			
Payables	C6	49,318	74,577
Accrued employee benefits	C7	10,932	13,179
Lease liabilities	C5-1	656	-
Other liabilities	C8	394	14,267
Provision - onerous contract		-	53
Total current liabilities		<u>61,300</u>	<u>102,076</u>
Non-current liabilities			
Lease liabilities	C5-1	3,999	-
Total non-current liabilities		<u>3,999</u>	<u>-</u>
Total liabilities		<u>65,299</u>	<u>102,076</u>
Net assets		<u>5,694,410</u>	<u>5,592,010</u>
Equity			
Contributed equity		5,549,132	5,537,276
Accumulated surplus		62,694	21,134
Asset revaluation surplus		82,584	33,600
Total equity		<u>5,694,410</u>	<u>5,592,010</u>

Department of Environment and Science
Statement of Assets and Liabilities by Major Departmental Service
as at 30 June 2020

	Environmental Protection	Parks, Wildlife and Conservation	Science	Arts Queensland	Heritage Protection	CAA	Corporate Partnership	General not attributable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets									
Cash and cash equivalents	-	-	-	-	-	-	-	146,444	146,444
Receivables	13,275	6,496	3,556	8,087	54	283	-	-	31,751
Other assets	1,350	1,146	1,783	55	142	685	-	-	5,161
Total current assets	14,625	7,642	5,339	8,142	196	968	-	146,444	183,356
Non-current assets									
Receivables	-	41	-	-	-	-	-	-	41
Property, plant and equipment	6,724	4,807,501	53,194	681,288	107	-	-	-	5,548,814
Intangible assets	9,987	4,829	7,877	-	163	-	-	-	22,856
Right-of-use assets	52	4,561	27	-	2	-	-	-	4,642
Total non-current assets	16,763	4,816,932	61,098	681,288	272	-	-	-	5,576,353
Total assets	31,388	4,824,574	66,437	689,430	468	968	-	146,444	5,759,709
Current liabilities									
Payables	9,649	24,177	6,968	7,903	399	146	76	-	49,318
Accrued employee benefits	3,020	5,001	1,636	721	115	405	34	-	10,932
Lease liabilities	48	581	25	-	2	-	-	-	656
Other liabilities	-	305	-	-	-	89	-	-	394
Total current liabilities	12,717	30,064	8,629	8,624	516	640	110	-	61,300
Non-current liabilities									
Lease liabilities	18	3,970	10	-	1	-	-	-	3,999
Total non-current liabilities	18	3,970	10	-	1	-	-	-	3,999
Total liabilities	12,735	34,034	8,639	8,624	517	640	110	-	65,299
Net assets	18,653	4,790,540	57,798	680,806	(49)	328	(110)	146,444	5,694,410

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

	Environmental Protection	Species & Ecosystem Protection	Heritage Protection	National Parks	Science	Arts Queensland	CAA	Corporate Partnership	General not attributable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	146,803	146,803
Receivables	38,188	1,049	146	8,825	3,697	3,287	566	1,241	-	56,999
Other assets	514	76	8	243	448	378	605	209	-	2,481
Total current assets	38,702	1,125	154	9,068	4,145	3,665	1,171	1,450	146,803	206,283
Non-current assets										
Receivables	-	-	-	55	-	-	-	-	-	55
Property, plant and equipment	2,901	25,821	182	4,691,092	55,646	694,455	-	-	-	5,470,097
Intangible assets	12,520	293	176	1,817	2,667	-	-	178	-	17,651
Total non-current assets	15,421	26,114	358	4,692,964	58,313	694,455	-	178	-	5,487,803
Total assets	54,123	27,239	512	4,702,032	62,458	698,120	1,171	1,628	146,803	5,694,086
Current liabilities										
Payables	15,287	7,679	586	27,654	11,412	6,073	367	5,519	-	74,577
Accrued employee benefits	3,682	1,526	153	4,960	1,803	579	337	139	-	13,179
Other liabilities	165	1	-	13,882	1	-	217	1	-	14,267
Provision - onerous contract	12	6	1	21	7	-	-	6	-	53
Total current liabilities	19,146	9,212	740	46,517	13,223	6,652	921	5,665	-	102,076
Total liabilities	19,146	9,212	740	46,517	13,223	6,652	921	5,665	-	102,076
Net assets	34,977	18,027	(228)	4,655,515	49,235	691,468	250	(4,037)	146,803	5,592,010

Department of Environment and Science
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Contributed Equity \$'000	Accumulated Surplus \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance at 1 July 2019		5,537,276	21,134	33,600	5,592,010
Operating result					
Net effect of changes in accounting policies	G3	-	15,414	-	15,414
Operating result from continuing operations		-	26,146	-	26,146
Other comprehensive income					
Increase (decrease) in asset revaluation surplus		-	-	48,984	48,984
Total comprehensive income for the year		-	41,560	48,984	90,544
Transactions with owners as owners					
Appropriated equity injections	C9-2	85,879	-	-	85,879
Appropriated equity withdrawals	C9-2	(81,128)	-	-	(81,128)
Non appropriated equity adjustments		7,105	-	-	7,105
Net transactions with owners as owners		11,856	-	-	11,856
Balance at 30 June 2020		5,549,132	62,694	82,584	5,694,410

	Notes	Contributed Equity \$'000	Accumulated Surplus \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance at 1 July 2018		5,568,123	62,493	56,269	5,686,885
Operating result					
Operating result from continuing operations		-	(41,359)	-	(41,359)
Other comprehensive income					
Increase (decrease) in asset revaluation surplus		-	-	(22,669)	(22,669)
Total comprehensive income for the year		-	(41,359)	(22,669)	(64,028)
Transactions with owners as owners					
Equity injections	C9-2	45,586	-	-	45,586
Equity withdrawals	C9-2	(79,429)	-	-	(79,429)
Non appropriated equity adjustments		2,996	-	-	2,996
Net transactions with owners as owners		(30,847)	-	-	(30,847)
Balance at 30 June 2019		5,537,276	21,134	33,600	5,592,010

Department of Environment and Science
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 <u>\$'000</u>	2019 <u>\$'000</u>
Cash flows from operating activities			
<i>Inflows:</i>			
Service appropriation receipts		606,038	719,617
User charges and fees		119,542	132,996
Grants and other contributions		51,794	82,817
GST input tax credits from ATO		43,610	34,728
GST collected from customers		5,881	6,578
Interest receipts		816	863
Other income		6,297	4,566
<i>Outflows:</i>			
Employee expenses		(330,191)	(301,820)
Supplies and services		(247,283)	(214,948)
Grants and subsidies		(147,605)	(271,524)
GST paid to suppliers		(44,166)	(35,549)
GST remitted to ATO		(6,892)	(5,612)
Other expenses		(3,801)	(6,877)
Net cash provided by (used in) operating activities	CF-1	<u>54,040</u>	<u>145,835</u>
Cash flows from investing activities			
<i>Inflows:</i>			
Loans and advances		29,154	22
Proceeds for sales of property, plant and equipment, and intangibles		857	306
<i>Outflows:</i>			
Loans and advances		-	(28,434)
Payments for property, plant, and equipment, and intangibles		(94,899)	(74,641)
Net cash provided (used in) investing activities		<u>(64,888)</u>	<u>(102,747)</u>
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections		85,756	45,586
Non-appropriated equity injection		7,104	2,996
<i>Outflows:</i>			
Equity withdrawals		(81,670)	(79,429)
Lease payments		(701)	-
Net cash provided by (used in) financing activities		<u>10,489</u>	<u>(30,847)</u>
Net increase (decrease) in cash and cash equivalents		(359)	12,241
Cash and cash equivalents opening balance		<u>146,803</u>	<u>134,562</u>
Cash and cash equivalents closing balance	C1	<u><u>146,444</u></u>	<u><u>146,803</u></u>

**Department of Environment and Science
Notes to the Statement of Cash Flows
for the year ended 30 June 2020**

CF-1 Recognition of operating result to net cash from operating activities

	2020	2019
	\$'000	\$'000
Operating surplus/(deficit)	26,146	(41,359)
Depreciation and amortisation expense	92,150	89,239
Net asset revaluation (increments)/decrements	(31,428)	81,446
Net (gain)/loss on disposal of property, plant and equipment	(731)	1,849
Change in assets and liabilities		
(Increase) in receivables	(3,671)	2,718
(Increase) decrease in long service leave reimbursement receivables	121	(67)
(Increase) decrease in annual leave claim receivable	1,574	(524)
(Increase) decrease in GST input tax credits receivable	(1,479)	328
(Increase) decrease in other receivables	(3,060)	35
Increase (decrease) in appropriation payable	(13,207)	7,721
Increase (decrease) in accounts payable	(9,722)	5,077
Increase (decrease) in tax payable	(6)	13
Increase (decrease) in GST payable	(85)	(183)
Increase (decrease) in accrued employee benefits	(2,247)	449
Increase (decrease) in other liabilities	(315)	(907)
Net cash from operating activities	54,040	145,835

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 1
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

The Department of Environment and Science (“the department”) is a Queensland Government Department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

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

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The department has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury’s Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

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

New accounting standards applied for the first time in these financial statements are outlined in Note G3.

A1-3 PRESENTATION

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2018-19 financial statements for Department of Environment and Science. Comparative information has been restated where necessary to be consistent with disclosures in the current period.

Major departmental services are in line with the departments Service Delivery Statement for the respective years. During the year the department also reviewed the methodology used to distribute the corporate overheads across the services.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-3 PRESENTATION (continued)

Current/Non-Current Classification

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

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

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

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

A1-5 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the land, buildings, infrastructure and heritage, artwork and cultural assets which are measured at fair value, and provisions expected to be settled 12 or more months after reporting date which are measured at their present value.

Historical Cost

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

Fair Value

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

- the *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business, and
- the *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT (continued)

Present Value

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

Net Realisable Value

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

A1-6 THE REPORTING ENTITY

These financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department.

The entities reported at Note A4 are not considered to be material and therefore are not consolidated into the values reported in these statements.

A2 DEPARTMENTAL OBJECTIVES

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

The identity and purpose of the major departmental services undertaken by the department during the 2019-20 year are as follows:

- **Environmental Protection Services:** To avoid, minimise or mitigate negative impacts on the environment, through the design, application and monitoring of strategic direction, standards and regulations that guide the operation and control the activities of businesses, individuals, and state and local governments
- **Parks, Wildlife and Conservation Services:** To manage and conserve protected areas, marine parks, fish and wildlife habitats, forests and recreation areas to safeguard their ecological and cultural values and facilitate sustainable recreational opportunities, nature-based tourism and ecotourism; protect and preserve the diversity and integrity of Queensland's ecosystems; and ensure the conservation status of native species is maintained or enhanced and their use is adequately controlled
- **Science:** To provide support for science and research partnerships in Queensland, and provide trusted scientific knowledge, information and advice to support the achievement of Government priorities
- **Arts Queensland:** To support Queenslanders' access to arts and culture to enable growth of the arts sector and a community that values the arts
- **Heritage Protection Services:** To protect Queensland's heritage by recognising its value and ensuring it is conserved and its value is promoted for present and future generations, and
- **Corporate Administration Agency:** To meet the corporate services requirements of customers through the provision of services, in accordance with agreed service level agreements, and easy and convenient access to business applications.

In addition to the corporate services provided within the department, the department also participates in a corporate partnership arrangement. Refer to Note G2.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

A2 DEPARTMENTAL OBJECTIVES (continued)

Sources of Departmental Funding

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

- licencing of environmental services
- permits, approvals and resource use
- recreation and tourism services
- facilities and carpark revenue
- service level agreement revenue, and
- grants and contributions from State and Federal Government, and Industry.

A3 MACHINERY-OF-GOVERNMENT CHANGES

Transfer in - Controlled activities

Details of transfer: The Cape York Peninsula Tenure Resolution Program transferred from the Department of Aboriginal and Torres Strait Islander Partnerships to the Department of Environment and Science.

Basis of transfer: Administrative Arrangements Order (No. 1) 2019 dated 20 September 2019.

Date of transfer: Effective from 20 September 2019.

The assets transferred as a result of this change were \$6 million cash.

Net assets

The increase in assets of \$6 million has been accounted for as an increase in non-appropriated equity contribution as disclosed in the statement of changes in equity.

Budgeted appropriation revenue of \$3.1 million (controlled) original budget (\$3.2 million revised budget) was reallocated from the Department of Aboriginal and Torres Strait Islander Partnerships to the Department of Environment and Science as part of the machinery-of-Government changes.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

A4 CONTROLLED AND ASSOCIATED ENTITIES

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

Each controlled and associated entity is a reporting entity in its own right and the audited financial statements are included in their respective annual reports.

Controlled Entities

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

Queensland Music Festival Pty Ltd (QMF) was established and incorporated in the State of Queensland as a not-for-profit company to produce and promote a biennial Queensland festival of music which achieves both international excellence and accessibility for Queenslanders from all walks of life. The share capital of QMF consists of two (2) ordinary shares of \$1 each, fully paid, held by the department on behalf of the State of Queensland. QMF report a financial year end of 31 December. Prior to and including 2019 QMF were exempt from audit by the Auditor-General of Queensland under section 30A of the *Auditor-General Act 2009* and were audited by Integrated Audit Service Pty Ltd. Following a revision of the criteria for small entities which are exempted from audit by the Auditor-General this entity is no longer classified as exempt for 2020 and will be audited by the Auditor-General of Queensland.

Audited Financial Transactions and Balances of Controlled Entities

	ACPA		QMF	
	\$'000 June 2019	\$'000 June 2018	\$'000 Dec 2019	\$'000 Dec 2018
Total income	1,353	1,198	6,154	4,807
Total expenses	1,460	1,356	6,386	3,363
Operating result	(107)	(158)	(232)	1,444
Total current assets	129	431	1,948	2,723
Total non-current assets	70	47	687	227
Total assets	199	478	2,635	2,950
Total current liabilities	140	311	1,282	310
Total non-current liabilities	-	-	462	42
Total liabilities	140	311	1,744	352
Net assets	59	167	891	2,598

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

A4 CONTROLLED AND ASSOCIATED ENTITIES (continued)

Associated Entities

Major Brisbane Festivals Pty Ltd (MBF) incorporating Brisbane Festival is jointly owned by the State of Queensland and Brisbane City Council and aims to position Brisbane as a key festival destination. The department on behalf of the State of Queensland, and the Brisbane City Council each hold 50% of the shares of the MBF. It has been determined that the department does not have control over the financial or operating policies through voting rights or board membership of the entity. However, due to funding arrangements for the entity, the department has significant influence. The share capital of MBF consists of two (2) ordinary shares of \$1 each, full paid. MBF report a financial year end of 31 December. Prior to and including 2019 MBF were exempt from audit by the Auditor-General of Queensland under section 30A of the *Auditor-General Act 2009* and were audited by BDO Audit Pty Ltd. Following a revision of the criteria for small entities which are exempted from audit by the Auditor-General this entity is no longer classified as exempt for 2020 and will be audited by the Auditor-General of Queensland.

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

Queensland Trust for Nature (QTFN) is a conservation-focused, independent, not-for-profit organisation. It was established by the Queensland Government in March 2004 through a Deed of Trust. The Deed assigned the Department of Environment and Science's Director-General as the appointer with the power to appoint or remove trustees or transfer QTFN funds to a new trustee or trustees. There are no powers to direct or influence operating arrangements, other than the above. Prior to and including 2019 QTFN were exempt from audit by the Auditor-General of Queensland under section 30A of the *Auditor-General Act 2009* and were audited by PKF Brisbane Audit. Following a revision of the criteria for small entities which are exempted from audit by the Auditor-General this entity is no longer classified as exempt for 2020 and will be audited by the Auditor-General of Queensland.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

A4 CONTROLLED AND ASSOCIATED ENTITIES (continued)

Audited Financial Transactions and Balances of Associated Entities

	MBF		COEX		QTFN	
	\$'000 Dec 2019	\$'000 Dec 2018	\$'000 June 2019	\$'000 June 2018	\$'000 June 2019	\$'000 June 2018
Total income	20,320	19,590	194,573	-	2,050	1,366
Total expenses	21,138	19,590	169,158	6,672	1,686	1,558
Operating result	(818)	-	25,415	(6,672)	364	(192)
Total current assets	2,419	1,742	93,427	-	5,784	4,986
Total non-current assets	1,408	351	546	-	7,110	5,680
Total assets	3,827	2,093	93,973	-	12,894	10,666
Total current liabilities	2,423	874	59,135	10	2,006	552
Total non-current liabilities	1,039	26	13,583	6,662	1,410	999
Total liabilities	3,462	900	72,718	6,672	3,416	1,551
Net assets	365	1,193	21,255	(6,672)	9,478	9,115

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

	2020	2019
	<u>\$'000</u>	<u>\$'000</u>
Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the operating result		
Budgeted appropriation revenue for services	623,521	651,475
Transfers from other departments	3,093	-
Transfers from other headings	(14,765)	23,024
Unforeseen expenditure	-	45,118
Lapsed appropriations	(5,811)	-
Total appropriation receipts (cash)	<u>606,038</u>	<u>719,617</u>
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	38,487	30,766
Less: Closing balance of deferred appropriation payable to Consolidated Fund	<u>(25,280)</u>	<u>(38,487)</u>
Net appropriation revenue	619,245	711,896
Plus: Deferred appropriation payable to Consolidated Fund (expense)	-	38,487
Appropriation revenue recognised in the operating result	<u><u>619,245</u></u>	<u><u>750,383</u></u>

Accounting Policy - Appropriation Revenue

Appropriations provided under the *Appropriation Act 2019* and the *Appropriation (COVID-19) Act 2020* are recognised as revenue when received. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation repayable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Prior to 1 July 2019, any liability at the end of the financial year for deferred appropriation repayable was debited to expense under the requirements of the superseded AASB 1004 *Contributions* (refer Note B2-4). Capital appropriations are recognised as adjustments to equity, refer to Note C9-2.

Disclosure – Variance Analysis

Budget vs Actual appropriation revenue - Refer to Note E1

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

B1 REVENUE (continued)

B1-2 USER CHARGES AND FEES

	2020 \$'000	2019 \$'000
Licencing of environmental services	68,068	68,807
Recreation and tourism services	23,032	28,145
Facilities and carpark revenue ⁽¹⁾	46,644	49,187
Service level agreement revenue	9,486	8,587
Permits, approvals and resource use	1,093	1,238
Other fees	2,590	4,316
	<u>150,913</u>	<u>160,280</u>

(1) Includes rent received for statutory bodies in the Cultural Centre Precinct of \$28.47 million (2019: \$28.67 million). An equal amount to this is recognised as a services provided below fair value expense. Refer to Note B2-4.

Accounting Policy - Regulatory Fees and User Charges

Revenue is recognised on delivery of the goods or services to the customer. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition of regulatory fees and user charges for the department. This includes fines, forfeitures and fees that fall under the *Environmental Protection Act 1994* such as Environmentally Relevant Authorities (ERA's) fees, and revenue received for services on receipt of payments. Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to Note F1-2.

Disclosure - Recreation and Tourism Services, and Facilities and Carpark Revenue

In response to the COVID-19 pandemic the department has provided financial assistance or relief to businesses and individuals through fee waivers. The following fees have been waived during the 2019-20 financial year:

- recreation and tourism services of \$0.43 million, and
- facilities and carpark revenue of \$0.34 million.

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2020 \$'000	2019 \$'000
Grants from external bodies, state and local governments	12,370	29,290
Industry/community contributions	13,176	29,232
Grants from the Commonwealth	26,116	24,145
Goods and services received below fair value	98	107
Donations, gifts and services	34	43
	<u>51,794</u>	<u>82,817</u>

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

B1 REVENUE (continued)

B1-3 GRANTS AND OTHER CONTRIBUTIONS (continued)

Grants and other contributions include Great Barrier Reef Commonwealth grants \$18.78 million (2019: \$18.71 million), Federal Funding for Yellow Crazy Ants \$3 million (2019: \$3 million), Wet Tropics Management Authority grants \$2.7 million (2019: \$2.7 million) and Reef Trust Offsets \$1.43 million (2019: \$1.29 million).

Accounting Policy - Grants, Contributions and Donations

Grants, contributions and donations revenue arise from non-exchange transactions where the department does not directly give approximately equal value to the grantor.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the department to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding.

As at 30 June 2020, the department does not have any revenue required to be accounted for under AASB 15 *Revenue with Contracts from Customers*.

Disclosure - Grants and Contributions

The department's grants, although under enforceable agreements, do not contain sufficiently specific performance obligations. All grants are therefore recognised upon receipt.

Accounting Policy - Services Received Below Fair Value

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

Disclosure - Services Received Below Fair Value

The department receives archival services from Queensland State Archives, Department of Housing and Public Works for \$0.1 million (2019: \$0.1 million). This is an ongoing arrangement that is essential to the department's operations and would have been procured if they were not received for free. An equal amount to the services received below fair value is recognised as a storage cost within accommodation and operating leases. Refer to Note B2-2.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

B1 REVENUE (continued)

B1-4 ROYALTIES AND LAND RENTS

	2020	2019
	\$'000	\$'000
Rent - state forest leases	876	1,187
Royalties - quarry materials	143	83
	<u>1,019</u>	<u>1,270</u>

Disclosure - Rent - State Forest Leases

In response to the COVID-19 pandemic the department has provided financial assistance or relief to businesses and individuals through fee waivers for land tenure leases of \$0.2 million.

B1-5 OTHER REVENUE

	2020	2019
	\$'000	\$'000
Restitution	3,068	2,012
General recoveries	4,440	1,028
Deposits forfeited	223	-
Sundry revenue	400	374
	<u>8,131</u>	<u>3,414</u>

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2020	2019
	\$'000	\$'000
Employee benefits		
Salaries and wages ⁽¹⁾	257,144	237,003
Employer superannuation contributions	33,063	31,200
Annual leave levy expense	26,384	24,707
Long service leave levy expense	5,936	4,934
Salary related taxes	135	152
Employee related expenses		
Workers compensation expense	2,242	2,714
Other employee expenses	1,728	918
	326,632	301,628

(1) Wages and salaries includes \$3.5 million of \$1,250 one off, pro-rata payments for 2,787 full-time equivalent employees (announced in September 2019)

	2020	2019
Full time equivalent employees	2,992	2,978

The FTE figures includes 27 (2019: 27) Business Corporate Partnership (BCP) employees who perform work under the BCP arrangement.

The number of employees, including both full time and part time employees, is measured on a full time equivalent (FTE) basis, reflecting Minimum Obligatory Human Resource Information (MOHRI) at 30 June 2020 and comparative information at 30 June 2019. This data is published by the Queensland Public Service Commission.

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

Accounting Policy - Wages and Salaries

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting Policy - Sick Leave Expense

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

Accounting Policy - Annual Leave and Long Service Leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave (LSL) Scheme, levies are payable by the department to cover the cost of employees' annual leave and long service leave (including leave loading and on-costs). No provision for annual leave or long service leave is recognised in the department's financial statements. Instead, the provisions are reported on a whole-of-government basis under AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual and long service leave are claimed from the scheme quarterly in arrears.

Accounting Policy - Superannuation

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

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant 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 by the Treasurer on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting Policy - Workers' Compensation Premiums

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

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

B2-2 SUPPLIES AND SERVICES

	2020	2019
	\$'000	\$'000
Consultants and contractors	80,452	61,645
Accommodation and operating leases	35,842	37,563
Repairs and Maintenance	24,353	22,815
Information and communication technologies	15,090	15,936
Service costs to other agencies and shared service providers	13,846	15,306
Motor vehicles	13,361	13,380
Travel	9,828	11,507
Outsourced services	9,244	8,486
Materials and consumables	7,773	11,080
Electricity and gas	5,036	5,485
Legal	4,137	5,470
Other supplies and services	17,483	13,940
	<u>236,445</u>	<u>222,613</u>

Accounting Policy - Distinction between Grants and Procurement

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

Accounting Policy - Lease Expenses

Lease expenses include lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note C5-1 for breakdown of lease expenses and other lease disclosures.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

B2 EXPENSES (continued)

B2-3 GRANTS AND SUBSIDIES

	2020	2019
	\$'000	\$'000
Managing Environmental Policy & Implementation	27,044	4,681
Improving Great Barrier Reef Water Quality	17,683	27,228
Protecting Environments, Ecosystems, Habitats & Species	17,182	16,507
National Parks	17,016	16,104
Major Performing Arts Organisations Program	11,191	11,106
Science	9,198	1,687
Arts Organisations Fund	7,812	8,230
Major Brisbane Festival	4,840	5,165
Rockhampton Art Gallery capital grant	4,500	-
Queensland Arts Showcase Program	4,474	3,974
Environmental Program Delivery	3,910	6,193
Water Quality Management	3,698	1,531
Regional Arts Development Fund	2,080	2,080
Regional Arts Services Network	1,970	1,998
Controlling the use of Native Species	1,867	2,002
Playing Queensland Fund	1,637	2,839
Queensland Music Festival	1,600	1,600
Waste Levy Implementation	-	143,532
Other	10,884	15,802
	148,586	272,259

Accounting Policy - Grants and Subsidies

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

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

Disclosure – Waste Levy Implementation Grant

Monies were paid in June 2019 to local government to ensure there was no impact to households as a result of the waste levy that was introduced on 1 July 2019. No payments were made during 2019-20.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

B2 EXPENSES (continued)

B2-4 OTHER EXPENSES

	2020 \$'000	2019 \$'000
Deferred appropriation payable to Consolidated Fund	-	38,487
Services provided below fair value ⁽¹⁾	28,468	28,668
Queensland Government Insurance Fund (QGIF) insurance premiums	2,413	1,597
Queensland Audit Office-external audit fees for audit of the financial statements ⁽²⁾	395	370
Other external audit fees ⁽³⁾	240	190
Sponsorships	133	460
Disposal of assets	126	1,133
Special payments: ⁽⁴⁾		
Ex-gratia payments	102	273
Compensation payments	81	83
Sundry expenses	2,270	2,245
	34,228	73,506

(1) Goods provided below fair value represents rent for statutory bodies in the Cultural Centre Precinct of \$28.47 million (2019: \$28.67 million). This is an ongoing arrangement that is essential to the statutory bodies operations and would have been procured if they were not received for free. An equal amount to the services provided below fair value expense is recognised as other facilities revenue. Refer to Note B1-2.

(2) Total audit fees quoted by the Queensland Audit Office (QAO) relating to the 2019-20 financial statements are \$0.395 million (2019: \$0.37 million).

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

(4) Special payments represent ex-gratia expenditure and other expenditure transactions that the department is not contractually or legally obligated to make to other parties. Special payments during 2019-20 include:

- ex-gratia payments over \$5,000 that the department made for environmentally relevant activities no longer being undertaken, and*
- in response to the COVID-19 pandemic the department has provided financial assistance or relief to businesses and individuals through fee waivers of late payment fees. Due to legislative requirements these waived fees are accounted for as ex-gratia payments.*

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

**SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION**

C1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash at bank	91,612	95,487
Queensland Treasury Corporation (QTC) cash funds	42,889	37,397
Curtis Island Environmental Management Precinct cash at bank	11,938	13,885
Cash on hand	5	34
	146,444	146,803

Accounting Policy - Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include cash and cheques receipted but not banked at 30 June 2020.

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

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

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

As at 30 June, \$35.49 million (2019: \$34.94 million) is held as a result of financial offset payments in accordance with the *Environmental Offset Act 2014*. The use of these funds is restricted under the Act and can only be used for Conservation purposes or as otherwise permitted under section 86 of the Act.

As at 30 June, \$5 million (2019: \$0.09 million) is held for the Commonwealth Reef Trust grant. The use of these funds is restricted and can only be used for reef protection as permitted under the agreement.

As at 30 June, \$2.4 million (2019: \$2.37 million) is held for the future conversion of Yurol and Ringtail State Forests into National Parks. The use of these funds is restricted under the Deed of Funding.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C2 RECEIVABLES

	Notes	2020 \$'000	2019 \$'000
Current			
Trade debtors		19,849	17,332
Less: Allowance for impairment	C2-1	(2,050)	(1,344)
		<u>17,799</u>	<u>15,988</u>
Advances		237	223
Less: Allowance for impairment		(200)	(200)
		<u>37</u>	<u>23</u>
GST receivable		6,331	4,852
GST payable		(159)	(244)
		<u>6,172</u>	<u>4,608</u>
Annual leave claims receivable		3,023	4,596
Queensland Government Insurance Fund (QGIF) receivable		1,784	-
Long service leave claims receivable		953	1,074
Appropriated equity receivable		352	-
Operating lease receivable		325	171
Loan receivable ⁽¹⁾		-	29,167
Sundry receivables		1,306	1,372
		<u>31,751</u>	<u>56,999</u>
Non-current			
Property leases receivable		41	55
		<u>31,792</u>	<u>57,054</u>
Total receivables		<u>31,792</u>	<u>57,054</u>

(1) The loan receivable relates to an interest free loan agreement which commenced in October 2018 with COEX for \$35 million over 18 months to support the Container Refund Scheme (refer to Note A4). This loan is now extinguished. For 1 July 2019 to 30 June 2020 the implied interest rate was 2.15%, with interest foregone of \$0.24 million. (2019: fair value \$29.63 million, implied interest rate 2.15%, interest foregone \$0.46 million).

Accounting Policy - Receivables

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

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within the trading terms of 30 days. These terms may only be varied depending on the service provided.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF TRADE DEBTORS RECEIVABLES

Accounting Policy - Impairment of Receivables

The loss allowance for trade debtors and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information, including forecast economic changes expected to impact the department's debtors, along with relevant industry and statistical data where applicable.

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

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

The department has not recorded any impairment losses for receivables.

Disclosure - Credit Risk Exposure of Receivables

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

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

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

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

Set out below is the credit risk exposure on the department's trade and other debtors broken down by customer groupings and by aging band.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF TRADE DEBTORS RECEIVABLES (continued)

Impairment Group - Regulatory Fees

	2020			2019		
	Gross	Loss rate	Expected	Gross	Loss rate	Expected
	receivables		credit	receivables		credit
	\$'000	%	losses	\$'000	%	losses
			\$'000			\$'000
Aging						
Current	8,220	0.96%	79	8,854	0.96%	85
1 to 30 days overdue	1,321	1.36%	18	1,009	1.36%	14
31 to 60 days overdue	440	6.82%	30	156	6.82%	11
61 to 90 days overdue	336	19.62%	66	501	19.62%	98
> 90 days overdue	3,423	45.43%	1,555	2,050	38.36%	786
	13,740		1,748	12,570		994

Impairment Group - User Charges

	2020			2019		
	Gross	Loss rate	Expected	Gross	Loss rate	Expected
	receivables		credit	receivables		credit
	\$'000	%	losses	\$'000	%	losses
			\$'000			\$'000
Aging						
Current	239	2.93%	7	347	2.93%	10
1 to 30 days overdue	12	8.41%	1	36	8.41%	3
31 to 60 days overdue	53	26.34%	14	26	26.34%	7
61 to 90 days overdue	69	48.15%	33	4	48.15%	2
> 90 days overdue	207	60.38%	125	351	60.38%	212
	580		180	764		234

Impairment Group - Other Trade Receivables

	2020			2019		
	Gross	Loss rate	Expected	Gross	Loss rate	Expected
	receivables		credit	receivables		credit
	\$'000	%	losses	\$'000	%	losses
			\$'000			\$'000
Aging						
Current	1,984	0.10%	2	264	0.10%	-
1 to 30 days overdue	1,257	0.64%	8	1,431	0.64%	10
31 to 60 days overdue	447	2.24%	10	218	2.24%	5
61 to 90 days overdue	81	17.27%	14	96	17.27%	16
> 90 days overdue	139	63.38%	88	133	63.38%	85
	3,908		122	2,142		116
Total allowance for impairment			2,050			1,344

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF TRADE DEBTORS RECEIVABLES (continued)

Disclosure - Movement in loss allowance for trade debtors

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Loss allowance as at 1 July	(1,344)	(1,819)
Adjustment for application of new accounting standard	-	535
Increase (decrease) in allowance recognised in operating result	(1,809)	(2,288)
Amounts written-off during the year in respect of bad debts	1,103	2,228
Loss allowance as at 30 June	<u>(2,050)</u>	<u>(1,344)</u>

The increase of \$0.71 million (2019: \$0.48 million) from 2019 is due to the overall increase of the department's trade debtors of \$2.6 million before the allowance of impairment.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

C3 PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Land	Buildings	Heritage and cultural assets	Infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2019	566,576	339,883	1,592,730	2,860,077	60,424	50,407	5,470,097
Acquisitions	1,583	71	-	79	6,743	78,181	86,657
Depreciation	-	(28,479)	(34,014)	(14,818)	(10,924)	-	(88,235)
External transfers in from other Queensland Government entities	199	-	(19)	-	4	-	184
Transfers between classes	(43,825)	28,910	46,012	13,884	6,438	(51,419)	-
Net revaluation increments/(decrements) in operating surplus/(deficit) ⁽¹⁾	17,791	-	-	13,637	-	-	31,428
Net revaluation increments/(decrements) in revaluation surplus	-	5,123	43,861	-	-	-	48,984
Disposals	(14)	(36)	-	-	(251)	-	(301)
Balance at 30 June 2020	542,310	345,472	1,648,570	2,872,859	62,434	77,169	5,548,814
Gross	542,310	831,859	2,094,483	3,101,498	147,743	77,169	6,795,062
Less: Accumulated depreciation	-	(486,387)	(445,913)	(228,639)	(85,309)	-	(1,246,248)
Balance at 30 June 2020	542,310	345,472	1,648,570	2,872,859	62,434	77,169	5,548,814

(1) Revaluations in the statement of comprehensive income include revaluation increments of \$31.43 million.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

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

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

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

C3-2 RECOGNITION AND ACQUISITION

Accounting Policy - Recognition

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

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

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

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

Expenditure incurred on property, plant and equipment subsequent to initial recognition, is capitalised to an asset's carrying amount where the cost improves the condition of the asset beyond its original assessed standard of performance or capacity through an increase in the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed when incurred.

Accounting Policy - Cost of Acquisition

Property, plant and equipment acquired for consideration that qualifies for recognition as an asset is recorded at cost at initial measurement. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets in the location and condition required for use. Acquisition costs do not however include general administration or other indirect or training costs which are expensed as incurred.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other entity immediately prior to the transfer. Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at fair value at date of acquisition.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

C3-2 RECOGNITION AND ACQUISITION (continued)

Assets Under Construction

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

C3-3 MEASUREMENT USING HISTORICAL COST

Accounting Policy

Plant and equipment is measured at historical cost. Due to the nature and useful life of plant and equipment assets, the carrying amount of plant and equipment is not materially different.

C3-4 MEASUREMENT USING FAIR VALUE

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

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

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

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

C3-5 DEPRECIATION EXPENSE

Accounting Policy

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

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

C3-5 DEPRECIATION EXPENSE (continued)

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

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

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

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

Depreciation Rates

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

Asset Class	Useful Life Range
Buildings	5 - 100 years
Heritage and cultural assets (excluding land)	15 years - indefinite life
Infrastructure	5 years - indefinite life
Plant and equipment	2 - 25 years

C3-6 IMPAIRMENT

Accounting Policy

All property plant and equipment, and intangibles 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. For assets measured at cost, an impairment loss is recognised immediately in the statement of comprehensive income. For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the revaluation surplus of the relevant class to the extent available. Where no revaluation surplus is available in respect of the class of asset, the loss is expensed in the statement of comprehensive income as a revaluation decrement.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C4 INTANGIBLES AND AMORTISATION EXPENSE

C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	Software - internally generated	Software - purchased	Software - development in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2019	12,158	1,573	3,920	17,651
Acquisitions	-	-	8,406	8,406
Amortisation	(2,711)	(490)	-	(3,201)
Transfers between classes	3,615	-	(3,615)	-
Disposals	-	-	-	-
Balance at 30 June 2020	13,062	1,083	8,711	22,856
Gross	26,352	4,758	8,711	39,821
Less: Accumulated amortisation	(12,428)	(3,675)	-	(16,103)
Less: Accumulated impairment	(862)	-	-	(862)
Balance at 30 June 2020	13,062	1,083	8,711	22,856
	Software - internally generated	Software - purchased	Software - development in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2018	8,228	1,715	5,923	15,866
Acquisitions	-	-	4,714	4,714
Amortisation	(1,562)	(419)	-	(1,981)
Transfers between classes	5,492	277	(5,769)	-
Disposals	-	-	(948)	(948)
Balance at 30 June 2019	12,158	1,573	3,920	17,651
Gross	24,186	6,596	3,920	34,702
Less: Accumulated amortisation	(11,166)	(5,023)	-	(16,189)
Less: Accumulated impairment	(862)	-	-	(862)
Balance at 30 June 2019	12,158	1,573	3,920	17,651

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

C4 INTANGIBLES AND AMORTISATION EXPENSE (continued)

C4-2 RECOGNITION AND MEASUREMENT

Accounting Policy

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

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

C4-3 AMORTISATION EXPENSE

Accounting Policy

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

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

Internally generated software

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

Purchased software

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

A new accounting standard AASB 16 *Leases* came into effect 1 July 2019, resulting in significant changes to the department's accounting for leases for which it is lessee. The transitional impacts of the new standard are disclosed in Note G3-4.

C5-1 LEASES AS LESSEE

Right-of-use assets

	Land \$'000	Buildings \$'000	Total \$'000
2019 - 20			
Carrying value at 1 July 2019	12	5,344	5,356
Additions	-	-	-
Depreciation charge	(6)	(708)	(714)
Closing balance at 30 June 2020	6	4,636	4,642

Lease liabilities

	2020 \$'000	2019 \$'000
Current		
Lease liabilities	656	-
Non-current		
Lease liabilities	3,999	-
Total	4,655	-

Accounting Policy

The department measures right-of-use assets from leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

The department has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, the department allocates the contractual payments to each component on the basis of their stand-alone prices.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

C5 RIGHT-OF-USE ASSETS (continued)

C5-1 LEASES AS LESSEE (continued)

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

Disclosures

Details of leasing arrangements as lessee

Building leases

The department routinely enters into leases for buildings including office accommodation. Some of these leases are short-term. Lease terms for building leases that are recognised on balance sheet can range from 1 to 10 years. A small number of leases have renewal or extension options. The options are generally exercisable at market prices and are not included in the right-of-use asset or lease liability unless the department is reasonably certain it will renew the lease.

Office accommodation, employee housing and motor vehicles

The Department of Housing and Public Works (DHPW) provides the department with access to office accommodation, employee housing and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note B2-2.

Amounts recognised in profit or loss

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	(64)	-
Breakdown of 'Lease expenses' included in Note B2-2		
Expenses relating to variable lease payments	765	-
Total cash outflow for leases	701	-

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C5 RIGHT-OF-USE ASSETS (continued)

C5-1 LEASES AS LESSEE (continued)

2018-19 Disclosures under AASB 117

	2019
	\$'000
<i>Operating lease commitments at 30 June 2019</i>	
Within 1 year	14,339
Later than 1 year but not later than 5 years	50,580
Later than 5 years	41,305
	106,224

C5-2 LEASES AS LESSOR

Accounting Policy

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

Disclosures

Details of leasing arrangements as lessor

Land

The department owns land that is leased under an agreement and are classified as operating leases.

Lease income from operating leases is reported as 'User charges' in Note B1-2. No amounts were recognised in respect of variable lease payments other than CPI-based or market rent revenues.

The department does not have any finance leases.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

C5 RIGHT-OF-USE ASSETS (continued)

C5-2 LEASES AS LESSOR (continued)

Maturity Analysis

The following table sets out a maturity analysis of future undiscounted lease payments received under the department's operating leases.

	2020	2019
	\$'000	\$'000
Less than 1 year	420	654
1 to 2 years	9	363
2 to 3 years	1	9
3 to 4 years	-	1
Total	430	1,027

C6 PAYABLES

	2020	2019
	\$'000	\$'000
Trade creditors	22,109	34,473
Grants payable	1,730	749
Appropriated equity payable	-	692
Taxes payable	32	37
Appropriation payable	25,280	38,487
Sundry payables	167	139
	49,318	74,577

Accounting Policy - Trade Creditors

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.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

C7 ACCRUED EMPLOYEE BENEFITS

	2020 \$'000	2019 \$'000
Annual leave levy payable	6,971	6,676
Salary and wages payable	2,348	5,147
Long service leave levy payable	1,613	1,356
	<u>10,932</u>	<u>13,179</u>

Accounting Policy - Accrued Employee Benefits

No provision for annual or long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

C8 OTHER LIABILITIES

	2020 \$'000	2019 \$'000
Contributions received in advance	-	13,783
Unearned revenue	394	484
	<u>394</u>	<u>14,267</u>

Disclosure - Contributions Received in Advance

The contributions received in advance in 2019 represents a deposit of funds for the management of the Curtis Island Environmental Management Precinct (refer to Note C1). Under AASB 1058 *Income of Not-for-Profit Entities*, revenue under this contract is now recognised when received, refer to Note G3. As result of the accounting standard change as at 1 July 2019 an adjustment to equity was recorded for \$13.61 million which is included in the Statement of Changes in Equity.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

C9 EQUITY

C9-1 CONTRIBUTED EQUITY

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the Department. Appropriations for equity adjustments (refer to Note C9-2) are recognised as contributed equity by the Department during the reporting and comparative years:

- appropriations for equity adjustments (refer Note C9-2), and
- non reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes (refer Note A3).

C9-2 APPROPRIATIONS RECOGNISED IN EQUITY

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

	2020 \$'000	2019 \$'000
Budgeted equity adjustment appropriation	(3,413)	(8,043)
Transfer from other headings	7,497	(23,024)
Equity adjustments ⁽¹⁾	667	(2,776)
Equity Adjustment Recognised in Contributed Equity	4,751	(33,843)

(1) Additional equity adjustments were primarily due to acceleration of work on the New Performing Arts Venue and clawback of funding for fire management of Protected Area Estate.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 4
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES

Land, buildings, infrastructure, and heritage and cultural assets are measured at fair value as required by *Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

Fair Value Hierarchy

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

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

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

Revaluation

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

Revaluations using independent professional valuer appraisals are undertaken at least once every five years. However, if a class of assets experience significant or volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

D1 FAIR VALUE MEASUREMENT (continued)

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

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

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

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

Land, and Heritage and Cultural Assets

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

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

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

As part of the rolling program, each year the department employs independent valuers to comprehensively assess the fair value of the top 20 land assets and top 20 heritage and cultural assets by value to ensure that any significant or volatile changes in the market are reflected in the value of the asset class. The remaining assets are valued comprehensively as part of the 5 year risk weighted rolling revaluation program. As at 30 June 2020, 99% of the value of the land, and 98% of the value of the heritage and cultural class was independently valued in the last five years.

Effective Date of Last Specific Appraisal: State Valuation Services undertook the last specific appraisal at 30 June 2020.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

D1 FAIR VALUE MEASUREMENT (continued)

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

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

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

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

Buildings

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

Valuation Approach: Current Replacement Cost.

Due to the size of the department's building asset class, it is not feasible to have all assets assessed by an independent valuer every five years. The Department has adopted a risk weighted approach of comprehensively valuing its buildings on a rolling revaluation program which ensures all material assets are valued by independent professional valuers at least once every five years. This approach has resulted in comprehensive revaluation of 92% of the written down value of the asset base in the last 5 years.

Effective Date of Last Specific Appraisal: State Valuation Services undertook the last specific appraisal at 30 June 2020.

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

D1 FAIR VALUE MEASUREMENT (continued)

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

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

Infrastructure

The majority of the value of the Infrastructure class is comprised of roads and tracks, which exist on national park and state forest land. For road assets, the department has adopted the valuation methodology and framework developed by the Roads and Transport Alliance (RTA) as part of the Roads Alliance Valuation Project. The Roads Alliance Project methodology is based on the models developed by the Department of Transport and Main Roads (TMR), which is updated annually. The methodology includes the componentisation of roads allowing separate useful lives to be set for each component, with an indefinite life being applied to the most material part of the road asset being earthworks.

Valuation Approach: Current Replacement Cost.

Effective Date of Last Specific Appraisal: 30 June 2020 by management experts with rates provided by Lemmah Pty Ltd.

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

D1 FAIR VALUE MEASUREMENT (continued)

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

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

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

Categorisation of fair values recognised at 30 June

	Level 2		Level 3		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Land	26,655	34,227	515,655	532,349	542,310	566,576
Buildings	-	-	345,472	339,883	345,472	339,883
Infrastructure	-	-	2,872,859	2,860,077	2,872,859	2,860,077
Heritage and cultural	-	-	1,648,570	1,592,730	1,648,570	1,592,730
	26,655	34,227	5,382,556	5,325,039	5,409,211	5,359,266

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

D2 FINANCIAL RISK DISCLOSURES

D2-1 FINANCIAL INSTRUMENT CATEGORIES

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

<i>Category</i>	Notes	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	C1	146,444	146,803
Receivables at amortised cost	C2	31,792	57,054
Total		<u>178,236</u>	<u>203,857</u>
Financial Liabilities			
Payables at amortised cost	C6	49,318	74,577
Lease liabilities	C5-1	4,655	-
Total		<u>53,973</u>	<u>74,577</u>

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

Risk Exposure

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

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-2 FINANCIAL RISK MANAGEMENT

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

Risk Exposure	Definition	Exposure
Credit risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation	<p>The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment.</p> <p>The carrying amount of receivables, disclosed in Note C2, represents the maximum exposure to credit risk.</p>
Liquidity risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset	The department is exposed to liquidity risk through its trading in the normal course of business.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-2 FINANCIAL RISK MANAGEMENT (continued)

Risk Measurement and Management Strategies

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

Risk Exposure	Measurement Method	Risk Management Strategies
Credit risk	Aging analysis, earnings at risk	The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-3 LIQUIDITY RISK - CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

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

	Notes	2020 Payable in:		
		<1 Year \$'000	>5 Years \$'000	Total \$'000
Financial Liabilities				
Payables	C6	49,318	-	49,318
Lease liabilities	C5	656	3,999	4,655
		<u>49,974</u>	<u>3,999</u>	<u>53,973</u>
	Notes	2019 Payable in:		
		<1 Year \$'000	>5 Years \$'000	Total \$'000
Financial Liabilities				
Payables	C6	74,577	-	74,577
		<u>74,577</u>	<u>-</u>	<u>74,577</u>

Interest Rate Sensitivity Analysis

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

D3 CONTINGENCIES

Litigation in Progress

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

	<u>2020</u>	<u>2019</u>
Land Court	8	1
Planning and Environment Court	7	-
High Court	1	-
Queensland Civil and Administrative Tribunal	-	1
Court of Appeal	-	2
Supreme Court	-	1
Magistrates Court	-	1
	<u>16</u>	<u>6</u>

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

D4 COMMITMENTS

Capital Expenditure Commitments

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

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Property, plant and equipment		
Not later than one year	41,404	22,757
Later than 1 year but not later than 5 years	96,854	-
Intangible assets		
Not later than one year	679	1,080
	<u>138,937</u>	<u>23,837</u>

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

D5 EVENTS AFTER THE BALANCE DATE

On 7 August 2020 the department received approval from the Treasurer for a general approval under section 40 of the *Financial Accountability Act 2009* (FA Act) to make investments under section 87 of the FA Act, in support of the operations of the Land Restoration Fund (LRF).

The LRF is a Government election commitment to expand carbon farming in Queensland by supporting land-sector projects that deliver clear environmental, social and economic co-benefits to the State.

The LRF is structured as a unit trust, managed by QTC as Trustee, with the Department being the sole unit holder of the trust. QTC's role as trustee, will involve administering the various Project Investment Agreements on behalf of the State.

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 will first apply to the department's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. The department does not currently have any service concession assets or related liabilities.

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 5
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES

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

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

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Income from continuing operations				
<i>Revenue</i>				
Appropriation revenue	623,521	619,245	(4,276)	(1%)
User charges and fees	135,138	150,913	15,775	12%
Grants and other contributions	68,308	51,794	(16,514)	(24%)
Royalties and land rents	1,284	1,019	(265)	(21%)
Interest	1,440	800	(640)	(44%)
Other revenue	372	8,131	7,759	2,086%
Total revenue	830,063	831,902	1,839	0%
Gains on disposal	-	857	857	100%
Revaluation increment	-	31,428	31,428	100%
Total income from continuing operations	830,063	864,187	34,124	4%
Expenses from continuing operations				
Employee expenses	307,340	326,632	19,292	6%
Supplies and services	251,171	236,445	(14,726)	(6%)
Grants and subsidies	147,841	148,586	745	1%
Depreciation and amortisation	96,997	92,150	(4,847)	(5%)
Revaluation decrement	1,500	-	(1,500)	(100%)
Other expenses	3,604	34,228	30,624	850%
Total expenses from continuing operations	808,453	838,041	29,588	4%
Operating result for the year	21,610	26,146	4,536	21%

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

Revenue	
<i>Appropriation revenue:</i>	Variance relates to the rescheduling of a number of programs including the Land Restoration Fund, Queensland Waste Levy Implementation, Saving the Great Barrier Reef, Investigations into Underground Coal Gasification (UCG), as well additional funding for the Land Restoration Fund (\$10 million) and additional funding for employee expenses under the Enterprise Bargaining Agreement.
<i>User charges and fees:</i>	Increase relates to Goods provided below fair value (non-cash) for rent to statutory bodies in the Cultural Centre Precinct of \$28.47 million (2019: \$28.67 million) which was not budgeted, offset by a decrease in Environmentally Relevant Activity annual return fees as well as National Park camping and visitor fees revenue associated with COVID-19 restrictions.
<i>Grants and other contributions:</i>	Decrease is primarily due to the reprofiling of Queensland Reconstruction Authority for the Disaster Recovery Funding Arrangements - Riparian Recovery Program. (\$22.4 million), offset by increased funding from the Commonwealth Reef Trust (\$5.0 million).
<i>Interest:</i>	Decrease is primarily due to lower than budget interest revenue for funds held for environmental offsets.
<i>Other revenue:</i>	Increase is primarily related to higher than expected restitutions associated with protected area estate and general recoveries associated with natural disaster management.
Expenses	
<i>Employee expenses:</i>	Increase is primarily related to the utilisation of non-labour budget to labour, increased funding for Yellow Crazy Ant management, funding transferred to the department for the Cape York Tenure Resolution Program as well as additional funding under the Enterprise Bargaining Agreement.
<i>Supplies and Services:</i>	Decrease is primarily related to the utilisation of non-labour budget to labour during 2019-20, and net deferral of operating costs associated with a number of programs including Investigations into Underground Coal Gasification (UCG), Cape York Peninsula Land Tenure management, Waste Levy implementation and Tweed River bypass.
<i>Grants and subsidies:</i>	Variance can be attributed to additional funds for the Land Restoration Fund and the rescheduling of funds for the following programs: Queensland Reconstruction Authority for the Disaster Recovery Funding Arrangements - Riparian Recovery Program, Great Barrier Reef Water Quality Program, Land Restoration Fund, Saving the Great Barrier Reef and the Waste Levy implementation.
<i>Depreciation and amortisation:</i>	The variance is the result of budget identified for potential increases in depreciation as a result of revaluation increases that did not eventuate.
<i>Other expenses:</i>	Increase relates to Goods provided below fair value (non-cash) for rent to statutory bodies in the Cultural Centre Precinct of \$28.47 million (2019: \$28.67 million) which was not budgeted.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Current assets				
Cash and cash equivalents	116,778	146,444	29,666	25%
Receivables	36,893	31,751	(5,142)	(14%)
Other assets	2,449	5,161	2,712	111%
Total current assets	156,120	183,356	27,236	17%
Non-current assets				
Receivables	21	41	20	95%
Property, plant and equipment	5,617,505	5,548,814	(68,691)	(1%)
Intangible assets	25,860	22,856	(3,004)	(12%)
Right-of-use assets	-	4,642	4,642	100%
Total non-current	5,643,386	5,576,353	(67,033)	(1%)
Total assets	5,799,506	5,759,709	(39,797)	(1%)
Current liabilities				
Payables	27,170	49,318	22,148	82%
Accrued employee benefits	12,537	10,932	(1,605)	(13%)
Lease liabilities	-	656	656	100%
Other liabilities	14,170	394	(13,776)	(97%)
Total current	53,877	61,300	7,423	14%
Non-current liabilities				
Lease Liabilities	-	3,999	3,999	100%
Total non-current	-	3,999	3,999	100%
Total liabilities	53,877	65,299	11,422	21%
Net assets	5,745,629	5,694,410	(51,219)	(1%)

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

Assets	
<i>Cash and cash equivalents:</i>	Increase is predominantly due to net unspent appropriation funds held at 30 June 2020 for which a net payable to the Consolidated Fund is recorded (\$25.3 million).
<i>Receivables:</i>	Increase is due to changes to the timing of the receipt of funds from debtors at financial year end.
<i>Other assets:</i>	Increase is due to unbudgeted prepayment for the Queensland Government Insurance Fund of \$1.8m and the associated timing of the payment.
<i>Property, plant and equipment:</i>	The decrease is predominantly due to both works in progress and revaluation increments being less than anticipated.
<i>Intangibles assets:</i>	Decrease is due to the rescheduling of projects to later periods.
<i>Right-of-use assets:</i>	Increase is due to application of AASB 16 <i>Leases</i> for the first time on 1 July 2019 which was not budgeted.
Liabilities	
<i>Payables:</i>	The variance is primarily due to the deferred appropriation payable of \$25.7 million to the Consolidated Fund for various programs.
<i>Accrued employee benefits:</i>	The variance relates to the timing of accrued employee benefits for salary, wages, annual leave and long service leave payable.
<i>Other liabilities:</i>	Decrease is due to the derecognition of unearned revenue under AASB 15 <i>Revenue from Contracts with Customers</i> (\$13.61 million) not budgeted.
<i>Lease Liabilities:</i>	Increase is due to application of AASB 16 <i>Leases</i> for the first time on 1 July 2019 which was not budgeted.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Cash flows from operating activities				
<i>Inflows:</i>				
Service appropriation receipts	623,521	606,038	(17,483)	(3%)
User charges and fees	135,571	119,542	(16,029)	(12%)
Grants and other contributions	68,308	51,794	(16,514)	(24%)
GST input tax credits received from ATO	-	43,610	43,610	100%
GST collected from customers	-	5,881	5,881	100%
Interest received	1,440	816	(624)	(43%)
Other income	7,251	6,297	(954)	(13%)
<i>Outflows:</i>				
Employee expenses	(307,779)	(330,191)	(22,412)	(7%)
Supplies and services	(258,455)	(247,283)	11,172	4%
Grants and subsidies	(147,841)	(147,605)	236	0%
GST paid to suppliers	-	(44,166)	(44,166)	(100%)
GST remitted to ATO	-	(6,892)	(6,892)	(100%)
Other expenses	(4,126)	(3,801)	325	8%
Net cash provided by (used in) operating activities	117,890	54,040	(63,850)	(54%)
Cash flows from investing activities				
<i>Inflows:</i>				
Loans and advances	35,138	29,154	(5,984)	(17%)
Proceeds from sales of property, plant and equipment	162	857	695	429%
<i>Outflows:</i>				
Loans and advances	(289)	-	289	100%
Payments for property, plant, and equipment, and intangibles	(100,649)	(94,899)	5,750	6%
Net cash (used in) investing activities	(65,638)	(64,888)	750	1%
Cash flows from financing activities				
<i>Inflows:</i>				
Borrowings	289	-	(289)	(100%)
Equity injections	76,650	85,756	9,106	12%
Accounting Policy Change	-	7,104	7,104	100%
<i>Outflows:</i>				
Borrowing redemptions	(138)	-	138	100%
Lease payments	-	(701)	(701)	(100%)
Equity withdrawals	(80,063)	(81,670)	(1,607)	(2%)
Net cash provided by (used in) financing activities	(3,262)	10,489	13,751	422%
Net increase (decrease) in cash and cash equivalents	48,990	(359)	(49,349)	(101%)
Cash and cash equivalents opening balance	67,788	146,803	79,015	117%
Cash and cash equivalents closing balance	116,778	146,444	29,666	25%

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

Cash flows from operating activities	
Inflows	
<i>Service appropriation receipts:</i>	Lower State appropriation is primarily due to timing adjustments as a result of the Government's Mid Year Fiscal and Economic Review for a number of programs including Queensland Reef Water Quality Program, Land Restoration Fund, Queensland Waste Levy Implementation, Nature Refuges and Investigation into Underground Coal Gasification (UCG) programs. Additional funding was lapsed or deferred in June 2020 as part of departmental savings as a result of the COVID-19 impacts including surplus funds relating to the Enterprise Bargaining Agreement and operating efficiencies as well as targeted programs including grants.
<i>User charges and fees:</i>	Decrease is due a reduction of own sourced revenue for Environmentally Relevant Activity annual return fees and National Park camping and visitor fees revenue associated with COVID-19 restrictions.
<i>Grants and other contributions:</i>	Decrease is primarily due to the reprofiling of Queensland Reconstruction Authority for the Disaster Recovery Funding Arrangements - Riparian Recovery Program. (\$22.4 million), offset by increased funding from the Commonwealth Reef Trust (\$5.0 million).
<i>Interest received:</i>	Decrease is primarily due to lower than budget interest revenue for funds held for environmental offsets.
<i>Other income:</i>	The decrease is primarily related to the timing of restitutions associated with protected area estate, and general recoveries associated with natural disaster management.
Outflows	
<i>Employee expenses:</i>	Increase is primarily related to the utilisation of non-labour budget to labour, increased funding for Yellow Crazy Ant management, funding transferred to the department for the Cape York Tenure Resolution Program as well as additional funding under the Enterprise Bargaining Agreement.
<i>Supplies and services:</i>	Decrease is primarily related to the utilisation of non-labour budget to labour during 2019-20, and net deferral of operating costs associated with a number of programs including Investigations into Underground Coal Gasification (UCG), Cape York Peninsula Land Tenure management, Waste Levy implementation and Tweed River bypass.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

E1 BUDGETARY REPORTING DISCLOSURES - CONTROLLED ACTIVITIES (continued)

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

Outflows	
<i>Grants and subsidies:</i>	Variance can be attributed to additional funds of \$10 million for the Land Restoration Fund, rescheduling of funds of \$4.2 million into 2019-20 for the Queensland Reconstruction Authority for the Disaster Recovery Funding Arrangements - Riparian Recovery Program , and rescheduling grant payments for the following programs: Great Barrier Reef Water Quality Program, Land Restoration Fund, Saving the Great Barrier Reef and the Waste Levy implementation.
Cash flows from investing activities	
Inflows	
<i>Loans and advances:</i>	Difference relates to loan repayments being made earlier than planned.
<i>Payments for sales of property, plant and equipment:</i>	Decrease in outflow is primarily due to delayed works as a result of the COVID-19 pandemic.
Cash flows from financing activities	
Inflows	
<i>Equity injections:</i>	Increase in equity injections is as a result of the transfer of \$6 million in funds from the Department of Aboriginal and Torres Strait Islander Partnerships as a result of a Cape York Tenure Resolution Program machinery-of-government as well the acceleration of arts infrastructure projects.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

F1 ADMINISTERED ITEMS

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

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

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

F1 ADMINISTERED ITEMS (continued)

F1-1 SCHEDULE OF ADMINISTERED ITEMS

	Notes	2020 \$'000	2019 \$'000
Administered revenue			
Revenues from Government		154,644	142,510
User charges and fees ⁽¹⁾	F1-2	300,404	5,701
Royalties		3,197	4,142
Interest		11	-
Other revenues		320	312
Total administered revenue		<u>458,576</u>	<u>152,665</u>
Administered expenses			
Supplies and services		34	30
Grants and subsidies	F1-3	154,644	142,510
Other expenses		91	7
Transfers of administered revenue to Government ⁽¹⁾		303,807	10,118
Total administered expenses		<u>458,576</u>	<u>152,665</u>
Operating surplus/(deficit)		<u>-</u>	<u>-</u>
Administered assets			
<i>Current</i>			
Cash		8,473	(249)
Receivables ⁽¹⁾		43,546	384
Total current assets		<u>52,019</u>	<u>135</u>
Administered liabilities			
<i>Current</i>			
Payables ⁽¹⁾		52,019	135
Total administered liabilities		<u>52,019</u>	<u>135</u>
Net administered assets		<u>-</u>	<u>-</u>
Accumulated surplus		-	-
Total administered equity		<u>-</u>	<u>-</u>

(1) Associated with the administration of the waste levy that commenced on 1 July 2019.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

F1 ADMINISTERED ITEMS (continued)

F1-2 USER CHARGES AND FEES

	2020 \$'000	2019 \$'000
Waste Levy	294,970	-
Contaminated Land Search Fee	3,015	3,000
Fines and Forfeitures	1,180	1,401
Wildlife Fees	585	476
Commercial Operators Fees	332	352
Other Regulatory fees	322	472
	<u>300,404</u>	<u>5,701</u>

Disclosure - Waste Levy Revenue

The waste levy commenced on 1 July 2019 under the *Waste Reduction and Recycling Act 2019*. The waste levy is paid by landfill operators on waste disposed to landfill. Currently, there are 119 active sites within the Levy Zone, managed by 53 landfill operators (36 local councils and 17 private businesses).

The waste levy operates on a rolling three month cycle. Waste is disposed and data recorded by the landfill operator in the first month. Waste data is submitted by the landfill operator to the department by the last day of the second month. The department calculates levy liability and issues an invoice to the operator that is due for payment by the 28th day of the third month.

The levy is calculated on a rate per tonnage for different types of waste. Levy rates are scheduled in the Waste Reduction and Recycling Regulation 2019. Revenue is recognised when waste is disposed, which is when the obligation to pay the levy arises. Revenue is accrued based on estimates derived from prior month's data. Waste which is not landfilled or falls under a small number of specific, statutory exemptions is excluded from the levy.

Controls and compliance activities such as independent site audits, waste data analysis, volumetric surveys, as well as anti-illegal dumping activities, are utilised to monitor the site activities and self-reported data of operators.

F1-3 GRANTS AND SUBSIDIES

	2020 \$'000	2019 \$'000
State Library of Queensland	65,883	64,664
Queensland Art Gallery	35,640	32,915
Queensland Museum	34,354	31,727
Queensland Performing Arts Trust	16,167	10,604
Queensland Theatre Company	2,600	2,600
	<u>154,644</u>	<u>142,510</u>

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

F1 ADMINISTERED ITEMS (continued)

F1-4 ADMINISTERED ACTIVITIES - BUDGET TO ACTUAL COMPARISON

This note compares the original published budget figures for the reporting year to actual results in respect of the department's major classes of administered income, expenses, assets and liabilities. An explanation of major variances is included in Note F1-5.

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Administered revenue				
Revenues from Government	147,276	154,644	7,368	5%
User charges and fees	436,972	300,404	(136,568)	(31%)
Royalties	4,291	3,197	(1,094)	(25%)
Interest	-	11	11	100%
Other revenues	1,685	320	(1,365)	(81%)
Total administered revenue	590,224	458,576	(131,648)	(22%)
Administered expenses				
Supplies and services	-	34	34	100%
Grants and subsidies	147,276	154,644	7,368	5%
Other expenses	-	91	91	100%
Transfers of administered revenue to Government	442,948	303,807	(139,141)	(31%)
Total administered expenses	590,224	458,576	(131,648)	(22%)
Operating surplus/(deficit)	-	-	-	-
Administered assets				
<i>Current</i>				
Cash	309	8,473	8,164	2,642%
Receivables	346	43,546	43,200	12,486%
Total current assets	655	52,019	51,364	7,842%
Administered liabilities				
<i>Current</i>				
Transfers to Government payable	108	52,019	51,911	48,066%
Total administered liabilities	108	52,019	51,911	48,066%
Net administered assets	547	-	(547)	(100%)

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

F1 ADMINISTERED ITEMS (continued)

F1-5 ADMINISTERED ACTIVITIES - EXPLANATION OF MAJOR VARIANCES

Administered income	
<i>Revenues from Government:</i>	Increase is primarily due to the QPAC grant clawback from 2020-21 to 2019-20 due to COVID-19, as well as an increase in grant funding for the Arts Statutory Bodies Enterprise Bargaining Agreement payments.
<i>User charges and fees:</i>	Decrease relates to waste levy revenue less than expected due to additional exemptions and lower than anticipated load tonnage \$119.0 million.
Administered expenses	
<i>Grants and subsidies:</i>	Increase is primarily due to the QPAC grant clawback from 2020-21 to 2019-20 due to COVID-19, as well as an increase in grant funding for the Arts Statutory Bodies Enterprise Bargaining Agreement payments.
<i>Transfers of administered item revenue to Government:</i>	Decrease is primarily due to a reduction of revenue collected for the Queensland Waste Levy (\$119.0 million).
Administered assets	
<i>Cash:</i>	Increase is due to changes to the timing of the transfers of administered revenue to Government.
<i>Receivables:</i>	Increase is due to the timing of Queensland Waste Levy receipt of funds at financial year end.
Administered liabilities	
<i>Transfers to Government payable:</i>	Increase is due to changes to the timing of the transfers of administered revenue to Government.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

F2 TRUST TRANSACTIONS AND BALANCES

The department holds cash and bank guarantees on behalf of companies and individuals as a condition of environmental authorities and various environment management sections of the *Environmental Protection Act 1994* and other relevant Acts. Financial assurances are held in the form of cash or bank guarantees to ensure compliance with specific environmental requirements as determined, including to prevent or minimise any environmental harm, or to rehabilitate or restore the environment.

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

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Trust collections and distributions		
<i>Collections</i>		
Environmental	-	1,473
Mining	-	13,724
Total collections	<u>-</u>	<u>15,197</u>
<i>Distributions</i>		
Environmental	-	(2,000)
Mining	-	(90,541)
Total distributions	<u>-</u>	<u>(92,541)</u>
Increase (decrease) in trust accounts	<u>-</u>	<u>(77,344)</u>
Trust assets and liabilities		
<i>Current assets</i>		
Cash	2,116	2,116
Total trust assets	<u>2,116</u>	<u>2,116</u>
<i>Non-current liabilities</i>		
Environmental	2,116	2,116
Total trust liabilities	<u>2,116</u>	<u>2,116</u>

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

F2 TRUST TRANSACTIONS AND BALANCES (continued)

At the reporting date, the department held bank guarantees to the value of \$31.95 million in relation to the following:

- \$31.51 million relating to petroleum and gas in accordance with the lease conditions under the *Environmental Protection Act 1994*; and
- \$0.44 million relating to environmental management activities under the *Environmental Protection Act 1994* and other miscellaneous acts as relevant.

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

During 2018-19 the financial assurances previously held by the Department in trust under the *Environmental Protection Act 1994* transitioned to the Financial Assurance Information Registry (FAIR) held by Queensland Treasury in accordance with the *Mineral and Energy Resources (Financial Provisioning) Act 2018*. A total of \$12.27 million in cash and \$1.23 billion in bank guarantees was transferred.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

**SECTION 7
OTHER INFORMATION**

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Details of Key Management Personnel

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. That Minister is the Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts.

The following details for non-Ministerial key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2019-20 and 2018-19. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibility
Director-General	Directs the overall efficient, effective and economical administration of the department. The position also sets the department's strategic direction and priorities.
Deputy Director-General, Environmental Policy and Programs	Provides strategic leadership and direction of the departments strategy, policy and legislation to support Queensland Government's environmental agenda.
Deputy Director-General, Environmental Services and Regulation	Provides strategic leadership and direction of the departments regulatory program, ensuring that it is targeted, consistent and transparent in its facilitation of sustainable development and strong environmental performance.
Deputy Director-General, Queensland Parks and Wildlife Service and Partnerships	Provides strategic leadership, direction and management for the National Parks within the State and leads the First Nations Strategy and engagement for the department.
Deputy Director-General, Science and Technology	Provides strategic leadership and direction of the departments scientific and technical advice and services. The division, with the Queensland Chief Scientist, provides strategic leadership for the government's investment in science and research, and policy development.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Position	Position Responsibility
Deputy Director-General Corporate Services	Provides strategic leadership and direction for the departments corporate services under the Business and Corporate Partnership model.
Deputy Director-General Arts and Heritage	Provides strategic leadership and direction of the departments heritage agenda and the efficient, effective and economic administration of Arts Queensland.
Executive Director, Office of the Director-General	Leads the executive and Ministerial correspondence and liaison associated with the conduct of the Director-General and the department.
Deputy Director-General, Conservation and Sustainability Services ⁽¹⁾ (ceased 31 January 2019)	Provides strategic leadership and direction of the departments conservation and sustainability services.
Deputy Director-General, Protected Area Innovation, Engagement and Policy ⁽¹⁾ (ceased 31 January 2019)	Provides strategic leadership and direction of the departments policy development and engagement functions relating to Queensland's protected areas and is responsible for embedding innovative culture and practice.

(1) During 2018-19 the department underwent an organisational restructure effective 4 February 2019. The restructure affected Divisional names and members of the Key Management Personnel.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Remuneration Policies

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

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

Remuneration expenses for key management personnel comprise the following components:

- short term employee benefits which include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person, and
 - non-monetary benefits consisting of provision of vehicle and car parking together with fringe benefits tax applicable to the benefit
- long term employee benefits include amounts expensed in respect of long service leave entitlements earned
- post-employment benefits expensed include amounts expensed in respect of employer superannuation obligations
- termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment, and
- remuneration packages for the Key Management Personnel do not provide for any performance or bonus payments.

KMP Remuneration Expense

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

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Expense 2019-20

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Expenses	\$'000	\$'000	\$'000	\$'000
Director-General	378	16	9	47	-	450
Deputy Director-General, Environmental Policy and Programs (01/07/2019 to 20/12/2019)	184	4	3	16	222	429
Deputy Director-General, Environmental Policy and Programs (23/12/2019 to 24/04/2020)	84	3	2	7	-	96
Deputy Director-General, Environmental Policy and Programs (27/04/2020 to 30/06/2020)	44	1	1	5	-	51
Deputy Director-General, Environmental Services and Regulation	232	8	5	25	-	270
Deputy Director-General, Queensland Parks and Wildlife Service and Partnerships	260	8	6	29	-	303
Deputy Director-General, Science and Technology	223	8	5	24	-	260
Deputy Director-General, Corporate Services	223	8	5	23	-	259
Deputy Director-General, Arts and Heritage (01/07/2019 to 21/12/2019 and 25/04/2020 to 30/06/2020)	165	5	4	21	-	195
Deputy Director-General, Arts and Heritage (23/12/2019 to 24/04/2020)	84	-	2	7	-	93
Executive Director, Office of the Director-General	183	16	4	19	-	222

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Expense 2018-19

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G2 RELATED PARTY TRANSACTIONS

Transactions with People/Entities Related to KMP

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

Transactions with other Queensland Government Controlled Entities

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

Note A3 outlines a transfer of assets and liabilities from the Department of Aboriginal and Torres Strait Islander Partnerships from a machinery-of-Government change during 2019-20.

The department participates in a Business's Corporate Partnership (BCP) arrangement whereby some departments "host" a number of strategic and operational corporate services provided to a number of other "recipient" departments. This arrangement was developed with a focus on ensuring economies of scale, service integration, scalability, and responsiveness.

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

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

<i>Recipient Department</i>	<i>Services Provided by Department of Environment and Science</i>
Department of Agriculture and Fisheries	Internal Audit; Procurement; Right to Information; Privacy; Graduate Program; Ministerial and Executive Correspondence Support
Department of Innovation and Tourism Industry Development (1 July to 10 May)	Internal Audit; Right to Information; Graduate Program; Ministerial and Executive Correspondence Support
Department of State Development, Tourism and Innovation (11 May to 30 June)	Internal Audit; Right to Information; Graduate Program; Ministerial and Executive Correspondence Support
Department of Natural Resources, Mines and Energy	Procurement; Right to Information; Privacy; Graduate Program; Ministerial and Executive Correspondence Support

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

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G2 RELATED PARTY TRANSACTIONS (continued)

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

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

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

The department receives some information technology services from the Department of Agriculture and Fisheries as a fee for service within the Business Corporate Partnership. In addition to the BCP arrangements, the department also receives corporate services from the Department of Housing and Public Works for a fee.

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

- QTC - cash and investment management, refer to Note C1
- Department of Housing and Public Works - office accommodation, refer to Note B2-2
- Queensland Shared Services - shared service provider expenses, refer to Note B2-2
- Department of Agriculture and Fisheries - fleet management and ICT, refer to Note B2-2
- Queensland Rural and Industry Development Authority - waste management, refer to Note B2-2
- State Valuation Services - valuation services, refer to Note D1
- Queensland Performing Arts Trust, Queensland Museum, State Library of Queensland, Queensland Art Gallery - statutory body grant funding, refer to Note F1-3
- QSuper – ALCS and LSL, refer to Note B2-1
- Smart Services Queensland, refer to Note B2-2
- Department of Communities, Disability Services and Seniors - community recovery, refer to Note B2-1
- Department of Transport and Main Roads - contribution, refer to Note B1-3
- Queensland Treasury who administer QGIF, refer to Note B2-2, and
- Workcover Queensland, refer to Note B2-1.

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

Accounting Standards Applied for the First Time

Three new accounting standards with material impact were applied for the first time in 2019-20:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*, and
- AASB 16 *Leases*.

The effect of adopting these new standards are detailed in Notes G3-1 to G3-4. No other accounting standards or interpretations that apply to the department for the first time from 1 July 2019 have any material impact on the financial statements.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

G3-1 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2019-20.

The department applied AASB 15 *Revenue from Contracts with Customers* for the first time at 1 July 2019. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

New Revenue Recognition Model

AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers is recognised. The five-step model and significant judgements at each step are detailed below.

Step 1 - Identify the contract with the customer	Grant funding that the department receives may contain a contract with a customer and thus fall within the scope of AASB 15. This is the case where the funding agreement requires the department to transfer goods or services to third parties on behalf of the grantor, it is enforceable, and it contains sufficiently specific performance obligations.
Step 2 - Identify the performance obligations in the contract	This step involves firstly identifying all the activities the department is required to perform under the contract, and determining which activities transfer goods or services to the customer. Where there are multiple goods or services transferred, the department must assess whether each good or service is a distinct performance obligation or should be combined with other goods or services to form a single performance obligation. To be within the scope of AASB 15, the performance obligations must be 'sufficiently specific', such that the department is able to measure how far along it is in meeting the performance obligations.
Step 3 - Determine the transaction price	When the consideration in the contract includes a variable amount, the department needs to estimate the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probable that a significant reversal of revenue will not occur. This includes sales with a right of return, where the amount expected to be refunded is estimated and recognised as a liability instead of revenue.
Step 4 - Allocate the transaction price to the performance obligations	When there is more than one performance obligation in a contract, the transaction price must be allocated to each performance obligation. Generally this needs to be performed on a relative stand-alone selling price basis.
Step 5 - Recognise revenue when or as the department satisfies performance obligations	Revenue is recognised when the department transfers control of the goods or services to the customer. A key judgement is whether a performance obligation is satisfied over time or at a point in time. And where it is satisfied over time, the department must also develop a method for measuring progress towards satisfying the obligation.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

G3-1 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Other changes arising from AASB 15

There are no other changes arising from AASB 15.

There are new disclosures, which have been included in Notes B1-2, B1-3.

Transitional impact

Transitional policies adopted are as follows:

- The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continues to be reported under AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations.
- The department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where the department had recognised all of the revenue in prior periods under AASB 1004 *Contributions*.

The department applied a practical approach to reflect, on transition, the aggregate effect of all contract modification that occurred before 1 July 2019.

User charges and fees

No user charges and fees were identified as contracts with customers within the scope of AASB 15.

Grants and contributions

No grants and contributions were identified as contracts with customers within the scope of AASB 15.

G3-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES

The department applied AASB 1058 *Income of Not-for-Profit Entities* for the first time at 1 July 2019. The nature and effect of changes resulting from the adoption of AASB 1058 are described below.

Scope and Revenue Recognition under AASB 1058

AASB 1058 applies to transactions where the department acquires an asset for significantly less than fair value principally to enable the department to further its objective, and to the receipt of volunteer services. The department's revenue recognised under this standard from 1 July 2019 includes appropriation revenue, royalties and land rents, taxes, grants and other contributions, and other revenue.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

G3-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES (continued)

General revenue recognition framework

The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows:

- recognise the asset - for example cash, receivables, property plant and equipment, a right-of-use asset or an intangible asset
- recognise related amounts - for example contributed equity, a financial liability, a lease liability, a contract liability or a provision, and
- recognise the difference as income upfront.

The initial recognition and measurement of receivables arising from statutory requirements (such as taxes and stamp duty) falls under AASB 9 *Financial Instruments*, therefore AASB 9 governs the timing and amount of revenue recognised under AASB 1058 for such statutory income.

Specific-purpose capital grants

In contrast with previous standards such as AASB 1004, AASB 1058 allows deferral of income from capital grants where:

- the grant requires the department to use the funds to acquire or construct a recognisable non-financial asset (such as a building) to identified specifications
- the grant does not require the department to transfer the asset to other parties, and
- the grant agreement is enforceable.

For these capital grants, the funding received is initially deferred as an unearned revenue liability and subsequently recognised as revenue as or when the department satisfies the obligations under the agreement.

Volunteer Services

Under AASB 1058, the department will continue to recognise volunteer services only when the services would have been purchased if they had not been donated, and the fair value of the services can be measured reliably. This treatment is the same as in prior years.

AASB 1058 optionally permits the recognition of a broader range of volunteer services, however the department has elected not to do so.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

G3-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES (continued)

Transitional Impact

Transitional policies adopted are as follows:

- the department applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004
- the department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where the department had recognised all of the revenue in prior periods under AASB 1004, and
- the department applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

Revenue recognition for the department's appropriations, taxes, royalties and grants and contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when the department gains control of the asset (e.g. cash or receivable) in all instances.

In respect of the Curtis Island Environmental Management Precinct, the department had previously recognised revenue as contributions received in advance. Under AASB 1058 the contribution has been treated as revenue on receipt.

On 1 July 2019 \$13.61 million was recognised as an adjustment to opening accumulated surplus which relates to the adoption of AASB 1058. This was in respect of the Curtis Island Environmental Precinct. There were no further impacts recorded.

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 1058.

	2019 \$'000
Other liabilities	(13,610)
Accumulated surplus	13,610

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

G3-3 IMPACT OF ADOPTION OF AASB 15 AND AASB 1058 IN THE CURRENT PERIOD

The following table shows the impacts of adopting AASB 1058 (there was no impact of AASB 15) on the department's 2019-20 financial statements. It compares the actual amounts reported to the amounts that would have been reported if the previous revenue standards (AASB 1004, AASB 118, AASB 111 and related interpretations) had been applied in the current financial year.

Balances as at 30 June 2020	Notes	As reported \$'000	AASB 1058 changes \$'000	Previous standards \$'000
Liabilities				
Other liabilities	C8	394	(13,610)	14,004
Equity				
Accumulated surplus		62,694	13,610	49,084

Significant differences in the financial statement line items are described below.

During 2019-20 the Curtis Island Environmental Precinct was not recognised as other liabilities (refer to Note C8) as it has been in previous years. Under AASB 1058 the amount of \$13.61 million was previously recognised as part of the accumulated surplus in the Statement of Changes in Equity.

G3-4 AASB 16 LEASES

The department applied AASB 16 *Leases* for the first time on 1 July 2019. The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continues to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

Definition of a Lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, the department elected to apply the practical approach to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

G3-4 AASB 16 LEASES (continued)

Amendments to Former Operating Leases for Office Accommodation and Employee Housing

In 2018-19, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program.

Effective 1 July 2019, the framework agreements that govern QGAO and GEH were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 1 July 2019 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

Changes to Lessee Accounting

Previously, the department classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16.

From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease Liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the department is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the department under residual value guarantees
- the exercise price of a purchase option that the department is reasonably certain to exercise, and
- payments for termination penalties, if the lease term reflects the early termination.

The discount rate used is the interest rate implicit in the lease, or the department's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020

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

G3-4 AASB 16 LEASES (continued)

Right-of-Use Assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred, and
- the initial estimate of restoration costs.

Right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment.

Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Short-Term Leases and Leases of Low Value Assets

The department has elected to recognise lease payments for short-term leases and leases of low value assets as expenses over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

Changes to Lessor Accounting

Lessor accounting remains largely unchanged under AASB 16. Leases are still classified as either operating or finance leases. However, the classification of subleases now references the right-of-use asset arising from the head lease, instead of the underlying asset.

Transitional Impact

Former Operating Leases as Lessee

The majority of the department's former operating leases, other than the exempt QGAO and GEH arrangements, are now recognised on-balance sheet as right-of-use assets and lease liabilities.

On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the department's incremental borrowing rate at 1 July 2019.

The department's weighted average incremental borrowing rate on 1 July 2019 was 1.59%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

New right-of-use assets were tested for impairment on transition and none were found to be impaired.

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

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

G3-4 AASB 16 LEASES (continued)

On transition, the department used practical approaches to:

- not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets
- exclude initial direct costs from the measurement of right-of-use assets, and
- use hindsight when determining the lease term.

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019 in relation to former operating leases.

	\$'000
Right-of-use assets - Land	12
Right-of-use assets - Buildings	5,344
Lease liabilities	(5,356)
Accrued lease payments (from straight-lining of operating lease expenses)	1,804
Accumulated surplus	(1,804)

Former Finance Leases as Lessee

Right-of-use assets and lease liabilities for former finance leases are measured on transition at the same amount as the existing balances of leased assets and finance lease liabilities at 30 June 2019.

As a result, leased assets of \$5.356 million and finance lease liabilities of \$5.356 million were transferred to right-of-use assets and lease liabilities respectively.

Leases as Lessor

No transitional adjustments were required for leases in which the department is lessor.

Reconciliation of Operating Lease Commitments at 30 June 2019 to the Lease Liabilities at 1 July 2019

	\$'000
Total undiscounted operating lease commitments at 30 June 2019	106,224
Discounted using the incremental borrowing rate at 1 July 2019 (1.59%)	(1,689)
Present value of operating lease commitments	104,535
Less internal-to-government arrangements that are no longer leases	(99,179)
Lease liabilities at 1 July 2019	5,356

**Department of Environment and Science
Notes to the Financial Statements
for the year ended 30 June 2020**

G4 TAXATION

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

G5 CLIMATE RISK DISCLOSURE

Climate Risk Assessment

The department is responsible for the whole-of-Government Queensland Climate Adaptation Strategy which provides a framework for ensuring an innovative and resilient Queensland that manages the risks and harnesses the opportunities of a changing climate.

The department is also responsible for developing the whole-of-Government Queensland Climate Transition Strategy which has 3 key climate commitments as follows:

- powering Queensland with 50% renewable energy by 2030
- doing our fair share in the global effort to arrest damaging climate change by achieving zero net emissions by 2050, and
- demonstrating our commitment to reducing carbon pollution by setting an interim emissions reduction target of at least 30% below 2005 levels by 2030.

The department addresses its financial impacts of climate related risks by identifying and monitoring the accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, provisions or contingent liabilities and changes to future expenses and revenue.

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

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

**Department of Environment and Science
Management Certificate
for the year ended 30 June 2020**


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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Environment and Science for the period ended 30 June 2020 and of the financial position of the department at the end of that year.

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



Lynda Delaforce
Chief Finance Officer
Department of Environment and Science



Jamie Merrick
Director-General
Department of Environment and Science

Date: 28 August 2020

Date: 28th August 2020

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Department of Environment and Science

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

Basis for opinion

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

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

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

Key audit matters

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

Infrastructure assets - Roads valued using current replacement cost (\$2.77 billion)

Refer to Note C3-1 in the financial report

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

Heritage and cultural assets - land (\$1.40 billion)

Refer to Note C3-1 in the financial report

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

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Statement

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

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

Prescribed requirements scope

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



Melissa Fletcher
as delegate of the Auditor-General

28 August 2020
Queensland Audit Office
Brisbane

