

# ANNUAL REPORT

2017-2018



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An electronic copy of the Department of Local Government, Racing and Multicultural Affairs' Annual Report is available online at [www.dlgrma.qld.gov.au](http://www.dlgrma.qld.gov.au).

A number of annual reporting requirements are also addressed through publication of information on the Queensland Open Data website at [data.qld.gov.au](http://data.qld.gov.au).

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# Letter of compliance

The Honourable Stirling Hinchliffe MP  
Minister for Local Government, Minister for Racing and  
Minister for Multicultural Affairs  
1 William Street  
BRISBANE QLD 4000

Dear Minister Hinchliffe

I am pleased to submit for presentation to the Parliament, the Annual Report 2017–18 and financial statements for the Department of Local Government, Racing and Multicultural Affairs.

This report is prepared on the basis of the current administrative arrangements for this department applying for the whole of the 2017–18 financial year. It reflects the structure, operations and performance of the department as it existed at 30 June 2018.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2009
- the detailed requirements set out in the Annual Report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found at page 95 of this report.

Yours sincerely



Warwick Agnew  
**Director-General**  
Department of Local Government, Racing and Multicultural Affairs



## Director-General's foreword



I am pleased to present the 2017–18 Annual Report for the Department of Local Government, Racing and Multicultural Affairs. Following the Queensland State Election in November 2017, the department retained the Local Government function and welcomed the additional functions of Racing and Multicultural Affairs Queensland. At the same time, Economic Development Queensland, Infrastructure Policy and Planning, Urban Design and Government Architect, and Planning Services moved to the Department of State Development, Manufacturing, Infrastructure and Planning and the Cities Transformation Taskforce transferred to Queensland Treasury.

The newly formed Department of Local Government, Racing and Multicultural Affairs transitioned to its new functions and services while continuing to deliver the Queensland

Government's objectives for the community, departmental priorities and election commitments to the people of Queensland. I have been impressed with the breadth of work happening in diverse ways across the department since my recent appointment as Director-General.

In May 2018, the Queensland Parliament passed two important pieces of local government legislation – the *Local Government (Councillor Complaints) and Other Legislation Amendment Act 2018* and the *Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Act 2018*. Together, these will undoubtedly cement integrity and accountability as corner stones of local government in Queensland.

The extension of the Works for Queensland program has been an outstanding success in 2017–18. The additional allocation of \$200 million has funded minor infrastructure projects across all regions in Queensland, bringing economic benefits and providing increased job opportunities across the state. The program has not only resulted in clear benefits to many communities but has also been a wonderful demonstration of what collaboration between the state and local governments can achieve.

The racing industry is a vital part of Queensland's community life, particularly in regional towns and cities and the department has helped grow and support the sport through funding programs that promote country racing and build vital infrastructure and policy frameworks. More than \$70 million has been allocated to country racing to be distributed across four years from 2017–21.

Multicultural Affairs Queensland works tirelessly with other state government agencies, local governments and community organisations to support, enhance and improve outcomes for Queenslanders from culturally and linguistically diverse backgrounds. ‘Our story, our future’ is the Multicultural Policy and Action Plan driving Queensland Government action to achieve an inclusive, harmonious and united Queensland. In the past year, the department allocated \$1 million for the Celebrating Multicultural Queensland grants program and more than \$2 million for the Community Action for a Multicultural Society program for initiatives that celebrate and promote Queensland’s multicultural identity – fostering community cohesion and promoting equal access to opportunities for people from diverse cultural backgrounds.

I wish to acknowledge the great work of the Acting Directors-General, Tamara O’Shea and Greg Chemello, who managed the transition to the new department in such a professional and competent manner following the 2017 State Election. Also, I would like to commend the department’s employees in Brisbane and across our seven regional offices for their dedication and enthusiasm. As we look toward new opportunities on the horizon, the department’s plans for the next year include:

- extending the Works for Queensland program by a further \$200 million, bringing total investment to \$600 million by 2020–21
- appointing an Independent Assessor and establishing the Office of the Independent Assessor to manage the local government councillor complaints process, which will enhance the integrity and sustainability of the local government system
- working with stakeholders to further develop and implement recommendations from the Review of Grants to Local Government: Current and Future State Assessments to improve the outcomes for all stakeholders
- building capacity of Indigenous councils through the provision of additional funding under the State Government Financial Aid and Indigenous Councils Critical Infrastructure Programs
- collaborating with stakeholders across government and externally as we work towards a sustainable racing industry and giving support to regional communities with additional funding for country racing clubs
- exploring opportunities to support regional and remote communities and newly arrived Queenslanders through regional settlement
- implementing the principles of the Multicultural Queensland Charter in collaboration with other agencies and partners, providing support to our most vulnerable refugees and to people seeking asylum, bringing people together to embrace multiculturalism, promoting inclusion and participation through the Celebrating Multicultural Queensland program and the Community Action for a Multicultural Society program and delivering a new whole-of-government Multicultural Action Plan for 2019–22.

Through the continuing efforts of our teams, and by working collaboratively with our partners and stakeholders, we will continue to deliver on the Queensland Government’s priorities, to engage with the community and with all levels of government, and to achieve outcomes that help to make Queensland a more inclusive, vibrant and dynamic state.

# About the department

## Machinery of government changes

Following machinery of government changes in December 2017, the Honourable Stirling Hinchliffe MP, State Member for Sandgate, was appointed Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs.

As part of the machinery of government changes, the Department of Infrastructure, Local Government and Planning was renamed the Department of Local Government, Racing and Multicultural Affairs. The functions of Economic Development Queensland, Infrastructure Policy and Planning, Urban Design and Government Architect and Planning Services transferred to the Department of State Development, Manufacturing, Infrastructure and Planning, while the Cities Transformation Taskforce transferred to Queensland Treasury.

The Department of Local Government, Racing and Multicultural Affairs received the functions of:

- Multicultural Affairs Queensland from the former Department of Communities, Child Safety and Disability Services.
- Racing from the former Department of National Parks, Sport and Racing.

## Incoming and outgoing divisions

The following table outlines those divisions or functions that joined the department and those that left.

Joined the department	Left the department
13 December 2017 <ul style="list-style-type: none"> <li>• Racing</li> </ul>	31 December 2017 <ul style="list-style-type: none"> <li>• Cities Transformation Taskforce</li> </ul>
1 January 2018 <ul style="list-style-type: none"> <li>• Multicultural Affairs Queensland</li> </ul>	31 December 2017 <ul style="list-style-type: none"> <li>• Economic Development Queensland</li> <li>• Infrastructure Policy and Planning</li> <li>• Planning</li> <li>• Urban Design and Government Architect</li> </ul>



## Related annual reports

The following tables outline where the non-financial performance information and financial statements for the incoming and outgoing divisions or functions can be located and the periods of reporting that are covered.

### Incoming divisions – financial statements

Division/function and reporting period	Related annual report
Racing (1 July 2017 to 12 December 2017)	Department of National Parks, Sport and Racing Final Report 2017
Multicultural Affairs Queensland (1 July 2017 to 31 December 2017)	Department of Communities, Disability Services and Seniors 2017–18

### Outgoing divisions – non-financial performance information

Division/function and reporting period	Related annual report
1 July 2017 to 30 June 2018 <ul style="list-style-type: none"><li>Economic Development Queensland</li><li>Infrastructure Policy and Planning</li><li>Planning</li><li>Urban Design and Government Architect</li></ul>	Department of State Development, Manufacturing, Infrastructure and Planning 2017–18
1 July 2017 to 30 June 2018 <ul style="list-style-type: none"><li>Cities Transformation Taskforce</li></ul>	Queensland Treasury

## Legislation

The Department of Local Government, Racing and Multicultural Affairs administers the following portfolio legislation from which its functions and powers are derived:

**City of Brisbane Act 2010** – Is specific to Brisbane City Council and provides for its constitution and the unique nature and extent of its responsibilities and powers. *The City of Brisbane Act 2010* aligns to the requirements of the local government system provided in the *Local Government Act 2009*.

**Local Government Act 2009** – Provides a legal framework for a system of local government in Queensland that is accountable, effective, efficient and sustainable as well as for the way in which a local government is constituted and the nature and extent of its responsibilities and powers. It ensures that the local government jurisdiction is sufficiently recognised to support each local government to take responsibility for the good rule and government of its area.

**Local Government Electoral Act 2011** – Provides for the transparent management and conduct of elections of Queensland local government councillors.

**Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 (Part 9, Div 2 and part 10)** – The department continues to be responsible for transitional provisions for any local law making process that was started but not finished at the time the *Community Services (Aborigines) Act 1984* was replaced (part 9, division 2), and transitional provisions for the continued appointment of police officers, members of certain boards and community groups under the *Local Government and Other Legislation (Indigenous Regional Councils) Amendment Act 2007 (part 10)*.

**Multicultural Recognition Act 2016** – Establishes the Multicultural Queensland Advisory Council, introduces the Multicultural Queensland Charter and provides for a Multicultural Policy and Action Plan. The Act also requires chief executives of government entities ensure employees are aware of the Multicultural Charter, the Multicultural Policy and Action Plan and how those documents apply to the work of their employees. Employees of government entities must consider the Multicultural Charter when developing policies or providing services of the entity.

**Racing Act 2002** – The department is one of two Queensland Government departments responsible for the oversight of legislation which enables the operation of the racing industry in Queensland and has administrative oversight of Racing Queensland.

## Roles and functions

The Department of Local Government, Racing and Multicultural Affairs has a vision for dynamic and effective local governments, engaged and cohesive communities and a sustainable, vibrant racing industry.

The department is responsible for providing high-quality and timely administration of the local government system and local government funding programs, promoting Queensland as a unified, harmonious and inclusive community, and managing programs that support a viable, prosperous racing industry in Queensland.

The department contributes to the Queensland Government's objectives for the community by:

- creating jobs and a diverse economy through enabling councils to deliver and maintain resilient community infrastructure and essential services
- supporting renewal and growth in Queensland's racing industry
- encouraging safer and inclusive communities through investing in programs that facilitate social connectedness
- providing responsive and integrated services to the local government sector, racing community and diverse cultural groups.

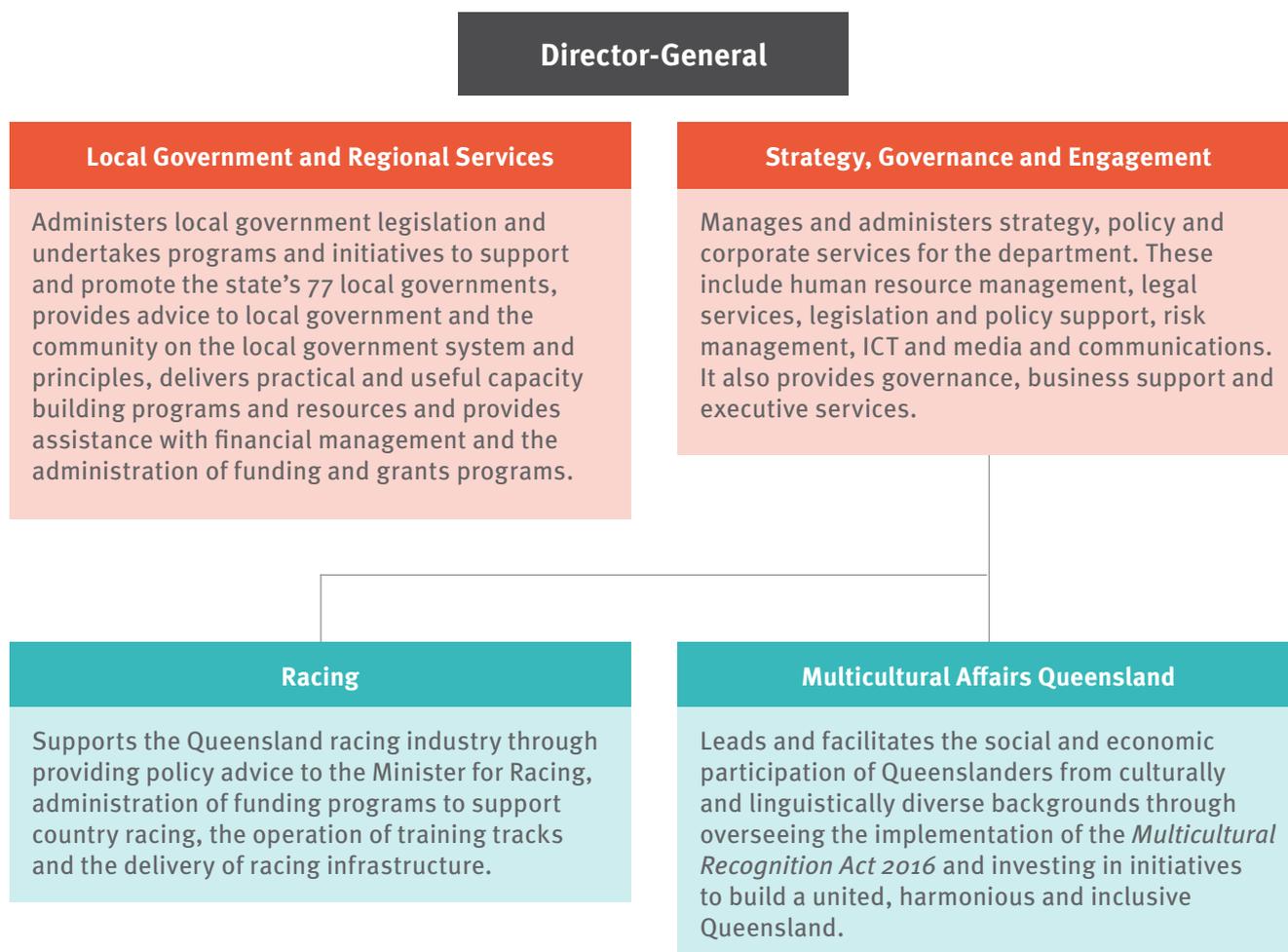
Employees work in Brisbane’s central business district and in regional offices across Queensland – in Cairns, Townsville, Rockhampton, Bundaberg, Maryborough, Toowoomba and Maroochydore. Regional staff work closely with local governments and the community and are the face of the department – making connections between regional, rural and remote local governments, other government departments and partners. Regional officers facilitate collaboration and discussion on a range of local government business, whole-of-government and community issues.

Staff are committed to the Queensland public service values – encouraged to be courageous, to turn ideas into action and to contribute to the efficiency and effectiveness of the organisation. Across the department’s business areas, work is underpinned by employees’ ongoing commitment to activities and initiatives that bring lasting benefits to Queensland’s diverse communities.

## Organisational structure

The department’s organisational structure aligns with the key functions of the department and with the government’s vision and priorities regarding local government and regional services, supporting a strong and sustainable racing industry, and building inclusive multicultural communities that ensure access and opportunities for all.

Our priorities are implemented and our objectives realised through the professionalism and enthusiasm of staff working collaboratively across the department’s business areas.



## Operating environment

Queensland – Australia’s second-largest state by land and the most decentralised state in Australia – derives economic strength from its political stability, a diverse economy, strengthening industry sectors and a sound labour market.

In this environment, a key challenge for the department in 2017–18 has been to bring together the functions of local government and regional services, racing policy and multicultural affairs to deliver on the department’s statutory obligations. The three functional areas are leveraging several commonalities including the statewide focus of work programs and initiatives, attention on social wellbeing and economic infrastructure and a shared enthusiasm for striving to build a more inclusive and vibrant state.

The past year has been challenging for the local government sector with the conduct of councillors continuing to be the focus of media attention and the release of the report by the Crime and Corruption Commission – Operation Belcarra: A blueprint for integrity and addressing corruption risk in local government – in October 2017.

Queensland’s 77 councils provide services and ways to engage and connect, deliver frontline assistance in times of harsh climate events and are a source of employment and strength for Queensland communities. It is vital that they operate in a way that inspires respect and confidence, and that policies and decision making are in the communities’ interests.

An ongoing challenge for the department is to maintain a policy and legislation framework that supports the autonomy of local governments while ensuring the highest levels of integrity and accountability. To this end the department introduced amendments to the *Local Government Act 2009* and the *Local Government Electoral Act 2011*. This will see the establishment of the Office of the Independent Assessor and provide strict requirements around gifts and donations during future local government elections. In addition, the department has designed and delivered capacity building training programs focused on local government integrity.

Our aim has been to rebuild community confidence in the local government system in Queensland and to ensure that councils have the resources and capacity to govern effectively and to provide a strong voice for their communities, with limited state intervention.

Multicultural Affairs Queensland has a leadership role across government in ensuring Queensland Government policies, programs and services are responsive to our culturally diverse communities. This includes working with government and non-government partners on issues that matter such as improved economic opportunity, positive outcomes for people who come to Queensland as humanitarian entrants and fair treatment of people seeking asylum in Australia. At the state level, Multicultural Affairs Queensland leads strong governance mechanisms to make sure actions are achieving real outcomes, systems are working and government is fulfilling its role in creating a Queensland where everyone belongs.

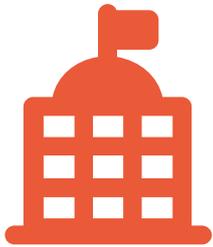
Queensland’s racing industry is a significant contributor to the state’s economy and a significant employer of Queenslanders in many parts of the state. The racing industry plays an important role in local communities in terms of community engagement, connecting people and strengthening towns and cities as tourism destinations.

Currently, the Queensland racing industry is grappling with ageing infrastructure and concerns regarding certainty and sustainability of the industry.

To achieve the goals of a racing industry that is self-sustaining, commercially successful and community-focused, the department has provided a funding package delivered under a well-designed governance framework and formulated sound policy that informs both current issues and future direction.

The department recognises the importance of business continuity and of transparent and on-time delivery of services, advice and programs. To manage strategic, business and operational risks and identify opportunities while delivering results, the department recognises the importance of having a high-performing, innovative and diverse workforce. In the past year it has supported staff development by offering a variety of professional development learning options and by encouraging innovative practice and flexible work arrangements.

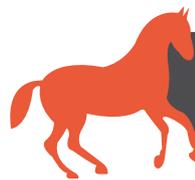
# Year in review



Introduced the *Local Government (Councillor Complaints) and Other Legislation Amendment Act 2018* and the *Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Act 2018*



under the **Works for Queensland** program for infrastructure and minor works in **65** local governments



**\$17.6 million** to support Queensland Country Racing Clubs

Delivered the **Local Government Capacity Building Program** including **29** workshops for more than **600** participants achieving **90 per cent** satisfaction rate 



approved under the 2017–19 **Local Government Grants and Subsidies Program** for the delivery of priority capital infrastructure projects



Implemented the **Multicultural Queensland Ambassadors Program**, which includes **80** ambassador representatives

Established the **\$120 million Indigenous Councils Critical Infrastructure Program**



**19 community-based organisations** received **\$2.25 million** to support individuals and community groups to achieve greater social connectedness

**\$2 million** supporting **131** show societies and associations across Queensland



# Delivering on the Queensland Government's objectives for the community

The department contributed to the Queensland's Government's objectives for the community throughout 2017–18 by:

- undertaking projects and programs that supported job creation within a diverse and vibrant economy
- delivering quality advice and services
- working collaboratively with our partners and stakeholders including Queensland's 77 local governments
- undertaking projects that encouraged community cohesion and connectedness.

Contributing to job creation within a diverse economy, the department:

- supported more than 600 projects in 65 local governments through the Works for Queensland program, estimated to sustain or create more than 6,000 jobs
- provided \$4.1 million to councils under the Indigenous Local Government Sustainability Program
- completed construction of the Saibai seawall as part of the Torres Strait Seawalls Project, creating 25,000 hours of training and employment and providing protection to infrastructure and community assets.

Acknowledging the significance of connected and cohesive communities, the department:

- provided \$1 million under the Celebrating Multicultural Queensland grants program to more than 130 diverse cultural events and innovative community projects
- commenced a four-year \$70.4 million program to support country racing, which plays an important role in the social cohesion of regional communities
- partnered with Livingstone Shire Council and the Commonwealth Government to deliver the \$53 million Yeppoon Foreshore and Town Centre Revitalisation Project promoting local job creation, boosting tourism and enhancing liveability within the community
- hosted the Reconciliation Action Plan forum for the sector
- provided \$2 million towards operating costs associated with conducting annual agricultural shows and maintenance of showground assets and new minor infrastructure.



# Delivering on the Strategic Plan

Following machinery of government changes in December 2017, the department embraced the opportunity to incorporate the new functions of Multicultural Affairs and Racing and developed an interim Strategic Plan for 2017–21. The interim plan is underpinned by the work that has been undertaken by the Local Government, Racing and Multicultural Affairs business areas over the last year, and particularly since the establishment of the department in December 2017.

With a vision for dynamic and effective local governments, engaged and cohesive communities and a sustainable, vibrant racing industry, the department’s role has been to:

- administer the legislative and policy frameworks for local governments and manage funding programs in accordance with government priorities
- administer the *Racing Act 2002* and support Racing Queensland towards achieving an economically sustainable Queensland racing industry
- improve outcomes for people from culturally and linguistically diverse backgrounds and assist in building safe, caring and connected communities.

The department’s performance and key achievements in delivering its strategic objectives and implementing initiatives and programs are outlined below.



## Objective

**Dynamic and well-managed local governments focused on delivering positive and sustainable outcomes for their communities**

The Department of Local Government, Racing and Multicultural Affairs administers local government legislation and undertakes programs and initiatives to support the state’s 77 local governments. It does this through delivery of practical and tailored capacity building programs and resources, assistance with financial management and working with key bodies and the community to advance common objectives and deliver state and local government priorities.



## Initiatives — Achievements

- Delivered on the government’s election commitment to achieve greater integrity and sustainability in local government with the passing of the following legislation:
  - *The Local Government (Councillor Complaints) and Other Legislation Amendment Act 2018*, which will improve the councillor conduct complaints process and establish an Office of the Independent Assessor to assess and investigate complaints of councillor misconduct.
  - *The Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Act 2018*, which will ensure that the ban on political donations by property developers applies at both the state and local levels of government. The legislation will bring about increased transparency, integrity and accountability in local government by strengthening the obligations for how councillors deal with conflicts of interest.

- Consulted with local government and integrity bodies to design a draft Code of Conduct, Model Meeting Procedures and Example Investigation Policy to support the new councillor complaints system. The department has undertaken a major review of its suite of online publications and web resources to reflect the new requirements relating to councillors' conflicts and material personal interests and electoral donations.
- Administered and managed local government and community funding programs:
  - Works for Queensland – \$200 million was approved to support more than 600 projects in 65 local governments through Works for Queensland Round 2.
  - Local Government Grants and Subsidies Program – \$61.4 million was allocated in this period as part of the two-year 2017–19 program to support local governments to deliver key infrastructure projects that meet their community needs, contribute to sustainable and liveable communities, support economic growth, innovation and community development, increase job creation for local communities, contribute to building safe, caring and connected communities, enhance access to infrastructure and services, and supporting Queensland communities to be more resilient to natural disasters.
  - State Government Financial Aid – \$34 million was allocated as part of the recurrent allocation-based program that provides a financial contribution (in lieu of rates) to assist 16 Indigenous councils.
  - Revenue Replacement Program – \$3.53 million was provided to Indigenous councils divesting or surrendering profitable general liquor licences, as part of the Queensland Government's agreed harm reduction strategy established in 2008.
  - Indigenous Economic Development Grant – \$1.44 million was provided towards service positions within councils to support permanent jobs that deliver local government services.
  - Indigenous Local Government Sustainability Program – \$4.1 million, of the \$8 million 2016 to 2018 program, was allocated to assist Indigenous councils increase their capacity, capability and sustainability.
  - Show Societies Grants Program – \$2 million was provided to Queensland show societies for the conduct of annual agricultural shows and the upgrading and maintaining of existing showground facilities as part of this annual recurrent program.
  - Indigenous Councils Critical Infrastructure Program – \$36 million to support Indigenous councils to implement projects and infrastructure related to critical water, wastewater and solid waste assets providing fit-for-place and fit-for-purpose solutions, with the aim to build capacity, knowledge and skills within councils and their communities and provide a basis for the long-term strategic management of these assets.
- Managed the Local Government Borrowing Program providing approval of 20 applications totalling \$391 million to support local government infrastructure investment and approved three new or increased working capital facilities totalling \$250 million to support better local government cashflow management.

- Delivered the Local Government Capacity Building Program including:
  - professional development for more than 600 councillors and local government officers on topics including councillor induction, roles and responsibilities, procurement and contract management, financial reporting, good governance and effective meeting procedures
  - designing the Women in Local Government Strategy to promote greater diversity and inclusion in local government by women, providing female councillors and officers with access to a range of mentoring and professional development opportunities and sponsoring female council officers to undertake the Local Government Managers Australia Queensland's Propeller, Ignite and Executive Management course
  - sponsoring female councillors and council officers from predominantly small rural, remote and Indigenous councils to attend the Local Government Managers Australia Queensland and Australian Local Government Women's Association's 'Inspiring Women's Leadership in Local Government Forum' in Brisbane in July 2017.



## Performance

- 90 per cent satisfaction of local governments (mayors and chief executive officers) with the effectiveness, timeliness and quality of advice, services and support provided by the department.



## Objective

### Lead and influence policies, programs and services that support and promote inclusive, harmonious and diverse Queensland communities

The department delivered a range of initiatives, programs and investments to build community connectedness, celebrate Queensland's diversity, promote the principles of the Multicultural Queensland Charter and improve outcomes to achieve this objective.



## Initiatives – Achievements

- Supported a wide and diverse range of multicultural activities and events:
  - Celebrating Multicultural Queensland grants program allocated \$1 million towards delivery of more than 130 diverse cultural events and innovative community projects that promote an inclusive and welcoming community and build community relationships and opportunities. More than 1 million people are estimated to have attended funded events.
  - The Community Action for a Multicultural Society program delivered \$2.25 million to 19 community-based organisations to support migrants, refugees and community groups across Queensland to achieve greater social connectedness.
  - Multicultural Peak Funding for Sector Development Services provided \$103,000 to the Ethnic Communities Council of Queensland to undertake leadership training and sector development initiatives.
  - \$100,000 was provided to the 'On the Same Wave' water safety program through collaboration across three departments for Surf Life Saving Queensland, to deliver community education to migrants and refugees to enhance their water safety knowledge thereby reducing the risks of drowning.
  - \$200,000 was allocated to Queensland Multicultural Month and the Queensland Multicultural Awards to showcase and celebrate Queensland's cultural diversity and its benefits.
  - \$50,000 was provided to Mackay Regional Council to support Australian South Sea Islanders to investigate establishing a state body.
- Brokered with companies with the purpose of promoting the Charter and deliver the Speaker Series and other information sharing in partnership with stakeholders and across government.



## Performance

- More than 1 million people attended events funded by Multicultural Affairs Queensland.



## Objective

### A viable and prosperous racing industry in Queensland

The department administered the *Racing Act 2002* to promote the viability of the racing industry and implemented several initiatives that contributed to the government's objectives for the Queensland racing industry to be prosperous and sustainable.



## Initiatives – Achievements

- Facilitated the appointment of a new Chief Executive Officer for Racing Queensland who was appointed by the Governor in Council in May 2018.
- Continued to administer the Country Racing Program – now expanded to a \$70.4 million four-year country racing package for prizemoney, support for clubs, jockey riding fees, club meeting payments, superannuation and WorkCover expenses. The Country Racing Program allows Racing Queensland to maintain non-TAB thoroughbred racing in Queensland through total annual funding of \$17.6 million in 2017–18 including \$2.6 million per annum provided to Racing Queensland for racing club infrastructure repairs and maintenance.
- Administered other funding:
  - The \$2 million annual Training Track Subsidy Scheme for the 2018 financial year.
  - Approval and execution of Funding Deeds for the \$3.5 million Brisbane Racing Club Critical Capital Works project from the Racing Infrastructure Fund. The program of works relates to electrical infrastructure, participant safety initiatives, animal welfare and effective and efficient operations at the Brisbane Racing Club venues, Eagle Farm and Doomben. Funding released in 2017–18 was approximately \$0.7 million.
  - Approval of \$3.7 million for the Eagle Farm Track remediation project from the Racing Infrastructure Fund. The remediation program is to return Eagle Farm to racing following the failure of the redevelopment of the racecourse undertaken in 2015.
  - The \$13 million redevelopment of the Ipswich Turf Club's Bundamba Racecourse from the Racing Infrastructure Fund.
  - The \$6 million Country and Regional Capital Works Program from the Racing Infrastructure Fund, facilitating a program of infrastructure works at numerous venues across all three codes of racing and throughout all regions of the state. Racing infrastructure projects predominantly address workplace health and safety and animal welfare deficiencies and help to foster a safe and sustainable future for the wider racing industry.



## Performance

- 95 per cent of country race meetings were conducted as scheduled.
- 100 per cent of grant monies were efficiently disbursed.



## Objective

### **A high-performing, innovative and diverse workforce delivering value-for-money services and outcomes**

The objective of attracting and retaining a high-performing, innovative and diverse workforce delivering value-for-money services and outcomes was achieved through a range of initiatives that included providing professional development opportunities, encouraging innovative practices and promoting the efficient and effective use of resources and systems.



## Initiatives — Achievements

- To implement the Strategic Workforce Plan 2017–22, the department:
  - launched a learning management system to facilitate the process of onboarding, learning and development and performance management
  - provided a range of learning and development opportunities to all staff
  - launched the inaugural ‘Incredible’ Awards to recognise, reward and reinforce performance and values
  - continued to deliver ‘invigorate’ – a staff wellbeing program, that included the Employee Assistance program, a Senior Executive Health program, flu vaccinations, skin cancer screenings and a series of seminars on Wellness and Financial Wellbeing
  - commenced the process for White Ribbon accreditation
  - implemented a second round of the successful mentoring program, ‘Mentored at First Sight’
  - developed a Diversity and Inclusion Strategy
  - celebrated NAIDOC week and other cultural events
  - hosted the Reconciliation Action Plan forum for the sector and committed to ‘Stretch’ goals.
- The Working for Queensland survey revealed that the department achieved:
  - engagement in the feedback process as demonstrated by a 96 per cent response rate
  - a collaborative working culture as demonstrated by more than three-quarters of respondents agreeing that people treat each other and customers with respect and help and support one another
  - capable leadership as demonstrated by more than three-quarters of respondents agreeing that their manager creates a shared sense of purpose
  - slight increases in staff perception that they were able to access relevant learning and development opportunities and that performance was assessed and rewarded fairly.
- Retention was high with a separation rate of 1.39 per cent and the absentee rate was low at 3.31 per cent, which is below the public sector average.



## Performance

- Developed and maintained a culture of collaboration and inclusion.
- Enhanced leadership capability.
- Supported our workforce to be high-performing, capable and culturally competent.
- Maintained a proactive, integrated approach to health and wellbeing and a healthy work-life blend.
- Maintained high retention and low absenteeism.

# Collaborative initiatives

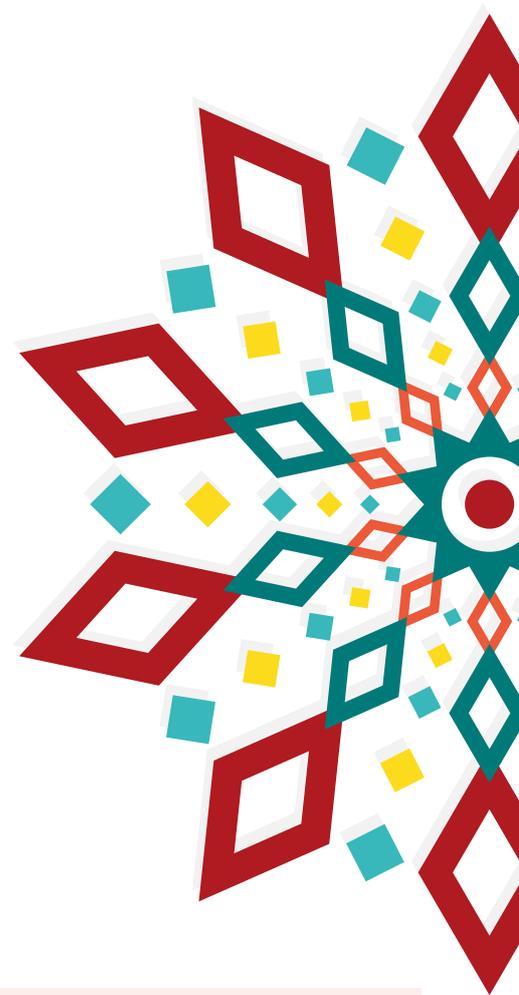
## The Multicultural Queensland Ambassador Program

Queensland is a multicultural success story and the department continues to promote the government's vision of an inclusive, harmonious and united community demonstrating the economic and social benefits diversity brings.

The Multicultural Queensland Charter sets out the principles that underpin this vision and, to bring the Charter to life, the department has established the Multicultural Queensland Ambassador Program.

Ambassadors represent a variety of corporate, not-for-profit and educational institutions across the state. Each Ambassador representative commits up to five hours per month to the program and the Chief Executives have helped drive change within their organisations to the benefit of all.

Over the past year, representatives have been able to tailor the principles of the Charter to their organisation's current needs and forward plans and to work and partner with the Queensland Government enabling them to capitalise on the benefits of diversity in a practical and relevant way. Success stories, achievements and new initiatives from the program are shared across the network.



**In October 2017, 80 of Queensland's leading corporations, organisations and institutions were inducted into the Multicultural Queensland Ambassador Program, committing to bring the principles of the Multicultural Queensland Charter to life within their workforce and business practices.**



The department supports Ambassador organisations with learning materials, events and networking opportunities and has seen positive early actions as a result of new partnerships.

Multicultural Queensland Ambassador organisation Allianz hosted a successful event to highlight Refugee Week in June 2018. Held in partnership with fellow Ambassador organisations Suncorp, AFL Queensland and Multicultural Development Australia, the event's objective was to promote work placement for refugees. Ambassadors presented case studies about their mentoring and development programs and work placement initiatives. They spoke of the organisational and business benefits that could be attributed to supporting refugees on their journey to fulfilling careers, and other programs aimed at advancing diversity and inclusion.

Ambassador organisation GHD was also motivated to increase diversity within their workforce after representatives attended a Multicultural Queensland Charter Speaker Series event featuring speakers from a range of refugee work placement services. Following the event, GHD successfully partnered with Career-Seekers to employ two humanitarian entrants to Australia within their Queensland office. Since arriving in Queensland, both employees have been further developing their considerable electrical engineering and IT skills through volunteering and various training programs. These paid internships provide further recognition of their professional qualifications and their vast overseas work experience.

## Initiatives in Aboriginal and Torres Strait local governments

The department partnered with state agencies, the Australian Government and Aboriginal and Torres Strait Island councils to deliver projects that have improved and updated vital infrastructure, brought enormous social benefits and provided employment opportunities. The department:

- Completed the construction of the Saibai seawall, as part of the Torres Strait Seawalls Project. This project created local jobs and significant investment in local businesses and provides protection to infrastructure and community assets valued at more than \$300 million, as well as historical sites on Saibai and Boigu Islands.
- Identified and supported upgrades of environmental health infrastructure through Stage 6 of the Major Infrastructure program – a joint initiative between the Australian Government, Torres Strait Island Regional Council, Torres Shire Council and Northern Peninsula Area Regional Council.
- Supported the employment of an officer for 11 months at Palm Island Aboriginal Shire Council to assist council and the community with the organisation and running of the Palm Island Centenary events. Importantly, 2018 was the centenary of the first forced placement of people on Palm Island and is being celebrated through a year-long program of public events titled ‘Share their Journey’ from the past 100 years.
- Assisted Doomadgee Aboriginal Shire Council to engage a corporate governance specialist to assist council in improving its governance practices and financial management.
- Supported Queensland Health to identify and deliver fit-for-place, fit-for-purpose water treatment systems throughout various islands within the Torres Strait Island Regional Council – inclusive of capacity building with operator training and support.



**2018 marked the centenary of the establishment of a settlement on Palm Island, when Indigenous peoples from up to 57 different language groups across Queensland were forcibly relocated to the Island. To support the Palm Island Aboriginal Shire Council’s commemoration of the last 100 years, and to celebrate a new future for the people of Palm Island (commonly referred to as ‘Bwgcolman’, which has various interpretations around ‘many tribes, one people’), the department allocated an officer to help establish events through partnerships with James Cook University, Townsville City Council, SeaLink, Hinterland Aviation, the Queen’s Baton Relay for the 2018 Commonwealth Games, and other Queensland and Australian Government agencies.**

The department supports Ambassador organisations with learning materials, events and networking opportunities and has seen positive early actions as a result of new partnerships.

The centenary activities had three distinct areas of focus:

- Past – a ceremony commemorating the establishment was held on 10 March 2018.
- Present – a ‘Deadly Didge N Dance Festival’ brought visitors to the island, included an attempt of a new Guinness World Record being set for the Largest Aboriginal Dance. This event was aligned with the Commonwealth Games 2018 Basketball event in Townsville (20–22 April 2018). The festival was showcased in local and national media.
- Future – Deadly Futures Event, 8–10 June 2018.

The centenary events provided an opportunity for the community to come together to reflect on the events of the past, celebrate the strength of the present, and look ahead to the future.

## Initiatives supporting rural and regional local governments

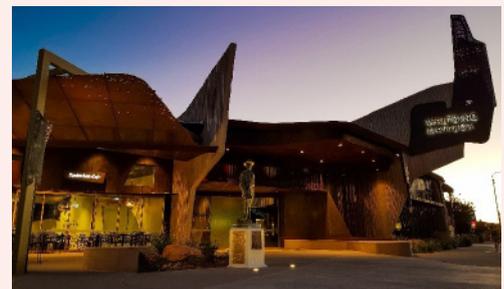
- To assist with improvements to recreational infrastructure in regional Queensland, the department:
  - Approved \$1.5 million to Burdekin Shire Council towards the completion of stages 2, 3 and 4 of a nature-based playground at Ayr.
  - Approved \$5 million for the Whitsunday Regional Council's Beautiful Bowen Project.
  - Approved \$400,000 towards construction of a new open-air amphitheatre at Mount Archer.
  - Collaborated with Winton Shire Council and the Australian Government to fund the reconstruction of the Waltzing Matilda Centre in Winton, which opened in June 2018.
  - Supported flood mitigation works as part of the implementation of the Bundaberg 10-year action plan.
  - Collaborated with Livingstone Shire Council and the Australian Government to deliver the \$53 million Yeppoon Foreshore and Town Centre Revitalisation Project to help the Yeppoon community in its recovery from the effects of Tropical Cyclone Marcia, which occurred in February 2015. The project, completed in April 2018, promoted local job creation, boosted tourism and enhanced the area's liveability.
- In partnership with the Rockhampton Regional Council and the Australian Government, supported the \$36 million Rockhampton Riverbank Redevelopment Project. The project transformed Rockhampton's riverbank, which was damaged in February 2015 by Tropical Cyclone Marcia and was officially opened in March 2018.
- The department assisted Mareeba Shire Council to amend the Kuranda Township Infrastructure Masterplan supporting improved provision of community infrastructure and facilities under the Kuranda Infrastructure Agreement.
- The department allocated \$15 million and provided project management for the Cherbourg wastewater treatment plant and sewer relining project.
- As part of the department's Women in Local Government Strategy, the department sponsored female councillors and local government officers from predominantly small rural, remote and Indigenous councils to attend the Local Government Managers Australia Queensland Branch and Australian Local Government Women's Association's 'Inspiring Women's Leadership in Local Government Forum' in Brisbane in July 2017.

**Winton's Waltzing Matilda Centre tells the story of AB 'Banjo' Paterson's famous 1895 song and celebrates its connections with the town of Winton and the Outback region. After a fire on 18 June 2015 caused widespread damage to the Centre, Winton Shire Council received support from a number of agencies to re-build it.**

The Queensland Government contributed \$1.2 million for the design—by award-winning Cox Architects—through the department's Local Government Grants and Subsidies Program.

The new building was officially opened by the Honourable Sir Peter Cosgrove AK MC (Retired), Governor-General of Australia, on 20 April 2018, with the Honourable Annastacia Palaszczuk MP, Premier of Queensland, in attendance. The re-opening was held in conjunction with the music and culture festival 'Way Out West Fest'.

The iconic new Waltzing Matilda Centre contains a world-class museum experience, which is attracting visitors from across Australia and the world to Winton.





## Service performance

The following section provides details of the department's performance against the 2017–18 Budget Paper No. 5 – Service Delivery Statement as at 30 June 2018, including results against annual targets.

### Changes to service structure

The service area structure reflects the machinery of government changes effective 12 December 2017, under which the former Department of Infrastructure, Local Government and Planning was renamed as the Department of Local Government, Racing and Multicultural Affairs.

As part of the machinery of government changes:

- the racing function was transferred from the former Department of National Parks, Sport and Racing
- Multicultural Affairs Queensland was transferred from the former Department of Communities, Child Safety and Disability Services
- Infrastructure Policy and Planning and Better Planning for Queensland service areas were transferred to the new Department of State Development, Manufacturing, Infrastructure and Planning. Details of performance for these service areas are included in the 2017–18 Annual Report of the above department.

The department's service structure as at 30 June 2018 was as follows:

- **Local Government**  
The service area objective is to provide high-quality and timely administration of both the local government system and local government funding programs.
- **Racing**  
The service area objective is to administer the *Racing Act 2002* and manage programs to support a viable, prosperous racing industry in Queensland.
- **Multicultural Affairs Queensland**  
The service area objective is to promote Queensland as a united, harmonious and inclusive community.

### Local Government

This service area provides a legislative and regulatory framework for local governments to enhance their capability and decision-making processes. The service area consists of two services:

- Review and maintenance of the Queensland local government regulatory framework and provision of strategic policy coordination for local government related matters across Queensland Government portfolios. It delivers governance and statutory services related to portfolio legislation including the provision of legal advice and policy development and coordination.
- Local government capacity building that delivers a calendar of workshops, information sessions, targeted training and the development and publication of capacity building tools and resources. The annual program varies according to the demands of the four-year local government election cycle with the year of the election and the year following the election having more face-to-face training activities and workshops.

## Key achievements

To deliver on the service area objective to provide high-quality and timely administration of both the local government system and local government funding programs in 2017–18 the service area:

- introduced the *Local Government (Councillor Complaints) and Other Legislation Amendment Act 2018* to deliver a more independent, transparent, streamlined and fairer system for investigating and dealing with local government councillor conduct complaints in Queensland
- introduced the *Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Act 2018* ensuring a ban on political donations by property developers applies to both state and local government, strengthening management of councillors' conflicts of interest and material personal interests within council meetings and increasing penalties for non-compliance
- delivered training and professional development programs to more than 600 councillors and local government officers on topics including councillor induction, roles and responsibilities, procurement and contract management, financial reporting, governance and effective meeting procedures.

Local government	Notes	2017–18 Target/est.	2017–18 Actual	Result
<b>Service: Governance and statutory services</b>				
<i>Effectiveness measures</i> Level of satisfaction of local governments (Mayors and CEOs) that the regulatory framework gives them the authority and capacity to manage their interests, to be financially sustainable and accountable	1	85%	N/A	
Level of satisfaction of local governments (Mayors and CEOs) with the timeliness, effectiveness and consistency of advice and services provided by the department	1	85%	N/A	
<i>Efficiency measure</i> Average cost of administering and managing the councillor conduct complaints process per local government	2, 3	\$12,600	\$9,600	✓
<b>Service: Local government capacity building</b>				
<i>Effectiveness measures</i> Extent to which participants believe that capacity building programs and initiatives increase their understanding of local government roles and responsibilities	1	80%	N/A	
<i>Efficiency measure</i> Cost of capacity building per local government	4, 5	\$20,200	\$18,500	✓
✓ Achieved or exceeded target		▼ Result is below target		
Notes:				
<ol style="list-style-type: none"> <li>The 2017–18 actual for this service standard is not available. The survey questions for 2017–18 were amended to measure the overall level of stakeholder satisfaction with all dimensions of the department’s local government service resulting in the calculation methodology for the target estimate and actual not being comparable.</li> <li>Costs are related to the department’s complaint management administration process including costs associated with the Remuneration and Discipline Tribunal and the Regional Conduct Review Panels averaged across 76 local governments within the statutory requirements of the process. Brisbane City Council is excluded as it has a separate councillor conduct complaint management process.</li> <li>The 2017–18 actual average cost of administering and managing the councillor conduct complaints process per local government is less than the 2017–18 target estimate because cost recovery from councils was higher than anticipated and cost of human resources was lower than anticipated.</li> <li>Costs include capital and labour costs involved in developing resources and publications and in delivering training programs that focus on building the capacity of councils to undertake their roles and responsibilities, averaged across the 77 local governments.</li> <li>The 2017–18 actual is lower than the 2017–18 target estimate because training activities to support the <i>Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Act 2018</i> and the <i>Local Government (Councillor Complaints) and Other Legislation Amendment Act 2018</i>, originally planned for delivery in 2017–18 will now be delivered in 2018–19.</li> </ol>				

## Funding programs and community initiatives

This service area undertakes the assessment and evaluation of submissions for funding and administers the funding and grants for local government projects and community activities. Funding is delivered under the Local Government Grants and Subsidies Program, grants to Indigenous councils and community-based grants. The funding provided enables councils to deliver and maintain resilient community infrastructure and essential services.

### Key achievements

During 2017–18, the service area administered the following funding programs:

- \$61.4 million provided under the Local Government Grants and Subsidies Program delivering key infrastructure projects that contributed to sustainable and liveable communities, supported economic growth, innovation and community development, created jobs and supported Queensland communities to be more resilient to natural disasters.
- Delivered the Works for Queensland Round 2 program by contributing \$200 million supporting more than 600 projects in 65 local governments.
- Delivered additional funding of \$3.37 million, making a total of \$33.7 million, under the State Government Financial Aid program to assist Indigenous local governments to meet the cost of delivering key services to their communities.
- Administered the State Government Financial Aid program, the Revenue Replacement Program and the Indigenous Economic Development Grant program providing \$38.9 million for much needed services and jobs in Indigenous local governments.
- \$36 million provided under the Indigenous Councils Critical Infrastructure Program with the aim of ensuring Aboriginal and Torres Strait Islander people living in remote and discrete communities have access to good quality water, long-term water security and the ability to manage waste water and solid waste.

Funding programs and community initiatives	Notes	2017–18 Target/est.	2017–18 Actual	Result
<b>Service: Delivery of local government and community funding programs</b>				
<i>Effectiveness measures</i> Percentage of funded projects administered according to agreed timeframes and budget allocation	1,2	90%	100%	✓
<i>Efficiency measure</i> Administration costs as a percentage of all funding distributed	3	<0.65%	0.30%	✓
 Achieved or exceeded target		 Result is below target		
Notes:				
1. This measure is based on the total value of local government grants and subsidies distributed by the department in 2017–18. 2. The administration of funded projects was carried out efficiently and effectively and exceeded the target of 90 per cent. 3. Total administration costs include labour and related costs and are expressed as a percentage of the total value of local government funding programs distributed.				

Achievements in the local government service area contributed to the department's strategic objective for dynamic and well-managed local governments focused on delivering positive and sustainable outcomes for their communities.

## Multicultural Affairs Queensland

This service area is responsible for leading strategies to improve access and opportunities for people from culturally and linguistically diverse backgrounds. The service area:

- invests in community events that celebrate and promote Queensland’s multicultural identity, increase community awareness of the benefits of multiculturalism, foster community cohesion and support equal access to opportunities by people from diverse cultural backgrounds
- invests in projects that build community relationships to foster inclusion and participation of migrants and refugees in a range of activities
- invests in programs that facilitate social connectedness for culturally and linguistically diverse individuals and groups.

### Key achievements

To deliver on the service area objective to improve access and opportunities for people from culturally and linguistically diverse backgrounds, in 2017–18 the service area:

- allocated \$1 million under the Celebrating Multicultural Queensland grants program to support delivery of more than 130 diverse cultural events and innovative community projects across Queensland that promoted an inclusive and welcoming community and built community relationships and opportunities
- delivered \$2.25 million to 19 Queensland community-based organisations under the Community Action for a Multicultural Society program supporting migrants, refugees and community groups achieve greater social connectedness
- provided one-off funding of \$50,000 to Mackay Regional Council to deliver actions to support Australian South Sea Islanders to investigate establishing a state body.

Multicultural Affairs Queensland	Notes	2017–18 Target/est.	2017–18 Actual	Result
<i>Effectiveness measures</i> Number of people attending events funded by Multicultural Affairs Queensland	1,2	1 million	1.089 million	✓
<i>Efficiency measures</i>	3			



Achieved or exceeded target



Result is below target

#### Notes:

- This service standard was previously presented in the Annual Report of the former Department of Communities, Child Safety and Disability Services. The service standard was transferred to the Department of Local Government, Racing and Multicultural Affairs because of machinery of government changes in December 2017.
- The attendance count at funded events is a key proxy measure of intercultural connections, respect for and valuing of diversity within communities. Attendance at events is estimated through funding proposals and acquittal reports submitted by organisations funded under the Celebrating Multicultural Queensland grants program.
- Multicultural Affairs Queensland is planning to develop and trial new measures during 2018–19 to commence in 2019–20.

Achievements in the Multicultural Affairs service area contributed to the department’s strategic objective to lead and influence policies, programs and services that support and promote inclusive, harmonious and diverse Queensland communities.

## Racing

This service area provides policy advice to the state government on matters relevant to the commercial operation and viability of the racing industry and administers programs related to the provision of Queensland Government funding to the racing industry. The Racing service area excludes the Queensland Racing Integrity Commission and Racing Queensland, which are separate statutory bodies.

### Key achievements

To deliver on the service area objective to administer the *Racing Act 2002* and manage programs to support a viable, prosperous racing industry in Queensland in 2017–18, the service area:

- administered the Funding Deeds for the:
  - \$13 million redevelopment of the Ipswich Turf Club's Bundamba Racecourse from the Racing Infrastructure Fund
  - \$2 million annual Training Track Subsidy Scheme
  - \$3.5 million Brisbane Racing Club Critical Capital Works Program
  - \$6 million for the Country and Regional Capital Works Program
- provided security and certainty to country racing clubs by committing \$70.4 million over four years to maintain existing prize money levels, jockey riding fees, superannuation and WorkCover expenses.

Racing	Notes	2017–18 Target/est.	2017–18 Actual	Result
<i>Effectiveness measures</i> Percentage of country race meetings in the approved schedule that are conducted	1	95%	95%	✓
<i>Efficiency measure</i> Grant monies paid as a percentage of the total non-capital grant budget	2	100%	100%	✓

✓ Achieved or exceeded target

▼ Result is below target

#### Notes:

- The Country Racing Program supports the continued provision of country race meetings. Under the Country Racing Program Grant Deed, Racing Queensland will, by 30 April each year, provide the department with a schedule of each race meeting for the upcoming financial year of the program. The measure will report the proportion of meetings scheduled prior to commencement of the financial year that are held. A small proportion of meetings can be expected to be cancelled each year due to unpredictable causes such as weather events or unforeseen issues with infrastructure. This service standard measures the effectiveness of the department in supporting country racing through funding prize money to enable events to be held across the state.
- This service standard measures the efficiency of the department's administration of grant funding to recipient organisations as a percentage of the total grant budget. Performance for this service standard is calculated using the total grant funding delivered to organisation/s divided by the total grant budget (within administration guidelines). This measure includes non-capital grant programs derived from departmental operating costs such as the Country Racing Support Program and the Training Track Subsidy Scheme. It does not include capital grant funding such as the Racing Infrastructure Fund as it forms part of departmental administered funds.

Achievements in the Racing service area contributed to the department's strategic objective to have a viable and prosperous racing industry in Queensland.



# Our financial performance

## Statement by the Chief Finance Officer

In accordance with requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with section 57 of the Financial and Performance Management Standard 2009.

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

## Summary of financial performance

The financial summary provides an overview of the financial statements of the department for the year ended 30 June 2018, which are provided in detail in the 'Financial statements' section of this report.

The 2017–18 year reflects the part year effect of machinery of government changes, which transferred the functions of Multicultural Affairs Queensland from the former Department of Communities, Child Safety and Disability Services effective 1 January 2018, the Racing function from the abolished Department of National Parks, Sport and Racing effective 13 December 2017, and the Cities Transformation Taskforce to Queensland Treasury effective 31 December 2017. The Infrastructure, Planning and Economic Development functions were transferred to the Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018. Accordingly, caution should be exercised when comparing financial years.

**Table 1: Financial snapshot**

	2018	2017
	\$'000	\$'000
Total income	510,817	541,275
Total expenses	547,027	554,833
<b>Operating result from operations (before tax)</b>	<b>(36,210)</b>	<b>(13,558)</b>
Income tax equivalent (expense)/benefit	8,612	(7,048)
<b>Operating result from operations (after tax)</b>	<b>(27,598)</b>	<b>(20,606)</b>
<b>Other comprehensive income</b>		
Increase in asset revaluation reserve	4,194	7,937
Total comprehensive income	<b>(23,405)</b>	<b>(13,209)</b>
<b>Total assets</b>		
Total assets	111,228	1,175,957
<b>Total liabilities</b>		
Total liabilities	36,277	295,303
<b>Net assets</b>	<b>74,951</b>	<b>880,654</b>

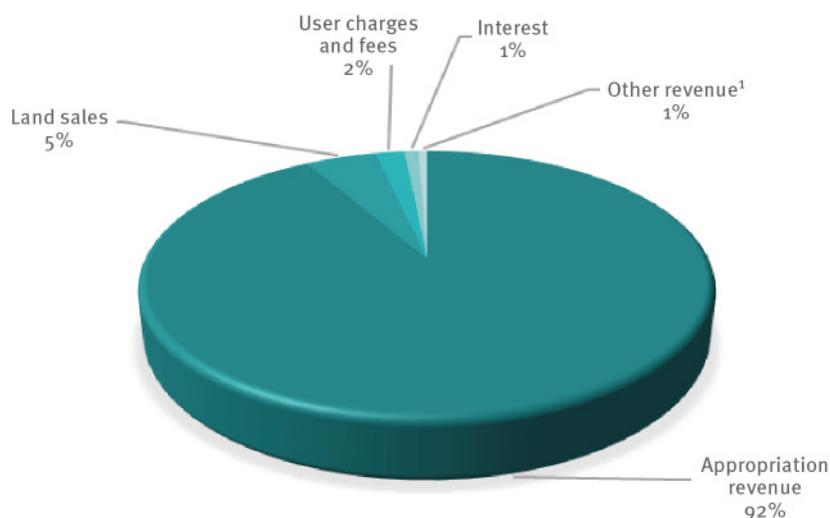
Source: Department of Local Government, Racing and Multicultural Affairs

## Our income – Where the funds come from

Income for the department totalled \$510.8 million for 2017–18. This represents a decrease of \$30.5 million on the prior financial year mainly due to the machinery of government changes, offset by increased funding for the Works for Queensland program and the Indigenous Councils Critical Infrastructure Program.

Appropriation revenue is the main source of income for the department at \$468.5 million (92%). Economic Development Queensland land sales accounted for \$24.6 million (5%) of the department's income in 2017–18.

**Figure 1 – Income by category for year ended 30 June 2018**



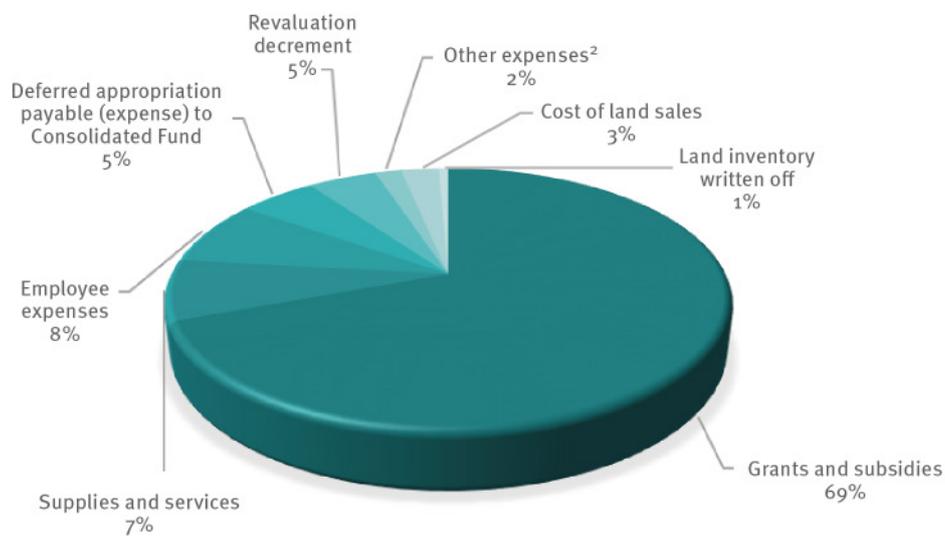
<sup>1</sup> Other revenue comprises the following financial statement line items: Grants and other contributions, gains on disposal/remeasurement of assets, other revenue.

## Our expenses – How the funds are spent

Expenses from continuing operations for the department totalled \$547 million for 2017–18, a decrease of \$8 million on the prior financial year, mainly due to the machinery of government changes, offset by increased funding provided to local governments under the Works for Queensland program and the Indigenous Councils Critical Infrastructure Program.

Grants and subsidies are the department's major expense category at \$378.9 million (69%), employee expenses comprise \$43.9 million (8%), followed by supplies and services \$41.2 million (7%).

Figure 2 – Expense by major category for year ended 30 June 2018

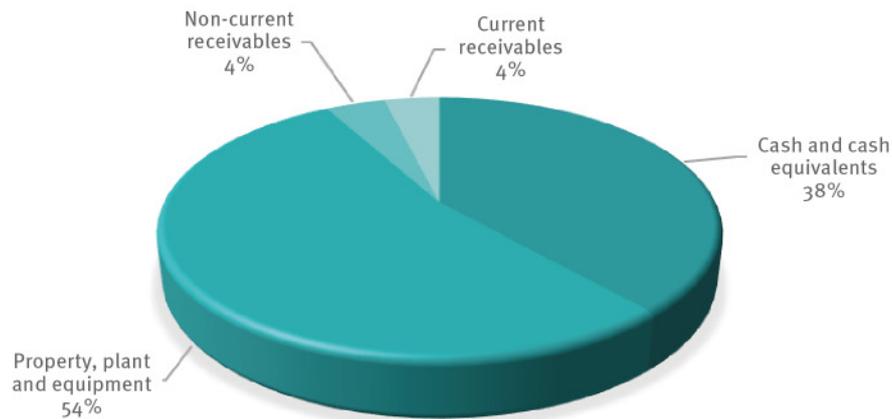


<sup>2</sup> Other expenses comprises of the following financial statement line items: Depreciation and amortisation, impairment losses, finance/borrowing costs, other expenses

## Our assets — What we own

As at 30 June 2018, the department held assets totalling \$111.2 million, with \$42.8 million (38%) held as cash and cash equivalents and property, plant and equipment accounted for \$59.6 million (54%).

Figure 3 – Assets by category for year ended 30 June 2018



## Our liabilities — What we owe

As at 30 June 2018, the department held liabilities totalling \$36.3 million, with \$34.6 million (95%) relating to current payables, which includes \$29.1 million appropriation payable to Queensland Treasury for cash received for budgeted expenses that were unspent at 30 June 2018.



# Governance

The department operates in an ethical, transparent and accountable manner and supports the Director-General to deliver high-quality, value-for-money outcomes for Queenslanders. Sound governance supports and guides departmental staff in the actions they take and the decisions they make every day to achieve the government’s objectives. The department delivers its services by:

- establishing strategy and direction including governance committees
- effective performance management and reporting that supports our strategic direction
- effective compliance and accountability that underpins our services
- developing capable people who deliver services in an ethical and accountable way.

The department’s service delivery, decision-making, and organisational management are governed by its commitment to the Queensland public service values.



### Customers first

- Know your customer
- Deliver what matters
- Make decisions with empathy



### Ideas into action

- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries



### Unleash potential

- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback



### Be courageous

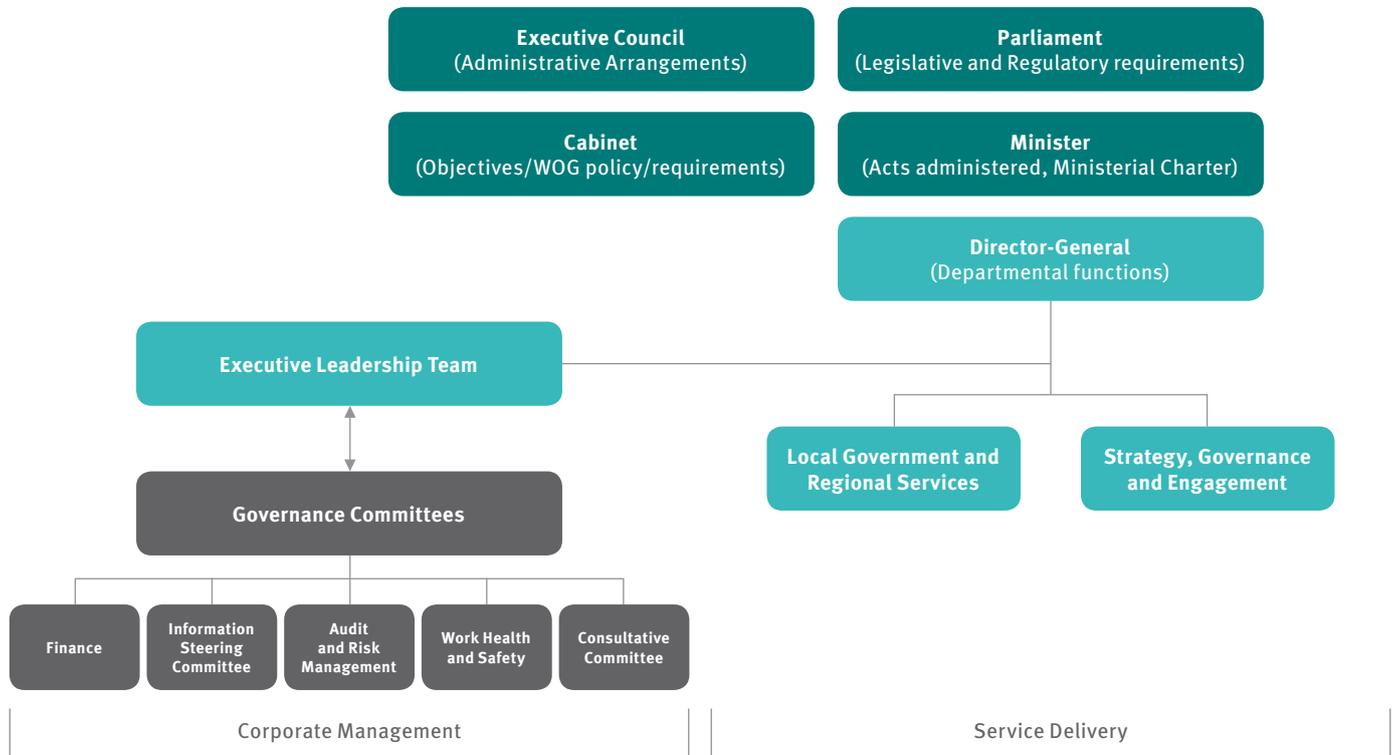
- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency



### Empower people

- Lead, empower and trust
- Play to everyone’s strengths
- Develop yourself and those around you

The department's governance framework articulates the governance accountabilities.



## Executive Leadership Team

The Executive Leadership Team supports the Director-General in discharging his responsibilities as the department's accountable officer. The Executive Leadership Team provides leadership, direction and guidance to the department and focuses on strategic planning, policy setting, risk and issues management, resource allocation and financial performance management and reporting, ensuring the department is responsive to changing community and business needs and government priorities. The Executive Leadership Team meets fortnightly.



**Warwick Agnew**, Director-General

Warwick is responsible for providing visionary, values-based leadership and management to the department. Warwick guides the department to deliver high-quality, sustainable services, programs, policy and corporate objectives that align with the Queensland Government's objectives for the community.



**Wayne Briscoe**, Executive Director, Multicultural Affairs Queensland and Engagement

Wayne is responsible for promoting Queensland as a united, harmonious and inclusive community and the communication, engagement and media functions of the department.



**Kathy Parton**, Deputy Director-General, Strategy, Governance and Engagement

Kathy is responsible for delivering responsive and robust strategy, policy, business and governance services.



**Bronwyn Blagoev**, Executive Director, Strategy and Governance

Bronwyn is responsible for maintaining appropriate statutory and policy frameworks for portfolio responsibilities, including the provision of corporate services such as Legal Services and Cabinet Services.



**Paul Carlson**, Acting Deputy Director-General, Local Government and Regional Services

Paul is responsible for promoting and supporting a sustainable local government sector, and for driving the relationship between local governments and the state.



**Jo Stephenson**, Acting Executive Director, Local Government and Regional Services

Jo is responsible for promoting the sustainability, integrity, capacity and performance of local government through a network of regional advisors.



**John Clifton**, Chief Finance Officer

John is responsible for the financial administration, financial resource and budget management of the department. He is also responsible for the framework for sustainability, integrity, capacity and performance of local governments through funding and investment programs, governance, performance and capability.



**Amanda White**, Acting Executive Director, Corporate

Amanda is responsible for delivering strategic advice, service delivery and contract management of people, procedures, corporate reporting and planning, service level agreements and change.

## Governance committees

Committee	Membership
<b>Information Steering Committee</b>	<ul style="list-style-type: none"> <li>• Deputy Director-General, Strategy, Governance and Engagement</li> <li>• Deputy Director-General, Local Government and Regional Services</li> <li>• Executive Director, Multicultural Affairs Queensland and Engagement</li> <li>• Executive Director, Corporate</li> <li>• Executive Director, Strategy and Governance</li> <li>• Chief Finance Officer</li> <li>• Chief Information Officer, Department of State Development, Manufacturing, Infrastructure and Planning</li> </ul>

The Information Steering Committee ensures that the department’s information and communication technology investments and assets remain aligned with the department’s business priorities and plans and support whole-of-government information and communication technology directions. It provides assurance to the Director-General that the department’s information management and communication technology systems are being appropriately governed to ensure return on investment through oversight of approved initiatives and are meeting government priorities. The Information Steering Committee meets bimonthly or as otherwise determined by the Chair.

<b>Finance Committee</b>	<ul style="list-style-type: none"> <li>• Director-General (Chair)</li> <li>• Deputy Director-General, Strategy, Governance and Engagement</li> <li>• Deputy Director-General, Local Government and Regional Services</li> <li>• Executive Director, Multicultural Affairs Queensland and Engagement</li> </ul>
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The Finance Committee was established pursuant to the requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2009 to assist the Director-General in the management of the department’s finances. It provides advice and direction to deliver departmental services in the most efficient, effective and economical manner. The committee meets quarterly or as otherwise determined by the Chair.

<b>Audit and Risk Management Committee</b>	<ul style="list-style-type: none"> <li>• Deputy Director-General, Strategy, Governance and Engagement</li> <li>• Deputy Director-General, Local Government and Regional Services</li> <li>• 2 external members (including the Committee Chair)</li> </ul>
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The Audit and Risk Management Committee consists of a minimum of three and a maximum of six people appointed by the Director-General. The committee provides independent assurance and assistance to the Director-General on the risks, control and compliance frameworks of the department and external accountability responsibilities as prescribed in legislation and standards. The committee meets at least four times each year.

## Committee

### Work Health and Safety Committee

The Work Health and Safety Committee is established in accordance with the *Work Health and Safety Act 2011*. The Committee's role is to:

- identify risks and solutions and make recommendations on work health and safety
- assist in developing standards, policies, procedures and training programs
- promote best practice and continuous improvement approaches
- facilitate cooperation between the Director-General and employees regarding health and safety issues through an agreed action plan.

### Consultative Committee

The parties to the Consultative Committee are the Department of Local Government, Racing and Multicultural Affairs and the Together Queensland Industrial Union of Employees. The committee is the consultative body for the union and management created pursuant to Part 9 of the State Government Entities Certified Agreement 2015 and provides a forum for a collaborative approach to employee relations in the department. The committee meets on a quarterly basis and considers:

- workload management
- organisational change and restructuring
- training
- union encouragement
- work-life balance
- organisational matters including workforce management policies.

## Boards and committees

### Local Government Grants Commission

Title	Description
<b>Act or instrument</b>	Sections 230–233 of the <i>Local Government Act 2009</i> ; Sections 308–311 Local Government Regulation 2012
<b>Functions</b>	The Local Government Grants Commission provides recommendations to the Minister responsible for local government in Queensland on the distribution of the Commonwealth Government’s Financial Assistance Grant to all local governing bodies within the state. This must be done in accordance with the requirements of the Commonwealth <i>Local Government (Financial Assistance) Act 1995</i> and the National Principles prescribed under the Act.
<b>Achievements</b>	<p>During 2017–18, the Local Government Grants Commission:</p> <ul style="list-style-type: none"> <li>• paid the allocation of the 2017–18 Financial Assistance Grant and agreed on the estimated 2018–19 Financial Assistance Grant</li> <li>• held six ordinary meetings of the Commission</li> <li>• undertook 19 visits to councils to explain how the Financial Assistance Grant is allocated and to allow councils to discuss any unique circumstances</li> <li>• attended the Local Government Association of Queensland Annual Conference and held five deputations with councils to discuss unique circumstances and issues</li> <li>• attended the National Forum of Local Government Grants Commissions</li> <li>• attended the Local Government Association of Queensland Bush Councils Convention.</li> </ul>
<b>Financial reporting</b>	Under the Commonwealth <i>Local Government (Financial Assistance) Act 1995 section 15(b)</i> , the State Treasurer must provide the Commonwealth Minister with a schedule of Financial Assistance Grant payments (amounts and dates) that has been certified by the State Auditor-General. This is to be provided as soon as practicable after 30 June each year. Funding for the operations of the Commission, including secretariat staff, is provided by the department.

Remuneration					
Position	Name	Meetings/sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	Pam Parker	8 (3 meetings, 3 council visits, 1 Local Government Association of Queensland conference, 1 national forum)	\$10,000 pa	N/A	\$6,000 <sup>1</sup>
Deputy Chair	Vacant <sup>2</sup>	N/A	N/A	N/A	N/A
Member	Brendan McNamara	27 (6 meetings, 19 council visits, 1 Local Government Association of Queensland conference, 1 bush council convention)	\$6,000 pa	N/A	\$6,000
Member	Donna Stewart	27 (6 meetings, 19 council visits, 1 Local Government Association of Queensland conference, 1 bush council convention)	\$6,000 pa	N/A	\$6,000
Member	Janelle Menzies	8 (6 meetings, 1 council visit, 1 Local Government Association of Queensland conference)	No remuneration	N/A	0 <sup>3</sup>
Member	Ann Bunnell	14 (6 meetings, 6 council visits, 1 Local Government Association of Queensland conference, 1 national forum)	\$6,000 pa	N/A	\$6,000
<b>No. scheduled meetings/sessions</b>		<b>28</b>			
<b>Total out of pocket expenses</b>		<b>\$4,531</b>			
Notes:					
1. Pam Parker resigned from the Commission on 14 November 2017. The Chair position has remained vacant since that time, with Brendan McNamara acting in the role.					
2. The Deputy Chair position has been vacant since 2016–17.					
3. Janelle Menzies did not receive remuneration as she was a public sector employee.					

## Local Government Remuneration and Discipline Tribunal

Title	Description
<b>Act or instrument</b>	<i>Local Government Act 2009</i>
<b>Functions</b>	The Local Government Remuneration and Discipline Tribunal is responsible for: <ul style="list-style-type: none"> <li>hearing and deciding the most serious complaints of misconduct by a councillor</li> <li>establishing the categories of local governments</li> <li>deciding which category each local government belongs to</li> <li>deciding the remuneration that is payable to councillors in each of the categories</li> <li>any other functions that the Minister directs the tribunal to perform.</li> </ul>
<b>Achievements</b>	During 2017–18, the Local Government Remuneration and Discipline Tribunal: <ul style="list-style-type: none"> <li>was referred thirteen discipline matters for hearing and determination</li> <li>considered two requests for an exceptional circumstance exemption of the requirements of the Regulation, pursuant to section 248 – Ipswich City Council and Hope Vale Aboriginal Shire Council</li> <li>decided eight discipline matters (one matter referred prior to 1 July 2017) with five matters outstanding at 30 June 2018</li> <li>received six submissions from councils and councillors to inform the 2017 remuneration determination</li> <li>had its remuneration determination gazetted in December 2017</li> <li>the term of the appointees to the Tribunal concluded on 30 June 2018.</li> </ul>
<b>Financial reporting</b>	Transactions of the Tribunal are accounted for in the financial statements of the department.

Remuneration					
Position	Name	Meetings/sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	Colin Meng	10	\$520 per four-hour block	N/A	\$8,958
Member	Brian Bartley	10	\$400 per four-hour block	N/A	\$6,800
Member	Adrian Bloomfield	10	No remuneration	N/A	0 <sup>1</sup>
<b>No. scheduled meetings/sessions</b>		<b>10</b>			
<b>Total out of pocket expenses</b>		<b>\$687</b>			
Notes:					
1. Adrian Bloomfield did not receive remuneration as he was a public sector employee.					

## Multicultural Queensland Advisory Council

Title	Description
<b>Act or instrument</b>	<i>Multicultural Recognition Act 2016</i>
<b>Functions</b>	The Multicultural Queensland Advisory Council advises the Minister for Multicultural Affairs on opportunities and barriers facing people from culturally and linguistically diverse backgrounds and how to promote the Multicultural Queensland Charter to support a unified, harmonious and inclusive community.
<b>Achievements</b>	<p>During 2017–18, the Multicultural Queensland Advisory Council:</p> <ul style="list-style-type: none"> <li>• identified as key priorities for 2018 – workforce diversity, regional settlement, promoting cultural diversity including through promotion of the Multicultural Queensland Charter and domestic and family violence</li> <li>• hosted two community consultations – one focused on workforce capability regarding the National Disability Insurance Scheme and the other on domestic and family violence awareness</li> <li>• heard from a number of Queensland Government agencies on their progress on committed actions in the Multicultural Action Plan</li> <li>• met with the Queensland Social Cohesion Implementation Committee to discuss links between the Cohesive Communities Action Plan and the Queensland Multicultural Policy and Action Plan</li> <li>• discussed opportunities for the 2018 Queensland Multicultural Month including championing economic participation and spreading the message into regional Queensland</li> <li>• met with a number of mayors and representatives from regional councils, together with Professor Andrew Markus from Monash University, regarding social cohesion and settlement challenges and opportunities in regional areas.</li> </ul>
<b>Financial reporting</b>	Transactions of the council are accounted for in the financial statements of the department.

Remuneration					
Position	Name	Meetings/sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	The Honourable Grace Grace MP	1	N/A	N/A	N/A <sup>1</sup>
Chair	The Honourable Stirling Hinchliffe MP	3	N/A	N/A	N/A <sup>2</sup>
Member	Nora Amath	3	\$300 daily	N/A	\$750
Member	Kerrin Benson	3	N/A	N/A	N/A <sup>3</sup>
Member	Elijah Buol	4	\$300 daily	N/A	\$1,050
Member	Gitie House	4	\$300 daily	N/A	\$1,050
Member	Ali Kadri	1	\$300 daily	N/A	\$300
Member	Joon-Yee Kwok	3	\$300 daily	N/A	\$750
Member	Ataus Samad	4	\$300 daily	N/A	\$1,050
Member	Jason Steinberg	4	\$300 daily	N/A	\$1,050
Member	Serge Voloschenko	4	\$300 daily	N/A	\$1,050
Member	Tracy Watson	1	\$300 daily	N/A	\$300
<b>No. scheduled meetings/sessions</b>		<b>Four</b>			
<b>Total out of pocket expenses</b>		<b>\$5,292</b>			

Notes:

1. The Honourable Grace Grace MP did not receive remuneration as she was a Minister of the state. Her role as Minister for Multicultural Affairs expired in November 2017.
2. The Honourable Stirling Hinchliffe MP did not receive remuneration as he was a Minister of the state. Following the 2017 State Election he was appointed as Minister for Multicultural Affairs and assumed the role as chair of the Multicultural Queensland Advisory Council as required by the *Multicultural Recognition Act 2016*.
3. Ms Kerrin Benson requested remuneration associated with membership of the Multicultural Queensland Advisory Council be waived.

## Local Government Change Commission

Title	Description
Act or instrument	<i>Local Government Act 2009</i>
Annual report arrangements	Details of the Local Government Change Commission are reported in the Electoral Commission of Queensland's Annual Report.

## Racing Queensland Board

Title	Description
Act or instrument	<i>Racing Queensland Act 2002</i>
Annual report arrangements	Details of the Racing Queensland Board are reported in the Racing Queensland Board's Annual Report.

## Risk management

During 2017–18, the department commenced implementing recommendations from an independent review of the department's enterprise and strategic risk management processes, undertaken during the previous financial year. This has involved:

- development of a new departmental enterprise risk management framework including the department's risk appetite statement
- revision and reformatting of the department's risk register into a more streamlined tool enabling more detailed analytical reporting on the department's risks.

In December 2017, machinery of government changes resulted in the department gaining responsibility for Racing and Multicultural Affairs Queensland. Responsibility for Infrastructure and Planning, including Economic Development Queensland, transferred to the Department of State Development, Manufacturing, Infrastructure and Planning, and the Cities Transformation Taskforce transferred to Queensland Treasury.

The Department of Local Government, Racing and Multicultural Affairs continues its focus on improving its risk management practices and is developing a communication and education program for staff to understand the enterprise risk management framework and processes. The program will be rolled out over the coming year and will enable staff to manage risks in their day-to-day activities and assist management to make risk-informed decisions.

## Audit and Risk Management Committee

The Audit and Risk Management Committee was established pursuant to the Financial and Performance Management Standard 2009.

The objective of the Committee is to provide independent assurance and assistance to the Director-General on the department's risks, control and compliance frameworks and external accountability responsibilities as prescribed in legislation and standards.

The Audit and Risk Management Committee Charter establishes the authority and responsibilities of the committee and was prepared with reference to:

- relevant provisions of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2009
- Queensland Treasury Audit Committee Guidelines: Improving Accountability and Performance
- better practice guidance issued by the Australian National Audit Office.

The Committee met on four occasions during 2017–18. Membership and remuneration (where applicable) in 2017–18 included:

- **Current members**

Eric Muir – Chair and external member. Remuneration: \$6,490

Karen Smith-Pomeroy – External Member. Remuneration: \$2,742

Kathy Parton – Deputy Director-General, Strategy, Governance and Engagement

Paul Carlson – Acting Deputy Director-General, Local Government and Regional Services (Member since 26 March 2018)

- **Past members**

Greg Chemello – Acting Director-General (member between 27 April 2015 and 16 February 2018)

Michael Glover – Chief Financial Officer, Cross River Rail Delivery Authority (member between 9 May 2016 and 16 February 2018)

Key achievements for the Audit and Risk Management Committee during 2017–18 included:

- review and endorsement of the department's Annual Report and financial statements for the year ended 30 June 2018
- review and endorsement the department's Internal Audit Strategic Plan 2018–21 and Annual Audit Plan 2018–19
- endorsement of the Audit and Risk Management Committee Charter and the Internal Audit Charter for 2018–19
- receipt of regular reports on Internal Audit activities including audits and reviews completed as part of the Internal Audit Annual Audit Plan 2017–18
- review and consideration of the Queensland Audit Office Strategic Audit Plan and the Client Strategy for the department
- consideration of the scheduling, status, findings and audit recommendations of the Queensland Audit Office financial and performance audits
- receipt of regular reports on the implementation status of internal and external audit recommendations
- receipt of regular reports on the department's risk status
- enhancement of oversight of risk management as the department gains a greater awareness of the identified risks and mitigation strategies.

The Committee considers that it has observed the terms of its charter and has had due regard to Queensland Treasury Audit Committee Guidelines.

## Internal Audit

Pursuant to section 29 of the Financial and Performance Management Standard 2009, the department has established an independent internal audit function.

Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve the department's operations and assist it to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit operates under an approved charter that sets the purpose, authority and responsibilities of the department's internal audit function. It has been prepared with reference to:

- relevant provisions of the *Financial Accountability Act 2009* and Financial and Performance Management Standard 2009
- the Institute of Internal Auditors International Professional Practice Framework
- the Queensland Treasury Audit Committee Guidelines: Improving Accountability and Performance
- better practice guidance issued by the Australian National Audit Office.

The scope of Internal Audit coverage for 2017–18 was set out in the approved Internal Audit Strategic Plan 2017–20 and Annual Audit Plan 2017–18. This plan followed a risk-based methodology, balancing emerging issues against reviews of core business and transactional processes. Auditable areas were identified based on consultation and assurance mapping.

Achievements of Internal Audit during 2017–18 include:

- development and delivery of a risk-based annual plan of audits covering assurance about, and improving effectiveness of, governance, financial controls, systems, project management, operations, compliance and risk management
- provision of advisory services to the department to improve risk management, control and governance, and business operations
- completion of audits and reviews as detailed in the annual audit plan and as directed by the Director-General resulting in recommendations for improving governance processes and business operations
- assessment of the effectiveness and efficiency of key departmental financial and operating systems, reporting processes and activities
- proactively following-up with management on the timely implementation of internal and external audit recommendations
- adoption and management of a co-sourced service delivery model for the provision of an effective internal audit function.

## External scrutiny

The Auditor-General conducted performance audits and whole-of-government audits in accordance with the Queensland Audit Office Strategic Audit Plan.

The audits directly applicable to the department included:

- Auditor-General's Report 4: 2017–18, Integrated transport planning – tabled in Parliament 12 December 2017
- Auditor-General's Report 6: 2017–18, Fraud risk management – tabled in Parliament 15 February 2018
- Auditor-General's Report 8: 2017–18, Confidentiality and disclosure of government contracts – tabled in Parliament 20 February 2018
- Auditor-General's Report 11: 2017–18, Queensland state government: 2016–17 results of financial audits – tabled in Parliament 22 February 2018
- Auditor-General's Report 13: 2017–18, Local government entities: 2016–17 results of financial audits – tabled in Parliament 22 March 2018
- Auditor-General's Report 17: 2017–18, Managing local government rates and charges – tabled in Parliament 28 June 2018.

The department accepted the findings and developed management plans to implement the recommendations. Progress in implementing all recommendations is monitored and followed-up by Internal Audit and reported to the Audit and Risk Management Committee for review and noting.

## Ethics and integrity

Under the *Public Sector Ethics Act 1994*, the department's Ethics and Governance Framework ensures systems, policies, procedures and resources are in place to provide assurance that departmental activities are conducted in an ethical, accountable and transparent manner.

This framework is supported by a range of services provided by the organisation's Corporate Planning, Reporting and Risk Unit, Human Resources Unit and the Department of State Development, Manufacturing, Infrastructure and Planning's Ethics and Governance Unit. These units work in partnership with senior leaders across the department to support an ethical culture and right-sized governance.

The Ethics and Governance Unit provides a range of specialist services aimed at ensuring that the department's ethics and governance requirements and standards remain central to the department's operations. Advice and services are provided in relation to:

- complaints management
- registering declarations of interests and managing conflicts of interest
- gifts and benefits
- contacts with lobbyists
- preventing fraud and corruption
- training and development related to ethics and governance
- liaising with the Crime and Corruption Commission and the Queensland Ombudsman's Office
- the management of public interest disclosures and complaints related to corrupt conduct
- right to information and privacy
- corporate policy coordination and review in relation to ethics and governance.

Departmental employees uphold the Code of Conduct for the Queensland Public Service and receive regular training on the code. Ethics and integrity forms a key part of induction sessions and training opportunities are also available online via the department's intranet.

Information on ethics and governance was also embedded in the annual training for all senior executive service officers and equivalent staff during 2017–18. The Ethics and Governance Unit has also provided tailored advice and information sessions to staff across the department on request, with over 26 pieces of specialist advice being provided. Much of the advice and training has been focused on ensuring staff have an improved understanding and appreciation of conflicts of interest, as well as fraud and corruption prevention.

As per the recommendations in the Auditor-General's Report No. 6 for 2017–18, the fraud and corruption risk assessment has been incorporated into the department's risk register. A new Fraud and Corruption Prevention Plan for 2018–20 was drafted during the year in consultation with business areas, which is expected to be approved early in the 2018–19 financial year.

The department's corporate policies in relation to ethics and governance were reviewed in 2017–18. The updated policies and complementary procedure documents ensure that corporate policies support requirements outlined in relevant legislation, as well as the ethical principles in the *Public Sector Ethics Act 1994*.

Each financial year the customer complaints that have been received, resolved and under management are reported and this information is available on the department's website [www.dlgrma.qld.gov.au](http://www.dlgrma.qld.gov.au). In 2017–18, there were 65 customer complaints lodged against the department, of which several resulted in business improvements.

## Information systems and recordkeeping

The department is committed to quality information management and recordkeeping practices to support business operations and provide valuable evidence of business decision activities and transactions. We strive towards best practice by supporting compliance with the *Public Records Act 2002*, *Public Service Act 2008* and Information Standard 40 – recordkeeping and Information Standard 31 – retention and disposal of public records.

Business information is recognised as a valuable asset that provides open, accurate and transparent evidence of agency wide activities which support dynamic and effective local governments, engaged and cohesive communities and a sustainable, vibrant racing industry.

Information management and recordkeeping policies are supported by employee recordkeeping and information security awareness training modules. Departmental employees are aware of their recordkeeping obligations and their requirements to capture, manage and secure documents, correspondence and files in the department's electronic document records management system.

An ongoing commitment to the 'born digital stay digital' records management strategy, manages records through electronic business processes to reduce the department's paper footprint.

The department also uses the whole-of-government SAP and Aurion systems for finance and human resource management respectively.

Improvements to information security and associated security protocols have been a priority during 2017–18 and key initiatives included:

- increase in authentication measures for devices accessed outside the department's network
- strengthening of vulnerability management capability to reduce risk to the department's websites
- increase in security reviews, assessment and monitoring processes
- completion of information security classification labelling of all items in the department's electronic document records management system
- delivery of mandatory employee information security eLearning training module.

No records were reported lost in 2017–18.

# Strategic workforce planning and performance

## Our workforce

To enable the department to deliver on its strategic opportunities, it needs a high-performing, innovative and diverse workforce, enabled to provide value-for-money services and outcomes.

The issues facing the employment environment outlined in the Public Service Commission's Human Capital 10-Year Outlook include an ageing population and workforce with an increasing age of retirement, combined with high rates of chronic disease and increased caring responsibilities. At the same time the employment environment is facing increasing disruption through innovations in digital technologies creating the need for continuous learning and portable skills.

To achieve its strategic objective of attracting and retaining a high-performing, innovative and diverse workforce that delivers value-for-money services and outcomes, the department's focus has been to continue to implement the Strategic Workforce Plan 2017–2022 to:

- develop and maintain a culture of innovation and collaboration
- enhance leadership capability
- support our workforce to be high performing, capable and culturally competent
- maintain a proactive, integrated approach to health and wellbeing and a healthy work-life blend.

Success will be realised when absenteeism and separation are consistently low and when an increasing percentage of employees indicate that leadership is of a high quality, learning and development is relevant and that they feel a strong sense of engagement in the Working for Queensland survey results.

The Code of Conduct and Queensland public service values underpin our strategies and provide the foundation for our workplace culture, enabling staff to work efficiently, productively and professionally to deliver government priorities ethically and with integrity. Refresher training will be undertaken for all staff once the revised Code of Conduct is finalised, and at regular intervals thereafter.

**9** mentees were matched with **8** mentors in the department's second iteration of the Mentored at First Sight program.

Leadership skills are crucial to the efficiency and operation of the department, the engagement of our workforce with the organisation's values, priorities and direction and ongoing development to maintain capabilities into the future. The leadership team encourages and promotes a diverse and inclusive workforce that is healthy and well, motivated, capable, professional and resilient. Several members of staff participated in leadership development programs offered through the Public Service Commission and internally through the 'inspire' leadership and mentoring events.

Employee feedback informs the department's strategic workforce planning and professional development programs. Important sources of feedback include the annual Working for Queensland Employee Opinion Survey, the Consultative Committee and the Ask the DG intranet link. Results of the Working for Queensland survey reflected respectful relationships among colleagues and a strong customer focus. It also indicated a need for increased opportunities for professional development, continued focus on development for all staff and leaders in supporting performance conversations, and increased access to flexible work options.

**96** per cent response rate for the employee opinion survey – more than double the overall Queensland public sector response rate.

In response to the feedback from the Working for Queensland survey, the department launched a learning management system. The learning management system has provided an efficient, cost-effective platform to increase staff capability and awareness of strategic direction and legislative obligations. Professional development is also a key platform for maintaining employability for life in alignment with the Public Service Commission's Human Capital 10-Year Outlook. The learning management system supports the department to respond with agility to future skills and portable capabilities required for increasing digitisation of tools within the workplace and increasing expectations of the customer, for the department to deliver. The in-built course library combined with the ability to build courses customised to departmental needs and its accessibility to regional employees has resulted in a very high uptake.

**1,237** modules have been completed by staff in the Learning Management System since its launch in July 2017.

The learning management system is in the process of integrating the department's performance management processes. The new 'e-PDA' will further empower our workforce to maintain regular conversations to set performance expectations, establish clear linkages to the department's objectives, and allow two-way feedback and identification of individual development needs. The e-PDA supports the department's objectives incorporating the Queensland public service values and providing opportunities for improved employee engagement and performance. The launch of the e-PDA will include development of staff and leaders to support performance conversations, as suggested by the results of the Working for Queensland survey.

The department's induction program plays a key role in ensuring that new staff are integrated and able to be productive as quickly and efficiently as possible. Induction provides a forum to educate new staff about expectations of conduct in line with the department's ethics framework, the Code of Conduct and public service values. Induction has continued to be offered face-to-face and online, complemented by the recording of live sessions for viewing by regional staff. New staff are expected to participate in all elements of the induction program within three months of commencing employment. The induction program is currently being revised to reflect organisational changes.

**41** departmental employees attended face-to-face and live-streamed inductions.

The department's highly successful 'invigorate' health and wellbeing program supports the department to attract and retain its workforce by reinforcing it as an Employer of Choice and by maintaining the health and wellbeing of its current employees within the context of longer working lives and rising rates of chronic health issues in the Queensland population. The program provides an integrated and proactive approach to health, safety and wellbeing that aligns with the Public Service Commission's 'Be healthy, be safe, be well' framework. During this period the program increased its ability to cater to diversity and greater accessibility for regional employees while continuing to deliver initiatives such as:

- flu vaccinations
- senior executive health program
- skin cancer screenings
- wellness seminars
- financial wellbeing program
- employee assistance program.

**11** wellness seminars covering a wide range of topics on physical, psychological and financial wellbeing were attended by 123 participants.

Attracting and retaining a diverse talent pool drawn from all sections of the community is crucial to the department's ability to deliver effective services that reflect the community and its expectations. It seeks to harness the different and varied skill sets and perspectives arising from, but not limited to, a trans-generational workforce, gender, different languages, ethnicity, cultural backgrounds, religious beliefs, various working styles, people with disability, caring responsibilities, sexual orientation, education levels, professional levels, social and economic backgrounds, work and life experiences and geographical locations. During the period the department developed the 2018–2021 Inclusion and Diversity Strategic Plan, which aligns with the whole-of-government diversity and inclusion framework and incorporates the department's actions relating to:

- Disability Action Plan
- Cultural Capability Action Plan
- economic participation
- Multicultural Queensland Charter
- Multicultural Action Plan
- Domestic and Family Violence Prevention Strategies
- Reconciliation Action Plan
- Youth Strategy
- LGBTIQ+ Strategy
- Gender Equity.

**The National Reconciliation Week forum hosted by the department was attended by representatives from some of the 130 departmental Cultural Agency Leaders and Cultural Capability Community of Practice members.**

During this period, the department led the way by hosting the Reconciliation Action Plan forum for the Queensland Public Sector, in partnership with Reconciliation Queensland Incorporated and supported by the Department of Aboriginal and Torres Strait Islander Partnerships and by committing to 'stretch' goals under the Queensland Government's Reconciliation Action Plan.

To attract and retain talent within the context of an ageing population with increased caring responsibilities, employees continue to be provided with strategies to support them in achieving work-life blend. As informed by the Working for Queensland survey results, strategies to retain our existing workforce include reviewing the staff intranet to ensure that policies relating to the following are clearly accessible and promoted to all new and existing staff:

- work and family policy
- creating an inclusive workplace policy
- parental leave arrangements
- domestic and family violence support
- provision of parenting facilities in the workplace
- options for designing flexibility into work arrangements including:
  - work from home and telecommuting arrangements
  - part-time hours and job sharing
  - compressed hours
  - flexible work hours.

To attract potential employees all advertising and application processes refer to policies supporting inclusion and flexible work options. Work has commenced to include references to the department being a family friendly workplace.

Domestic and family violence is a workplace issue. With 65 per cent of Queenslanders in the labour force, workplaces have a significant role to play in creating cultural change. Commencing the White Ribbon Workplace Accreditation program in this period demonstrates the department's visible commitment to supporting our staff, promoting cultural change and aligning organisational values with action.

Employee recognition is an important strategy for reinforcing departmental performance and values. During this period the inaugural 'incredible' awards were introduced to recognise individuals and teams who had advanced the department and achieved great results.

**41 nominations were received for individuals and teams as part of the 'incredible' awards.**

Through implementation of the department's Strategic Workforce Plan, results of the next Working for Queensland survey are expected to reflect a positive culture and an engaged workforce with the motivation and capability to deliver on the department's objectives.

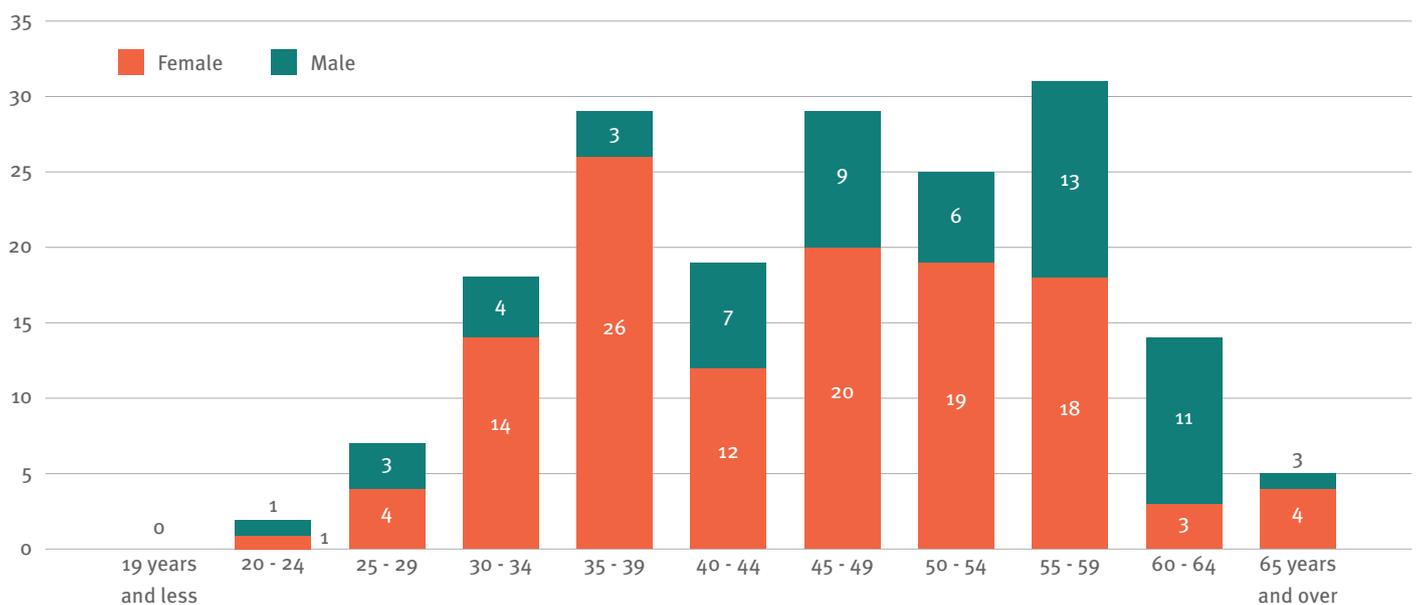
## Workforce profiles

As at 30 June 2018, the department had 170.76 full-time equivalent staff with a head count of 179. The permanent separation rate for the 2017–18 financial year was 1.39 per cent and the absent rate was 3.31 per cent. The graphs below show salary levels by gender and total number of employees by age group in 2017–18.

**Number of employees by gender and annual earnings as if working fulltime as at 30 June 2018**



**Number of employees by age and gender as at 30 June 2018**



The department supports the Queensland Government's targets for diversity in the workforce. Our progress as at 30 June 2018 is outlined below.

	Headcount: 179						Census return rate 75.42%	
	Gender: Female 67.6% Male 32.4%							
	Suggested foundation 2022 target	Current data		Minimum target			Stretch target	
	%	%	n=	%	n=	Gap	%	n=
<b>Women in Senior Executive Service (incl. CEO)</b>	50	0.00%	0	50	1	-1	55	1
<b>Total women in SES and above (incl. equivalent &amp; s122) <sup>1</sup></b>	50	45.45%	5	50	6	-1	55	2
<b>Women in Senior Officer</b>	50	70.00%	7	50	5	+2	55	6
<b>Total women in Senior Officer (incl. equivalent &amp; s122) <sup>1</sup></b>	50	68.75%	11	50	8	+3	55	9
<b>Aboriginal and/or Torres Strait Islander people</b>	3	1.68%	3	3	6	-3	4	8
<b>People with disability</b>	8	3.35%	6	8	15	-9	10	18
<b>Non-English Speaking Background</b>	10	10.60%	19	10	18	+1	12	22

Notes:  
1. Based on salary not classification and may differ (more or less) than the measures by classification

## Redundancy

No redundancies, early retirements or retrenchment packages were paid during the period.

## Industrial and employee relations

The Human Resources team provides advice and support in relation to workforce planning, capability development, performance management, entitlements, policies and processes to the department's leaders and employees. This includes intervention strategies to assist with the early resolution and management of issues at the local level.

In 2017–18, continued improvement through review and revision of human resources materials and information on the department's intranet occurred to aid in the accessibility and ease of use.

The department was not party to any industrial disputes during 2017–18.

# Financial statements for the year ended 30 June 2018

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DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Comprehensive Income for the year ended 30 June 2018

	Variance	Note	2018 Actual \$'000	2018 Adjusted Budget \$'000	2018 Budget Variance \$'000	2017 Actual \$'000
<b>Income</b>						
Appropriation revenue	a.	3	468,519	455,490	13,029	438,442
Land sales		4	24,632	24,632	-	65,211
User charges and fees		5	9,977	11,112	(1,135)	26,989
Grants and other contributions	b.		2,533	(5)	2,538	1,362
Interest	c.		4,707	3,935	772	7,772
Other revenue			409	-	409	1,356
<b>Total revenue</b>			<b>510,777</b>	<b>495,164</b>	<b>15,613</b>	<b>541,132</b>
Gains on disposal/remeasurement of assets			40	-	40	143
<b>Total income</b>			<b>510,817</b>	<b>495,164</b>	<b>15,653</b>	<b>541,275</b>
<b>Expenses</b>						
Employee expenses		6	43,918	44,364	(446)	63,965
Supplies and services		9	41,211	43,546	(2,335)	107,589
Grants and subsidies	d.	10	378,872	406,748	(27,876)	253,100
Deferred appropriation payable (expense) to Consolidated Fund	e.	3	29,109	-	29,109	61,198
Depreciation and amortisation	f.	13	2,897	495	2,402	2,483
Impairment losses			4	-	4	191
Revaluation decrement	g.		26,239	-	26,239	-
Cost of land sales		4	14,252	14,247	5	38,546
Land inventory written off			3,558	2,896	662	13,389
Finance/borrowing costs			1,046	1,019	27	2,148
Other expenses	h.	11	5,921	4,338	1,583	12,224
<b>Total expenses</b>			<b>547,027</b>	<b>517,653</b>	<b>29,374</b>	<b>554,833</b>
<b>Operating result before income tax equivalent</b>			<b>(36,210)</b>	<b>(22,489)</b>	<b>(13,721)</b>	<b>(13,558)</b>
Income tax equivalent (expense)/benefit	i.	14	8,612	1,864	6,748	(7,048)
<b>Operating result after income tax equivalent</b>			<b>(27,598)</b>	<b>(20,625)</b>	<b>(6,973)</b>	<b>(20,606)</b>
<b>Other comprehensive income</b>						
Items that will not be reclassified to operating result:						
Increase in asset revaluation surplus	j.	16	4,194	-	4,194	7,397
<b>Total other comprehensive income</b>			<b>4,194</b>	<b>-</b>	<b>4,194</b>	<b>7,397</b>
<b>Total comprehensive income</b>			<b>(23,405)</b>	<b>(20,625)</b>	<b>(2,780)</b>	<b>(13,209)</b>

The accompanying notes form part of these statements.

**Explanations of major budget versus actual variances:**

a. Appropriation revenue

The actual appropriation revenue received is higher than the budgeted figure by \$13.029 million mainly due to additional receipts as a result of unspent appropriation at 30 June 2017 of \$61.198 million, new funding received of \$20.4 million for the Beautiful Bowen project and Ayr Nature Based Playground election commitments as well as the Whitsunday Coast Regional Airport Expansion project and reclassification of \$3.1 million in expenditure from capital acquisition to capital grant for a component of the Cherbourg Wastewater Infrastructure project.

These are offset by:

- funds deferred to 2018-19 of \$44.7 million for the Local Government Grants and Subsidies Program, the Indigenous Councils Critical Infrastructure Program and the Community Resilience Fund as a result of projects approved within these programs due for completion later than anticipated. This also includes funds deferred for the Whitsunday Coast Regional Airport Expansion to align with project delivery milestones and the Racing Infrastructure Fund due to Racing Queensland not making claims at the rate previously anticipated.
- reduced funding of \$26.5 million relating to the transfer of the Townsville Water Security Measures project to the Department of Natural Resources, Mines and Energy, delays in expenditure under the Racing Infrastructure Fund, rescoping the project milestones of the Bundaberg Flood Protection Action Plan following community consultation and the cessation of the Water Fluoridation Infrastructure Grants Program.

b. Grants and other contributions

The increase of \$2.538 million relates to goods and services received below fair value from other government entities including the recognition of \$1.6 million fair value of a peppercorn lease which was transferred from the Department of Natural Resources, Mines and Energy to Economic Development Queensland.

c. Interest

The increase of \$0.772 million is due to interest recognised on investment loans relating to the Catalyst Infrastructure Program and catalyst loans.

d. Grants and subsidies

The grants and subsidies payments are \$27.876 million lower than budgeted due to:

- delays in transfer of assets to council, including the Cherbourg Wastewater Infrastructure project delayed due to cultural heritage negotiations and the Palm Island Waste Water Infrastructure asset awaiting approval to transfer at 30 June 2018
- deferral for the Racing Infrastructure Fund due to Racing Queensland not making claims at the rate previously anticipated
- transfer of the responsibility for the delivery of the Townsville Water Security Measures project to the Department of Natural Resources, Mines and Energy
- funding for approved projects under the Works for Queensland program are paid across financial years in accordance with funding agreements
- cessation of the Water Fluoridation Infrastructure Grants Program.

This is offset by increased expenditure in 2017-18 for the Local Government Grant and Subsidies Program, the Community Resilience Fund and the Indigenous Councils Critical Infrastructure Program primarily due to unspent funds at 30 June 2017 and new funding received for the Whitsunday Coast Airport Terminal Expansion project and the Beautiful Bowen project.

e. Deferred appropriation payable (expense) to Consolidated Fund

The variance of \$29.109 million represents appropriation payable to Queensland Treasury for cash received for budgeted expenses that were unspent at 30 June 2018. This under-expenditure is due to:

- Racing Queensland not making claims from the Racing Infrastructure Fund at the rate previously anticipated
- completion later than anticipated for approved projects funded from the Works for Queensland Program, the Indigenous Councils Critical Infrastructure Program, the Indigenous Local Government Sustainability Program, the Local Government Grants and Subsidies Program, Community Resilience Fund and the rescheduling of delivery of the Beautiful Bowen and the Ayr Nature Based Playground projects.

f. Depreciation and amortisation

The increase of \$2.402 million is due to the unfunded depreciation for water infrastructure assets held in the Northern Peninsula Area which are planned to transfer to council by 30 June 2019.

g. Revaluation decrement

The variance of \$26.239 million relates to a downwards valuation of investment property at Hamilton Northshore for Economic Development Queensland, reflecting current market conditions as at 31 December 2017.

h. Other expenses

The variance of \$1.583 million is due to increased tax payments which are based on current levies and assessable land values and also includes an asset write-off.

i. Income tax equivalent (expense)/benefit

The variance of \$6.748 million is due to lower than budgeted operating result attributable to the unbudgeted downwards valuations of investment property.

j. Increase in asset revaluation surplus

The increase of \$4.194 million in the asset revaluation surplus is due to an upward revaluation of land holdings of \$2.388 million and infrastructure assets of \$1.806 million as a result of the annual asset valuation process.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Financial Position as at 30 June 2018

	Variance	Note	2018 Actual \$'000	2018 Adjusted Budget \$'000	2018 Budget Variance \$'000	2017 Actual \$'000
<b>Current assets</b>						
Cash and cash equivalents	k.	19	42,818	10,928	31,890	267,562
Receivables	l.	12	4,253	2,011	2,242	20,867
Land inventories			-	-	-	305,495
Other assets			-	-	-	648
<b>Total current assets</b>			<u>47,071</u>	<u>12,939</u>	<u>34,132</u>	<u>594,572</u>
<b>Non-current assets</b>						
Receivables		12	4,597	4,596	1	53,203
Property, plant and equipment	m.	13	59,560	44,842	14,718	257,641
Investment property			-	-	-	259,933
Intangible assets			-	7	(7)	7,486
Deferred tax equivalent asset			-	-	-	3,122
<b>Total non-current assets</b>			<u>64,157</u>	<u>49,445</u>	<u>14,712</u>	<u>581,385</u>
<b>Total assets</b>			<u><b>111,228</b></u>	<u><b>62,384</b></u>	<u><b>48,844</b></u>	<u><b>1,175,957</b></u>
<b>Current liabilities</b>						
Payables	n.	15	34,555	3,998	30,557	139,705
Accrued employee benefits			913	1,689	(776)	2,857
Interest-bearing liabilities			-	-	-	8,493
Income tax payable			-	-	-	6,659
Other current liabilities			-	-	-	12,037
<b>Total current liabilities</b>			<u>35,468</u>	<u>5,687</u>	<u>29,781</u>	<u>169,751</u>
<b>Non-current liabilities</b>						
Payables		15	126	-	126	-
Interest-bearing liabilities			-	-	-	32,664
Deferred tax equivalent liability			-	-	-	86,888
Other non-current liabilities			683	-	683	6,000
<b>Total non-current liabilities</b>			<u>809</u>	<u>-</u>	<u>809</u>	<u>125,552</u>
<b>Total liabilities</b>			<u><b>36,277</b></u>	<u><b>5,687</b></u>	<u><b>30,590</b></u>	<u><b>295,303</b></u>
<b>Net assets</b>			<u><b>74,951</b></u>	<u><b>56,697</b></u>	<u><b>18,254</b></u>	<u><b>880,654</b></u>
<b>Equity</b>						
Contributed equity			79,162			861,459
Accumulated surplus/(deficit)			(14,036)			(10,009)
Asset revaluation surplus		16	9,825			29,204
<b>Total equity</b>			<u><b>74,951</b></u>	<u><b>56,697</b></u>	<u><b>18,254</b></u>	<u><b>880,654</b></u>

The accompanying notes form part of these statements.

**Explanations of major budget versus actual variances:**

k. Cash and cash equivalents

The variance of \$31.890 million is due to \$29.109 million in unspent appropriation received by the department resulting from:

- Racing Queensland not making claims from the Racing Infrastructure Fund at the rate previously anticipated
- funding for approved projects under the Works for Queensland program are paid across financial years in accordance with funding agreements
- completion later than anticipated for approved projects funded from the Indigenous Councils Critical Infrastructure Program, the Indigenous Local Government Sustainability Program, the Local Government Grants and Subsidies Program, Community Resilience Fund and the rescheduling of delivery of the Beautiful Bowen and the Ayr Nature Based Playground projects.

l. Current receivables

The increase of \$2.242 million is due to the goods and services tax receivable which is an unbudgeted item.

m. Property, plant and equipment

The variance of \$14.718 million is due to the delay in finalisation of the Cherbourg Wastewater Infrastructure asset attributable to cultural heritage negotiations and awaiting approval for the transfer of Palm Island Wastewater Infrastructure asset at 30 June 2018.

n. Current payables

The current payables variance of \$30.557 million is principally due to \$29.109 million in appropriation to be returned to Queensland Treasury for unspent funds at 30 June 2018. This under-expenditure resulted from:

- Racing Queensland not making claims from the Racing Infrastructure Fund at the rate previously anticipated
- funding for approved projects under the Works for Queensland program are paid across financial years in accordance with funding agreements
- completion later than anticipated for approved projects funded from the Indigenous Councils Critical Infrastructure Program, the Indigenous Local Government Sustainability Program, the Local Government Grants and Subsidies Program, Community Resilience Fund and the rescheduling of delivery of the Beautiful Bowen and the Ayr Nature Based Playground projects.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Changes in Equity for the year ended 30 June 2018

	Note	Contributed Equity \$'000	Accumulated Surplus/ (Deficit) \$'000	Asset Revaluation Surplus \$'000	Total \$'000
<b>Balance - 1 July 2016</b>		<b>858,532</b>	<b>10,596</b>	<b>21,807</b>	<b>890,935</b>
<b>Operating result</b>		-	(20,606)	-	(20,606)
<b>Other comprehensive income</b>					
Increase in asset revaluation surplus	16	-	-	7,397	7,397
<b>Total comprehensive income for the year</b>		-	(20,606)	7,397	(13,208)
<b>Transactions with owners as owners:</b>					
Appropriated equity injections	3	17,689	-	-	17,689
Appropriated equity withdrawals	3	(1,473)	-	-	(1,473)
Net transfers out to other Queensland Government entities		(2,078)	-	-	(2,078)
Non-appropriated equity withdrawals		(11,211)	-	-	(11,211)
<b>Net transactions with owners as owners</b>		<b>2,927</b>	<b>-</b>	<b>-</b>	<b>2,927</b>
<b>Balance - 30 June 2017</b>		<b>861,459</b>	<b>(10,009)</b>	<b>29,204</b>	<b>880,654</b>
<b>Operating result</b>		-	(27,598)	-	(27,598)
<b>Other comprehensive income</b>					
Increase in asset revaluation surplus	16	-	-	4,194	4,194
<b>Total comprehensive income for the year</b>		-	(27,598)	4,194	(23,405)
<b>Transactions with owners as owners:</b>					
Appropriated equity injections	3	15,647	-	-	15,647
Appropriated equity withdrawals	3	(1,987)	-	-	(1,987)
Net transfers out to other Queensland Government entities - machinery of government	2	(799,206)	-	-	(799,206)
Net transfers in from other Queensland Government entities		4,989	-	-	4,989
Non-appropriated equity withdrawals		(1,739)	-	-	(1,739)
Transfer of asset revaluation surplus to accumulated surplus/(deficit)	16	-	23,572	(23,572)	-
<b>Net transactions with owners as owners</b>		<b>(782,296)</b>	<b>23,572</b>	<b>(23,572)</b>	<b>(782,296)</b>
<b>Balance - 30 June 2018</b>		<b>79,162</b>	<b>(14,036)</b>	<b>9,825</b>	<b>74,951</b>

The accompanying notes form part of these statements.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Cash Flows for the year ended 30 June 2018

			2018	2018	2018	2017
	Variance	Note	Actual	Adjusted	Budget	Actual
	Note		\$'000	Budget	Variance	\$'000
				\$'000	\$'000	
<b>Cash flows from operating activities</b>						
<b>Inflows:</b>						
Appropriation receipts	o.	3	407,346	455,515	(48,169)	433,517
Land sales			24,632	24,632	-	62,687
User charges and fees	p.		17,761	14,522	3,239	34,216
Grants and other contributions			411	(5)	416	1,041
GST input tax credits received from ATO			9,765	4,311	5,454	13,031
GST collected from customers			2,674	2,420	254	9,712
Interest			4,719	3,580	1,139	7,804
Other			126	(623)	749	28,329
<b>Outflows:</b>						
Employee expenses			(45,793)	(44,639)	(1,154)	(63,826)
Supplies and services	q.		(47,819)	(67,025)	19,206	(130,418)
Payment for land inventories	r.		(23,052)	(27,966)	4,914	(41,515)
Grants and subsidies			(374,316)	(381,819)	7,503	(253,889)
Finance/borrowing costs			(1,046)	(1,019)	(27)	(2,148)
GST paid to suppliers			(10,186)	(4,280)	(5,906)	(14,435)
GST remitted to ATO			(4,628)	(3,938)	(690)	(8,783)
Income tax expense	s.		(7,245)	(8,452)	1,207	(9,833)
Other	t.		(12,947)	(4,844)	(8,103)	(12,516)
<b>Net cash used in operating activities</b>			<b>(59,600)</b>	<b>(39,630)</b>	<b>(19,969)</b>	<b>52,973</b>
<b>Cash flows from investing activities</b>						
<b>Inflows:</b>						
Sales of property, plant and equipment			4,087	3,213	874	18,480
Loans and advances redeemed			3,328	3,788	(460)	5,211
<b>Outflows:</b>						
Payments for property, plant and equipment			(18,641)	(18,112)	(529)	(11,054)
Payments for intangible assets			-	-	-	(1,903)
Payments for investments	u.		(12,550)	-	(12,550)	(9,997)
Loans and advances provided	v.		(23,034)	(29,470)	6,436	(30,081)
<b>Net cash provided used in investing activities</b>			<b>(46,810)</b>	<b>(40,581)</b>	<b>(6,229)</b>	<b>(29,345)</b>
<b>Cash flows from financing activities</b>						
<b>Inflows:</b>						
Proceeds from borrowings			24,016	24,590	(574)	20,102
Equity injections	w.		15,647	19,739	(4,092)	17,689
<b>Outflows:</b>						
Equity withdrawals	x.		(3,726)	(1,473)	(2,253)	(12,684)
Borrowing redemptions	y.		(5,535)	(7,111)	1,576	(9,606)
<b>Net cash provided by financing activities</b>			<b>30,402</b>	<b>35,745</b>	<b>(5,343)</b>	<b>15,501</b>
Net increase/(decrease) in cash and cash equivalents			(76,008)	(44,466)	(31,542)	39,129
Decrease in cash and cash equivalents from restructuring		2	(148,735)	(130,814)	(17,921)	-
<b>Cash and cash equivalents - opening balance</b>		19	<b>267,562</b>	<b>186,208</b>	<b>81,354</b>	<b>228,433</b>
<b>Cash and cash equivalents - closing balance</b>		19	<b>42,818</b>	<b>10,928</b>	<b>31,891</b>	<b>267,562</b>

The accompanying notes form part of these statements.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Statement of Cash Flows for the year ended 30 June 2018**

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**Explanations of major budget versus actual variances:**

- o. Appropriation receipts  
The actual appropriation receipts are lower than the budgeted figure by \$48.169 million due to funds deferred to 2018-19 for the Local Government Grants and Subsidies Program, the Indigenous Councils Critical Infrastructure Program and the Community Resilience Fund as a result of projects within these programs rescheduled for completion later than anticipated.
- p. User charges and fees  
The variance of \$3.239 million is due to unbudgeted cash receipts from the Cross River Rail Delivery Authority (CRRDA) for receivables owed as at 30 June 2017. This was a result of the department processing CRRDA's transactions after its establishment on 14 April 2017.
- q. Supplies and services  
The variance of \$19.206 million is due to \$12.55 million recognised as payments for investment properties as outlined in note (u). The remainder of the variance is due to negotiations taking longer than expected and revised construction programs of Economic Development Queensland projects.
- r. Payments for land inventories  
The variance of \$4.914 million is due to lower than budgeted expenditure in urban renewal precincts as a result of the rescheduling of work programs to align to the current market conditions.
- s. Income tax expense  
The variance of \$1.207 million is due to lower than anticipated assessable income resulting in reduced tax payments derived in accordance with the National Tax Equivalents Regime.
- t. Other  
The variance of \$8.103 million is due to higher than expected settlement of sales resulting in return of security deposits and increased tax payments for tax equivalents relating to land tax, rates and stamp duty which are based on updated levies and assessable land values.
- u. Payments for investments  
The \$12.55 million variance is due to the payment for investment properties budgeted as an operating activity as these were initially classified as inventories and following assessment allocated to investment property.
- v. Loans and advances provided  
The variance of \$6.436 million is due to the notional interest on the concessional catalyst loans reclassified as a grant in the actuals.
- w. Equity injections  
The equity injections are lower than budgeted funding by \$4.092 million due to delayed construction of the Cherbourg Wastewater Infrastructure asset caused by cultural heritage negotiations.
- x. Equity withdrawals  
The equity withdrawals are higher than the budget by \$2.253 million due to the transfer of the responsibility for the Natural Disaster Resilience Program to the Queensland Reconstruction Authority.
- y. Borrowing redemptions  
Borrowing redemptions were lower than the budget by \$1.576 million due to an overall lower level of forecast debt in line with the revised development activity and lower sales, which has resulted in lower loan repayments.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the Statement of Cash Flows for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
<b>Reconciliation of operating result to net cash provided by operating activities</b>		
Operating deficit	(27,598)	(20,606)
<b>Non-cash items included in operating result:</b>		
Depreciation and amortisation expense	2,897	2,483
Impairment losses	4	146
Goods and services provided below fair value	2,649	-
Net losses on disposal of property, plant and equipment	305	426
Revaluation decrements	26,239	-
Other non-cash items	-	(50)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	815	(1,496)
(Increase)/decrease in deferred tax	(21,112)	(1,412)
(Increase)/decrease in inventories	(5,245)	(13,892)
(Increase)/decrease in other assets	67	(545)
Increase/(decrease) in payables	(40,685)	87,563
Increase/(decrease) in accrued employee benefits	(1,469)	639
Increase/(decrease) in other liabilities	3,532	(282)
<b>Net cash provided by operating activities</b>	<b>(59,600)</b>	<b>52,973</b>

Changes in liabilities arising from financing activities

	Cash Flows				2018 Closing balance \$'000
	2017 Closing balance \$'000	Machinery of government non-cash \$'000	Cash received \$'000	Cash repaid \$'000	
Borrowings (note 19)	41,157	(59,637)	24,016	(5,535)	-
<b>Total</b>	<b>41,157</b>	<b>(59,637)</b>	<b>24,016</b>	<b>(5,535)</b>	<b>-</b>

**Non-cash investing and financing activities**

Assets and liabilities received or transferred by the department as a result of machinery of government changes are set out in note 2.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Comprehensive Income by Major Departmental Service for the year ended 30 June 2018

	Local Government		Funding Programs and Community Initiatives		Better Planning for Queensland <sup>(1)</sup>		Infrastructure Policy and Planning <sup>(2)</sup>		Business and Economic Growth <sup>(1)</sup>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Income</b>										
Appropriation revenue	7,821	10,680	402,468	345,870	24,456	42,188	7,266	39,704	-	-
Land sales	-	-	-	-	-	-	-	-	24,632	65,211
User charges and fees	117	228	173	125	2,744	4,358	95	162	7,420	22,990
Grants and other contributions	66	6	370	339	256	274	65	8	20,163	38,239
Interest	-	-	366	412	-	-	-	-	4,341	7,360
Other revenue	1	79	52	480	11	166	1	44	93	587
<b>Total revenue</b>	<b>8,005</b>	<b>10,993</b>	<b>403,429</b>	<b>347,226</b>	<b>27,467</b>	<b>46,986</b>	<b>7,427</b>	<b>39,918</b>	<b>56,649</b>	<b>134,387</b>
Gains on disposal/remeasurement of assets	-	-	-	-	-	-	-	-	40	143
<b>Total income</b>	<b>8,005</b>	<b>10,993</b>	<b>403,429</b>	<b>347,226</b>	<b>27,467</b>	<b>46,986</b>	<b>7,427</b>	<b>39,918</b>	<b>56,689</b>	<b>134,530</b>
<b>Expenses</b>										
Employee expenses	4,860	7,539	8,269	6,736	16,732	27,265	4,119	8,492	7,542	13,933
Supplies and services	1,996	2,994	7,981	7,364	7,765	15,468	3,202	25,720	19,762	56,917
Grants and subsidies	77	40	369,400	277,955	1,848	1,678	56	2,091	7,958	9,158
Deferred appropriation payable (expense) to Consolidated Fund	988	342	22,819	55,535	-	1,855	-	3,466	-	-
Depreciation and amortisation	-	17	1,990	2,003	884	393	-	20	23	50
Impairment losses	4	-	-	-	-	(83)	-	-	-	274
Revaluation decrement	-	-	-	-	-	-	-	-	26,239	-
Cost of land sales	-	-	-	-	-	-	-	-	14,252	38,546
Land inventory written off	-	-	-	-	-	-	-	-	3,558	13,389
Finance/borrowing costs	-	-	-	-	-	-	-	-	1,046	2,148
Other expenses	81	68	557	73	237	416	49	130	4,932	11,218
<b>Total expenses</b>	<b>8,006</b>	<b>11,000</b>	<b>411,016</b>	<b>349,666</b>	<b>27,466</b>	<b>46,992</b>	<b>7,426</b>	<b>39,919</b>	<b>85,312</b>	<b>145,633</b>
<b>Operating result before income tax equivalent</b>	<b>(1)</b>	<b>(7)</b>	<b>(7,587)</b>	<b>(2,440)</b>	<b>1</b>	<b>(6)</b>	<b>1</b>	<b>(1)</b>	<b>(28,623)</b>	<b>(11,103)</b>
Income tax equivalent (expense)/benefit	-	-	-	-	-	-	-	-	8,612	(7,048)
<b>Operating result after income tax equivalent</b>	<b>(1)</b>	<b>(7)</b>	<b>(7,587)</b>	<b>(2,440)</b>	<b>1</b>	<b>(6)</b>	<b>1</b>	<b>(1)</b>	<b>(20,011)</b>	<b>(18,151)</b>
<b>Other comprehensive income</b>										
Items that will not be reclassified to operating result:										
Increase in asset revaluation surplus	-	-	1,806	1,887	-	-	-	-	2,388	5,510
<b>Total comprehensive income</b>	<b>(1)</b>	<b>(7)</b>	<b>(5,781)</b>	<b>(553)</b>	<b>1</b>	<b>(6)</b>	<b>1</b>	<b>(1)</b>	<b>(17,623)</b>	<b>(12,641)</b>

<sup>(1)</sup> Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018.

<sup>(2)</sup> Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning except for the Cities Transformation Taskforce which was transferred to Queensland Treasury. The effective date of transfer is 1 January 2018.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Comprehensive Income by Major Departmental Service for the year ended 30 June 2018

	Multicultural Affairs Queensland <sup>(3)</sup>		Racing <sup>(4)</sup>		Inter-service/unit eliminations		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Income</b>								
Appropriation revenue	6,650	-	19,859	-	-	-	468,519	438,442
Land sales	-	-	-	-	-	-	24,632	65,211
User charges and fees	51	-	7	-	(630)	(874)	9,977	26,989
Grants and other contributions	146	-	5	-	(18,538)	(37,504)	2,533	1,362
Interest	-	-	-	-	-	-	4,707	7,772
Other revenue	1	-	250	-	-	-	409	1,356
<b>Total revenue</b>	<b>6,847</b>	<b>-</b>	<b>20,121</b>	<b>-</b>	<b>(19,168)</b>	<b>(38,378)</b>	<b>510,777</b>	<b>541,132</b>
Gains on disposal/remeasurement of assets	-	-	-	-	-	-	40	143
<b>Total income</b>	<b>6,847</b>	<b>-</b>	<b>20,121</b>	<b>-</b>	<b>(19,168)</b>	<b>(38,378)</b>	<b>510,817</b>	<b>541,275</b>
<b>Expenses</b>								
Employee expenses	2,313	-	83	-	-	-	43,918	63,965
Supplies and services	1,042	-	91	-	(630)	(874)	41,211	107,589
Grants and subsidies	2,693	-	15,379	-	(18,538)	(37,823)	378,872	253,100
Deferred appropriation payable (expense) to Consolidated Fund	738	-	4,564	-	-	-	29,109	61,198
Depreciation and amortisation	-	-	-	-	-	-	2,897	2,483
Impairment losses	-	-	-	-	-	-	4	191
Revaluation decrement	-	-	-	-	-	-	26,239	-
Cost of land sales	-	-	-	-	-	-	14,252	38,546
Land inventory written off	-	-	-	-	-	-	3,558	13,389
Finance/borrowing costs	-	-	-	-	-	-	1,046	2,148
Other expenses	61	-	4	-	-	319	5,921	12,224
<b>Total expenses</b>	<b>6,847</b>	<b>-</b>	<b>20,121</b>	<b>-</b>	<b>(19,168)</b>	<b>(38,378)</b>	<b>547,027</b>	<b>554,833</b>
<b>Operating result before income tax equivalent</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,210)</b>	<b>(13,558)</b>
Income tax equivalent (expense)/benefit	-	-	-	-	-	-	8,612	(7,048)
<b>Operating result from after income tax equivalent</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,598)</b>	<b>(20,606)</b>
<b>Other comprehensive income</b>								
Items that will not be reclassified to operating result:								
Increase in asset revaluation surplus	-	-	-	-	-	-	4,194	7,397
<b>Total comprehensive income</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,405)</b>	<b>(13,209)</b>

(3) Function was transferred from the former Department of Communities, Child Safety and Disability Services effective 1 January 2018.

(4) Function was transferred from the abolished Department of National Parks, Sport and Racing effective 13 December 2017.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Assets and Liabilities by Major Departmental Service for the year ended 30 June 2018

	Local Government		Funding Programs and Community Initiatives		Better Planning for Queensland <sup>(1)</sup>		Infrastructure Policy and Planning <sup>(2)</sup>		Business and Economic Growth <sup>(1)</sup>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current assets</b>										
Cash and cash equivalents	3,882	1,931	29,905	69,674	-	7,843	-	5,338	-	182,776
Receivables	814	501	2,383	1,638	-	1,204	-	5,287	-	12,237
Land inventories	-	-	-	-	-	-	-	-	-	305,495
Other assets	-	60	-	54	-	223	-	71	-	240
<b>Total current assets</b>	<b>4,696</b>	<b>2,492</b>	<b>32,288</b>	<b>71,366</b>	<b>-</b>	<b>9,270</b>	<b>-</b>	<b>10,696</b>	<b>-</b>	<b>500,748</b>
<b>Non-current assets</b>										
Receivables	-	-	4,597	5,144	-	19,524	-	-	-	48,058
Property, plant and equipment	5	55	59,549	47,706	-	206	-	65	-	209,609
Investment property	-	-	-	-	-	-	-	-	-	259,933
Intangible assets	-	-	-	-	-	7,486	-	-	-	-
Deferred tax equivalent asset	-	-	-	-	-	-	-	-	-	3,122
<b>Total non-current assets</b>	<b>5</b>	<b>55</b>	<b>64,146</b>	<b>52,850</b>	<b>-</b>	<b>27,216</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>520,722</b>
<b>Total assets</b>	<b>4,701</b>	<b>2,547</b>	<b>96,434</b>	<b>124,216</b>	<b>-</b>	<b>36,486</b>	<b>-</b>	<b>10,761</b>	<b>-</b>	<b>1,021,470</b>
<b>Current liabilities</b>										
Payables	1,590	685	26,150	58,651	-	5,239	-	5,229	-	69,901
Accrued employee benefits	232	328	414	295	-	1,223	-	386	-	625
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-	8,493
Income tax payable	-	-	-	-	-	-	-	-	-	6,659
Other current liabilities	-	172	-	156	-	642	-	203	-	10,864
<b>Total current liabilities</b>	<b>1,822</b>	<b>1,185</b>	<b>26,564</b>	<b>59,102</b>	<b>-</b>	<b>7,104</b>	<b>-</b>	<b>5,818</b>	<b>-</b>	<b>96,542</b>
<b>Non-current liabilities</b>										
Payables	-	-	126	-	-	-	-	-	-	19,524
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-	32,664
Deferred tax equivalent liability	-	-	-	-	-	-	-	-	-	86,888
Other non-current liabilities	173	-	310	-	-	-	-	-	-	6,000
<b>Total non-current liabilities</b>	<b>173</b>	<b>-</b>	<b>436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,076</b>
<b>Total liabilities</b>	<b>1,995</b>	<b>1,185</b>	<b>27,000</b>	<b>59,102</b>	<b>-</b>	<b>7,104</b>	<b>-</b>	<b>5,818</b>	<b>-</b>	<b>241,618</b>

<sup>(1)</sup> Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018.

<sup>(2)</sup> Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning except for the Cities Transformation Taskforce which was transferred to Queensland Treasury. The effective date of transfer is 1 January 2018.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of Assets and Liabilities by Major Departmental Service for the year ended 30 June 2018

	Multicultural Affairs Queensland <sup>(3)</sup>		Racing <sup>(4)</sup>		Inter-service/unit eliminations		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current assets</b>								
Cash and cash equivalents	4,029	-	5,003	-	-	-	42,818	267,562
Receivables	806	-	250	-	-	-	4,253	20,867
Land inventories	-	-	-	-	-	-	-	305,495
Other assets	-	-	-	-	-	-	-	648
<b>Total current assets</b>	<b>4,835</b>	<b>-</b>	<b>5,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,071</b>	<b>594,572</b>
<b>Non-current assets</b>								
Receivables	-	-	-	-	-	(19,524)	4,597	53,203
Property, plant and equipment	5	-	1	-	-	-	59,560	257,641
Investment property	-	-	-	-	-	-	-	259,933
Intangible assets	-	-	-	-	-	-	-	7,486
Deferred tax equivalent asset	-	-	-	-	-	-	-	3,122
<b>Total non-current assets</b>	<b>5</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(19,524)</b>	<b>64,157</b>	<b>581,385</b>
<b>Total assets</b>	<b>4,840</b>	<b>-</b>	<b>5,254</b>	<b>-</b>	<b>-</b>	<b>(19,524)</b>	<b>111,228</b>	<b>1,175,957</b>
<b>Current liabilities</b>								
Payables	2,139	-	4,677	-	-	-	34,555	139,705
Accrued employee benefits	235	-	31	-	-	-	913	2,857
Interest-bearing liabilities	-	-	-	-	-	-	-	8,493
Income tax payable	-	-	-	-	-	-	-	6,659
Other current liabilities	-	-	-	-	-	-	-	12,037
<b>Total current liabilities</b>	<b>2,374</b>	<b>-</b>	<b>4,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,468</b>	<b>169,751</b>
<b>Non-current liabilities</b>								
Payables	-	-	-	-	-	(19,524)	126	-
Interest-bearing liabilities	-	-	-	-	-	-	-	32,664
Deferred tax equivalent liability	-	-	-	-	-	-	-	86,888
Other non-current liabilities	176	-	23	-	-	-	683	6,000
<b>Total non-current liabilities</b>	<b>176</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>(19,524)</b>	<b>809</b>	<b>125,552</b>
<b>Total liabilities</b>	<b>2,550</b>	<b>-</b>	<b>4,731</b>	<b>-</b>	<b>-</b>	<b>(19,524)</b>	<b>36,277</b>	<b>295,303</b>

<sup>(3)</sup> Function was transferred from Department of Communities, Child Safety and Disability Services effective 1 January 2018.

<sup>(4)</sup> Function was transferred from the abolished Department of National Parks, Sport and Racing effective 13 December 2017.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Basis of financial statement preparation for the year ended 30 June 2018**

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**General information**

The Department of Local Government, Racing and Multicultural Affairs 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 34, 1 William Street, Brisbane QLD 4000.

For information in relation to the department's financial statements, please call 13 74 68, email [info@dlgrma.qld.qov.au](mailto:info@dlgrma.qld.qov.au) or visit the department's website [www.dlgrma.qld.gov.au](http://www.dlgrma.qld.gov.au).

**Compliance with prescribed requirements**

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

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

New accounting standards applied for the first time in these financial statements are outlined in note 22.

**Presentation**

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or where the amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparative information reflects the audited 2016-17 financial statements and has been restated, where necessary, to be consistent with disclosures in the current reporting period.

**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.

**The reporting entity**

The financial statements include all income, expenses, assets, liabilities and equity of the department, except for those functions transferred through machinery of government changes.

Following the machinery of government changes, the Department of Infrastructure, Local Government and Planning was renamed the Department of Local Government, Racing and Multicultural Affairs. As a result of Public Service Departmental Arrangements Notice (No. 3) 2017 and Public Service Departmental Arrangements Notice (No. 4) 2017 on 12 and 21 December 2017 respectively, the Infrastructure, Planning and Economic Development functions were transferred to the Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) effective 1 January 2018.

In addition, the Racing function was transferred into the department from the abolished Department of National Parks, Sport and Racing (DNPSR) effective 13 December 2017. Multicultural Affairs Queensland (MAQ) was transferred in from the former Department of Communities, Child Safety and Disability Services (DCCSDS) effective 1 January 2018.

For further information on the extent of all changes, please refer to note 2.

**Major departmental services**

At reporting date, the reporting entity consists of the following four major departmental services:

• **Local Government**

Provide high quality and timely administration of both the local government system and local government funding programs.

• **Funding Programs and Community Initiatives**

Administer the department's local government and community funding programs to maximise program objectives.

• **Racing**

Administer the *Racing Act 2002* and manage programs that support a viable, prosperous racing industry in Queensland.

• **Multicultural Affairs Queensland**

Promote Queensland as a unified, harmonious and inclusive community.

The below services were part of the department until 31 December 2017 and transferred out as a result of the machinery of government changes:

• **Infrastructure Policy and Planning**

Deliver quality infrastructure policy, planning and prioritisation in Queensland.

• **Better Planning for Queensland**

Deliver a streamlined planning framework that supports investment, jobs and community participation.

• **Business and Economic Growth**

Drive business and economic growth in Queensland.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Notes to the financial statements for the year ended 30 June 2018**

**1. Objectives and principal activities of the department**

The department has a vision for dynamic and effective local governments, engaged and cohesive communities and for a sustainable and vibrant racing industry in Queensland.

The department actively contributes to the Queensland Government's plan of:

- creating jobs in a strong economy through funding of local government infrastructure and community projects across the State
- being a responsive government by delivering integrated services in collaboration with other agencies and with stakeholders and partners in the local government sector, across the racing industry and in diverse communities across Queensland
- supporting initiatives to encourage participation and social cohesion to keep Queenslanders healthy.

**2. Machinery of government changes**

Details of transfers out: Infrastructure and planning functions including Economic Development Queensland (EDQ) transferred out to DSDMIP  
 Cities Transformation Taskforce (CTT) transferred out to Queensland Treasury (QT)

Details of transfers in: MAQ transferred in from the former DCCSDS  
 Racing function transferred in from the abolished DNPSR

Basis of transfer: Public Service Departmental Arrangements Notice (No. 3) 2017 dated 12 December 2017  
 Public Service Departmental Arrangements Notice (No. 4) 2017 dated 21 December 2017

Date of transfer: effective from 1 January 2018 for all transfers excluding Racing (effective transfer date: 13 December 2017)

The assets and liabilities transferred as a result of these changes were as follows:

	Note	Transfers out		Transfers in		Total
		Infrastructure and Planning	EDQ	MAQ	Racing	
		2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	
<b>Current assets</b>						
Cash and cash equivalents		(5,217)	(142,650)	29	(897)	(148,735)
Receivables		-	(30,903)	122	907	(29,874)
Land inventories		-	(311,527)	-	-	(311,527)
Other assets		(187)	(407)	13	1	(580)
<b>Total current assets</b>		<b>(5,404)</b>	<b>(485,487)</b>	<b>164</b>	<b>11</b>	<b>(490,716)</b>
<b>Non-current assets</b>						
Receivables		(19,524)	(54,119)	-	-	(73,643)
Property, plant and equipment	13	-	(202,069)	-	-	(202,069)
Investment property		-	(260,618)	-	-	(260,618)
Intangible assets		(6,602)	-	-	-	(6,602)
Deferred tax equivalent asset		-	(2,942)	-	-	(2,942)
<b>Total non-current assets</b>		<b>(26,126)</b>	<b>(519,748)</b>	<b>-</b>	<b>-</b>	<b>(545,874)</b>
<b>Total assets</b>		<b>(31,530)</b>	<b>(1,005,235)</b>	<b>164</b>	<b>11</b>	<b>(1,036,590)</b>
<b>Current liabilities</b>						
Payables		-	(58,979)	5	3	(58,971)
Accrued employee benefits		-	-	134	8	142
Interest-bearing liabilities		-	(8,973)	-	-	(8,973)
Income tax payable		-	517	-	-	517
Other current liabilities		(2,788)	(13,098)	-	-	(15,886)
<b>Total current liabilities</b>		<b>(2,788)</b>	<b>(80,533)</b>	<b>139</b>	<b>11</b>	<b>(83,171)</b>
<b>Non-current liabilities</b>						
Payables		-	(19,524)	-	-	(19,524)
Interest-bearing liabilities		-	(55,664)	-	-	(55,664)
Deferred tax equivalent liability		-	(79,050)	-	-	(79,050)
Other non-current liabilities		-	-	25	-	25
<b>Total non-current liabilities</b>		<b>-</b>	<b>(154,238)</b>	<b>25</b>	<b>-</b>	<b>(154,213)</b>
<b>Total liabilities</b>		<b>(2,788)</b>	<b>(234,771)</b>	<b>164</b>	<b>11</b>	<b>(237,384)</b>
<b>Net assets</b>		<b>(28,742)</b>	<b>(770,464)</b>	<b>-</b>	<b>-</b>	<b>(799,206)</b>

The decrease in net assets of \$799.206 million has been accounted for as a decrease in contributed equity as disclosed in the Statement of Changes in Equity. No assets or liabilities were transferred out for CTT.

As a result of the machinery of government changes, budgeted appropriation revenue of \$92.008 million was reallocated from the department to DSDMIP and QT. \$33.305 million was reallocated to the department from the abolished DNPSR and former DCCSDS.

For the impact of machinery of government changes on administered items, please refer to note 21.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the year ended 30 June 2018

3. Appropriation revenue	2018 \$'000	2017 \$'000
<b>Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in operating result</b>		
Budgeted appropriation revenue	514,218	340,030
Transfers from other departments	33,305	-
Transfers to other departments	(92,008)	-
Treasurer's transfers	(48,169)	-
Unforeseen expenditure	-	93,487
<b>Total appropriation receipts (cash)</b>	<b>407,346</b>	<b>433,517</b>
Less: opening balance of appropriation revenue receivable transferred in as a result of machinery of government changes	(25)	-
Plus: opening balance of deferred appropriation payable to Consolidated Fund	61,198	4,925
Less: closing balance of deferred appropriation payable to Consolidated Fund (note 15)	(29,109)	(61,198)
<b>Net appropriation revenue</b>	<b>439,410</b>	<b>377,244</b>
Plus: deferred appropriation payable to Consolidated Fund (expense)	29,109	61,198
<b>Appropriation revenue recognised in Statement of Comprehensive Income</b>	<b>468,519</b>	<b>438,442</b>
<b>Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity</b>		
Budgeted equity adjustment appropriation	66,940	79,014
Transfers to other departments	(48,675)	-
Treasurer's transfers	(4,605)	(62,798)
<b>Equity adjustment recognised in contributed equity</b>	<b>13,660</b>	<b>16,216</b>

**Accounting policy - Appropriation revenue**

Appropriations provided under the *Appropriation Act 2017* are recognised as revenue when received. Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as administered item appropriations (refer note 21).

**4. Land sales**

Land sales	24,632	65,211
<b>Total</b>	<b>24,632</b>	<b>65,211</b>
<b>Cost of land sales</b>		
Cost of land inventory sales - acquisitions	5	109
Cost of land inventory sales - cost of goods sold	14,247	38,437
<b>Total</b>	<b>14,252</b>	<b>38,546</b>

**Accounting policy - Land sales and cost of land sales**

Revenue from the sale of land is recognised at the time of settlement when the risks and rewards of ownership have passed to the buyer and the department retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units sold.

Industrial inventory sales apply a cost of goods sold allocation based on actual cost (land acquisition and development cost). Residential and urban inventory sales apply a cost of goods sold percentage based on a rate that is calculated from the business case reviews. Cost of goods sold allocations for these projects are based on an estimated percentage for the life of the project that is reassessed on a biannual basis. A cost of goods sold review is also completed at the time of the business case review and an assessment of the rate is undertaken to ensure the recoverability of inventory balances will be realised.

**5. User charges and fees**

Professional services	3,571	13,145
Property income	6,311	13,661
Other	95	183
<b>Total user charges and fees</b>	<b>9,977</b>	<b>26,989</b>

**Accounting policy - User charges and fees**

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

Property income is derived from leases issued by EDQ for commercial and industrial use of land by a lessor. Annual rent is payable on 1 September each year and is based on the unimproved value of the land multiplied by the rental category percentage rate of 7%. The Department of Natural Resources, Mines and Energy annually assesses the unimproved value.

6. Employee expenses	2018 \$'000	2017 \$'000
<b>Employee benefits</b>		
Salaries and wages	31,869	47,180
Employer superannuation contributions	4,485	6,469
Annual leave levy	3,608	5,137
Long service leave levy	689	1,049
Termination benefits	709	215
Sick leave expense	1,166	1,345
Other employee benefits	290	607
<b>Employee related expenses</b>		
Workers' compensation premium	119	58
Other employee related expenses	983	1,905
<b>Total employee expenses</b>	<u>43,918</u>	<u>63,965</u>

Full-time equivalent employees: 171 514

#### Accounting policy - Employee expenses

##### Salaries and wages

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

##### Sick leave

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

##### Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, the department is required to pay a levy to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for leave are claimed from the scheme quarterly in arrears. No provision for leave is recognised in the department's financial statements as the liability 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.

##### 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.

##### 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

Key management personnel and remuneration disclosures are detailed in note 7.

## 7. Key management personnel disclosures

### (a) Details of key management personnel (KMP)

The department's responsible Ministers were identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 Related Party Disclosures.

The department's responsible Ministers' are:

- Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs (from 12 December 2017)
- Deputy Premier, Minister for Transport and Minister for Infrastructure and Planning (until 11 December 2017)
- Minister for Local Government and Minister for Aboriginal and Torres Strait Islander Partnerships (until 11 December 2017).

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2017-18 and 2016-17. Further information about these positions can be found in the body of the Annual Report under the section relating to the Executive Leadership Team.

Position	Position responsibility
Director-General	Providing visionary, values based leadership and management to the department.
Deputy Director-General (Local Government and Regional Services)	Promoting and supporting a sustainable local government sector and driving the relationship between local governments and the state.
Deputy Director-General (Strategy, Governance and Engagement)	Delivering responsive and robust strategy, policy, business and governance services.
Executive Director (Multicultural Affairs Queensland and Engagement)	Promoting Queensland as a united, harmonious and inclusive community.
Executive Director (Strategy and Governance)	Maintaining appropriate statutory and policy frameworks for portfolio responsibilities, including the provision of corporate services such as legal services and Cabinet and Executive Services.
Executive Director (Corporate)	Delivering strategic advice, service delivery and contract management of people, procedures, corporate reporting and planning, service level agreements and change.
Executive Director (Chief Finance Officer)	Providing strategic leadership and direction for the efficient, effective and economic financial administration of the department.
Executive Director (Local Government and Regional Services)	Promoting the sustainability, integrity, capacity and performance of local government through a network of regional advisors.
Deputy Director-General (Infrastructure Policy and Planning)	Driving the department's whole-of-government leadership role in infrastructure policy, planning and coordination, including delivery of the State Infrastructure Plan.
Deputy Director-General (Planning)	Delivering the legislative framework and overarching policy for land use planning and development assessment.
General Manager (Economic Development Queensland)	Identifying, planning, facilitating and delivering property development and infrastructure projects across Queensland.
Executive Director - South Bank	Managing the department's relationship with South Bank Corporation and managing the state's obligations and responsibilities with Brisbane City Council in its role as park managers for the South Bank and Roma Street Parklands.
Queensland Government Architect	Providing whole-of-government leadership and strategic advice in relation to the built environment, urban design, procurement and heritage issues.

### (b) Remuneration expenses

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook.

The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers are 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) are specified in employment contracts. For the 2017-18 year, remuneration of KMP increased by 2.5% (2016-17: 2.5%) in accordance with government policy.

Remuneration expenses for KMP comprise the following components:

- Short-term employee expenses which include:
  - salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position
  - non-monetary benefits consisting of provision of car parking together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include amounts expensed in respect of long service leave entitlement earned.
- Post-employment expenses 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.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the year ended 30 June 2018

7. Key management personnel disclosures (continued)

(b) Remuneration expenses (continued)

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

2018

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	\$'000
Director-General (from 28/5/18)	34	1	1	4	-	39
Director-General - former acting (17/3 - 27/5/18) <sup>(1)</sup>	71	2	1	8	-	82
Director-General - former acting (2/1 - 31/5/18) <sup>(1)</sup>	67	3	-	16	153	238
Director-General - former (to 23/2/18) <sup>(1)</sup>	201	5	-	32	190	428
Deputy Director-General (Local Government and Regional Services) - acting (1/7 - 1/9/17 and from 30/11/17)	152	6	3	15	-	176
Deputy Director-General (Local Government and Regional Services) - former (4/9 - 29/12/17)	79	3	1	8	-	91
Deputy Director-General (Strategy, Governance and Engagement)	228	8	5	26	-	267
Executive Director (Multicultural Affairs Queensland and Engagement) (from 2/2/18)	90	3	2	9	-	103
Executive Director (Strategy and Governance) (from 2/2/18)	70	3	1	7	-	82
Executive Director (Corporate) (from 2/2/18)	76	3	2	7	-	87
Executive Director (Chief Finance Officer) (from 2/2/18)	86	3	2	9	-	99
Executive Director (Local Government and Regional Services) (from 2/2 - 22/5/18)	53	0	1	5	-	58
<b>Positions transferred to DSDMIP as a result of the machinery of government changes</b>						
Deputy Director-General (Planning) (from 25/9/17)	80	2	2	8	-	92
Deputy Director-General (Planning) - acting former (1/7 - 26/7/17 and 29/8 - 22/9/17)	40	1	1	4	-	46
General Manager (Economic Development Queensland)	187	4	4	21	-	215
Deputy Director-General (Infrastructure Policy and Planning)	121	4	2	14	-	140
Executive Director - South Bank	74	4	2	8	-	87
Queensland Government Architect	109	4	2	11	-	127

<sup>(1)</sup> Due to leave arrangements, the periods of service for the Director-General role include time periods that overlap.

7. Key management personnel disclosures (continued)

(b) Remuneration expenses (continued)

2017

Position	Short-term employee expenses		Long-term employee expenses	Post - employment expenses	Termination benefits	Total expenses
	Monetary expenses	Non - monetary expenses	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000				
Director-General	371	8	7	47	-	433
Deputy Director-General (Local Government and Regional Services) - former acting (4/7 - 7/10/16)	56	-	1	5	-	62
Deputy Director-General (Local Government and Regional Services) - former (to 27/1/17)	70	3	1	9	-	83
Deputy Director-General (Local Government and Regional Services) - acting (30/1 - 19/4/17)	51	2	1	4	-	58
Deputy Director-General (Local Government and Regional Services) - acting (from 20/4/17)	39	1	1	3	-	44
Deputy Director-General (Strategy, Governance and Engagement)	221	8	4	21	-	254
Deputy Director-General (Planning) - former (to 7/6/17)	286	5	6	25	-	322
General Manager (Economic Development Queensland)	357	8	7	40	-	412
Deputy Director-General (Infrastructure Policy and Planning)	222	8	4	27	-	261
Executive Director - South Bank	138	8	3	15	-	164
Queensland Government Architect	204	8	4	22	-	238

(c) Performance payments

No remuneration packages for KMP provide for any performance or bonus payments.

8. Related party transactions

(a) Transactions with people/entities related to KMP

The department has no transactions with people and entities related to its key management personnel during the financial year.

(b) Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from government for its services are appropriation revenue (note 3) and equity injections (note 3), both of which are provided in cash via Queensland Treasury.

The department holds a number of service level and partnering agreements with other Queensland Government controlled entities, including:

- DSDMIP provides the department with corporate services relating to Ethics and Integrity, Information Management and Technology, Facilities Management, Internal Audit and Procurement.
- Queensland Shared Services provides the department with corporate business services and technology solutions to support finance and human resources transactions.

The department has leases with the Department of Housing and Public Works for commercial office accommodation, storage facilities and car park spaces (refer notes 9 and 17).

Note 2 outlines the transfer of assets and liabilities arising from machinery of government changes during 2017-18.

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9. Supplies and services	2018 \$'000	2017 \$'000
Consultants and contractors	25,903	83,897
Property and building expenses	6,693	9,710
Computer/information technology expenses	2,453	3,649
Shared service provider fee	2,743	4,889
Marketing and public relations expenses	1,190	3,929
Other	2,229	1,515
<b>Total supplies and services</b>	<b>41,211</b>	<b>107,589</b>

10. Grants and subsidies

Local governments	348,903	240,312
Statutory bodies	14,643	617
Industry <sup>(1)</sup>	9,158	8,840
Charities and community groups	4,219	2,510
Queensland Government departments	1,388	530
Contributions	562	291
<b>Total grants and subsidies</b>	<b>378,872</b>	<b>253,100</b>

<sup>(1)</sup> The balance includes \$7.958 million concessional loan discounts under EDQ's Catalyst Infrastructure Program (2016-17: \$8.840 million).

**Accounting policy - Grants and subsidies**

Grants and subsidies are in accordance with the funding agreement between the department and the recipient and are non-reciprocal. Grants are treated as an expense when the recipient can control the use of the resources or when the department's obligation for a transfer arises.

11. Other expenses

Land tax, rates and stamp duty	4,692	10,373
Net losses from disposal of property, plant and equipment	345	544
Sponsorships	233	209
External audit fees <sup>(1)</sup>	208	357
Insurance premiums - Queensland Government and Insurance Fund (QGIF)	119	176
Insurance premiums - Other	46	42
Other	278	524
<b>Total other expenses</b>	<b>5,921</b>	<b>12,224</b>

<sup>(1)</sup> Total audit fees payable to the Queensland Audit Office relating to the 2017-18 financial statements are quoted to be \$208,000. The 2016-17 balance included \$45,260 in fees paid to KPMG for the review of the development assessment system.

12. Receivables

**Current**

Trade debtors	1,939	9,734
Less: allowance for impairment loss	(582)	(1,261)
	1,357	8,473

GST input tax credits receivable	1,519	305
Loans and advances receivable	914	5,729
Finance lease debtors	-	4,202
Operating lease debtors	-	919
Other	463	1,239

<b>Total current receivables</b>	<b>4,253</b>	<b>20,867</b>
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**Non-current**

Loans and advances receivable <sup>(1)</sup>	4,597	37,493
Finance lease debtors	-	15,710

<b>Total non-current receivables</b>	<b>4,597</b>	<b>53,203</b>
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<sup>(1)</sup> The 2017-18 amount represents interest free loans to councils under the Smaller Communities Assistance Program.

**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 30 days from the invoice date. The collectability of receivables is assessed periodically with an allowance being made for impairment. All known bad debts were written off as at 30 June 2018.

Loans and advances are measured at fair value and amortised over the life of the loan using the effective interest method. Where loans and advances are provided at concessional below market interest rates, they are considered to have a fair value less than the actual amount lent. Any additional amount lent above the fair value is initially recognised as a loss in the Statement of Comprehensive Income and then notional interest income is recognised over the term of the loan. There is no impairment allowance for loans and advances as no repayments were past due as at 30 June 2018.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the year ended 30 June 2018

13. Property, plant and equipment

(a) Closing balances and reconciliation of carrying amount

30 June 2018	Land	Buildings	Infrastructure	Plant and equipment	Capital work in progress	Total
	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	-	-	93,253	108	9,987	103,349
Less: Accumulated depreciation	-	-	(43,702)	(87)	-	(43,789)
<b>Carrying amount - 30 June</b>	<b>-</b>	<b>-</b>	<b>49,552</b>	<b>21</b>	<b>9,987</b>	<b>59,560</b>
Represented by movements in carrying amount:						
Carrying amount at 1 July 2017	153,119	373	44,457	377	59,315	257,641
Transfer as a result of machinery of government changes (note 2)	(201,828)	(241)	-	-	-	(202,069)
Acquisitions	554	-	-	-	20,187	20,741
Disposals	(335)	-	-	(340)	-	(675)
Transfer out to local government entities	-	-	(4,514)	-	-	(4,514)
Transfer to inventory	-	-	-	-	(394)	(394)
Transfer to investment property	-	-	-	-	(14,265)	(14,265)
Transfers between asset classes	45,080	-	9,776	-	(54,856)	-
Net revaluation increment/(decrement)	3,411	(109)	1,806	-	-	5,108
Depreciation expense	-	(23)	(1,973)	(17)	-	(2,013)
<b>Carrying amount - 30 June</b>	<b>-</b>	<b>-</b>	<b>49,552</b>	<b>21</b>	<b>9,987</b>	<b>59,560</b>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the year ended 30 June 2018

13. Property, plant and equipment (continued)

(a) Closing balances and reconciliation of carrying amount (continued)

30 June 2017

	Land	Buildings	Infrastructure	Plant and equipment	Capital work in progress	Total
	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	153,119	2,271	84,467	784	59,315	299,956
Less: Accumulated depreciation	-	(1,897)	(40,010)	(407)	-	(42,314)
<b>Carrying amount - 30 June</b>	<b>153,119</b>	<b>373</b>	<b>44,457</b>	<b>377</b>	<b>59,315</b>	<b>257,642</b>
Represented by movements in carrying amount:						
Carrying amount at 1 July 2016	168,507	398	44,560	2,562	38,892	254,918
Acquisitions	937	44	-	67	20,029	21,078
Disposals	(24,197)	(22)	-	(67)	-	(24,287)
Transfer out to other Queensland Government entities	-	-	-	(2,078)	-	(2,078)
Transfer from inventory	-	-	-	-	394	394
Net revaluation increment	7,872	-	1,887	-	-	9,759
Depreciation expense	-	(47)	(1,990)	(107)	-	(2,144)
<b>Carrying amount - 30 June</b>	<b>153,119</b>	<b>373</b>	<b>44,457</b>	<b>377</b>	<b>59,315</b>	<b>257,641</b>

### 13. Property, plant and equipment (continued)

#### (b) Fair value measurement

##### Infrastructure

The department holds water infrastructure assets such as reservoirs, treatment facilities and distribution systems over five managed sites located on the mainland of Far North Queensland. These assets are operated and maintained by a utility solutions company under contract with the department for future transfer to the local councils. The department continues discussions with Northern Peninsula Area Regional Council (NPARC) regarding the proposed transfer of the water supply system and its operations to council. In December 2016, the department and council signed a memorandum of understanding that will direct the transfer process on or before 30 June 2019.

*Key judgement:* A comprehensive valuation was performed in 2015 by a certified valuer with technical expertise in relation to infrastructure assets, engaged by State Valuation Services (SVS) on behalf of the department. Due to the specialised nature of the assets and lack of observable market data, the most relevant basis of valuation was determined to be current replacement cost.

*Key estimates:* For 2018, the department applied the valuer's recommended Building Price Index (BPI) of 298 as at 30 June 2018, representing a 4.2% increase from the BPI of 286 as at 30 June 2017. The BPI is a market based index, compiled and reviewed to reflect current construction market trends. Sourced through analysis of recent tender results, it enables moderation of estimates to account for market trends.

Key drivers underpinning the forecast include:

- a continuing low Australian dollar
- continuing labour and wages increases in specialist skill sets within the construction market
- limitations of supply to particular subcontract areas due to the large number of developments in Queensland's major centres
- an increased demand for construction base materials
- potential changes to working conditions (capping of working days).

These drivers were assessed by the department's Chief Engineer and were found to be a fair representation of the current market conditions in the Northern Peninsula area. In addition, benchmarking against publicly available construction indices was performed; clarification of variances between the construction indices and the indices used by the valuers was sought. As a result, the BPI has been considered as robust, valid and appropriate in determining the infrastructure assets' fair value at reporting date.

Due to the use of significant unobservable inputs, in particular the replacement cost, conditions ratings, remaining useful life, and associated risk adjusted discounts to each of these factors, these asset valuations have been categorised as level 3 in accordance with fair value hierarchy.

##### Categorisation of assets measured at fair value

	Level 2		Level 3		Total carrying amount	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure	-	-	49,552	44,457	49,552	44,457
Land <sup>(1)</sup>	-	153,119	-	-	-	153,119
Buildings <sup>(1)</sup>	-	-	-	373	-	373
<b>Total</b>	-	<b>153,119</b>	<b>49,552</b>	<b>44,830</b>	<b>49,552</b>	<b>197,949</b>

<sup>(1)</sup> Land and buildings were transferred out of the department as a result of machinery of government changes (refer note 2).

##### Transfers between levels

There were no transfers of assets between fair value hierarchy levels during the period.

##### Valuation processes

The department's valuation policies and procedures are overseen by the Audit and Risk Management Committee and approved by the Chief Finance Officer. They are reviewed annually taking into consideration an analysis of movement in fair value and other relevant information.

### 13. Property, plant and equipment (continued)

#### Accounting policy - Property, plant and equipment

##### Recognition thresholds for property, plant and equipment

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

Land	\$1
Infrastructure	\$10,000
Buildings	\$10,000
Plant and equipment	\$5,000

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

The department has a comprehensive annual maintenance program for its infrastructure assets. Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential is expensed.

##### Acquisition of assets

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

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

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from a Queensland Government entity, are recognised at their fair value at the date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

##### Measurement of property, plant and equipment

Land and infrastructure 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 subsequent accumulated impairment losses, where applicable. With respect to these asset classes, the cost of items acquired during the financial year have been judged by management to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at cost in accordance with Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. Their carrying amounts should not materially differ from their fair value.

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment are recorded as work in progress until construction is complete using all direct and indirect costs, where the latter are reliably attributable. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

##### Revaluation of property, plant and equipment measured at fair value

Land and infrastructure assets are revalued on an annual basis, either by appraisals undertaken by an independent professional valuer or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is overseen by the Chief Finance Officer who determines the specific revaluation practices and procedures in conjunction with the asset managers.

Specific appraisals using an independent professional valuer are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value (that is, where indicators suggest that the value of the asset class may have changed by 20% or more since the previous reporting period), it is subject to revaluation in the reporting period, where practicable, regardless of the timing of previous such method of revaluation.

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

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices, such as the BPI. Where indices are used in the revaluation process, the department ensures that the application of such indices would result in a valid estimation of the asset's fair value at reporting date. SVS supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. In some cases, indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on the department's circumstances.

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

### 13. Property, plant and equipment (continued)

On revaluation:

- For assets revalued using a cost valuation approach (e.g. current replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'. This applies to the department's infrastructure assets.
- For assets revalued using a market valuation approach - accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'. This applies to the department's land assets.

#### Depreciation of property, plant and equipment

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

Assets under construction (work in progress) are not depreciated until construction is complete and the asset is put to use or is ready for its intended use, whichever is the earlier. These assets are then reclassified to the relevant class within property, plant and equipment.

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. Assessments of remaining useful lives of depreciable assets are performed annually.

*Key estimates:* For each class of depreciable assets the following depreciation rates are used:

Class	2018 Rate %	2017 Rate %
Buildings <sup>(1)</sup>	2.50 - 10.00	2.50 - 10.00
Infrastructure	1.25 - 16.67	1.25 - 20.00
Plant and equipment	10.00 - 25.00	2.51 - 25.00

<sup>(1)</sup> Buildings were transferred out as a result of machinery of government changes (refer note 2).

#### Impairment of non-current assets

*Key judgement:* Assets measured at cost 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 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 asset revaluation surplus of the relevant class to the extent available. Where no asset 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.

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Notes to the financial statements for the year ended 30 June 2018

14. Income tax equivalents	2018	2017
	\$'000	\$'000
<b>(a) Income tax equivalent (expense)/benefit</b>		
Current tax	(126)	(6,659)
Deferred tax	8,680	9,989
(Under)/over provision in previous years	58	(10,378)
<b>Balance - 30 June</b>	<b>8,612</b>	<b>(7,048)</b>
<b>(b) Numeric reconciliation of income tax equivalent expense to prima facie tax payable</b>		
Loss before tax	(28,516)	(11,103)
Tax (expense)/benefit at the Australian tax rate of 30% (2016-17: 30%)	8,556	3,331
Tax effect of amounts which are not assessable in calculating taxable income:		
Entertainment expense	(2)	(1)
(Under)/over provision in previous years	58	(10,378)
<b>Income tax equivalent (expense)/benefit</b>	<b>8,612</b>	<b>(7,048)</b>

**Accounting policy - Income tax equivalents**

The department is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Australian Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable from and GST payable to the Australian Taxation Office are recognised. From 1 July 2014 all Queensland Government departments were exempt from paying payroll tax. This exemption is not extended to commercial business units, such as EDQ, which was part of the department until 31 December 2017.

Pursuant to the National Tax Equivalents Regime, EDQ is required to make payments to the Queensland Government equivalent to the amount of any Australian Government income tax for which an exemption is received.

The income tax equivalent benefit for the period is the tax payable on the current period's taxable income up until 31 December 2017 based on the national tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

**15. Payables**

**Current**

Trade creditors	3,746	65,231
Taxes - land, rates and stamp duty payable	-	11,441
Grants payable	1,658	1,734
Deferred appropriation payable to Consolidated Fund	29,109	61,198
Other	42	101
<b>Total current payables</b>	<b>34,555</b>	<b>139,705</b>

**Non-current**

Trade creditors	126	-
<b>Total non-current payables</b>	<b>126</b>	<b>-</b>

**Accounting policy - Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the contracted amount (net of any discounts). Amounts owing are unsecured and are generally settled on 30-day terms unless otherwise specified by the creditor. Payables of a capital nature are settled within 12 months.

**16. Asset revaluation surplus**

	Land	Infrastructure	Total
	\$'000	\$'000	\$'000
<b>Balance - 1 July 2016</b>	15,674	6,133	21,807
Revaluation increment	5,510	1,887	7,397
<b>Balance - 30 June 2017</b>	<b>21,184</b>	<b>8,020</b>	<b>29,204</b>
Revaluation increment	2,388	1,806	4,194
Transfer of asset revaluation surplus to accumulated surplus/(deficit)	(23,572)	-	(23,572)
<b>Balance - 30 June 2018</b>	<b>-</b>	<b>9,825</b>	<b>9,825</b>

**Accounting policy - Asset revaluation surplus**

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

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17. Commitments	2018	2017
	\$'000	\$'000
<b>Non-cancellable operating lease commitments</b>		
Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:		
- Not later than one year	1,786	4,884
- Later than one year and not later than five years	7,159	16,799
- Later than five years	17,230	50,312
	<u>26,175</u>	<u>71,995</u>
<p>Operating leases are entered into as a means of acquiring access to office accommodation and car park space. Lease payments are fixed but with an annual escalation clause. Where it is reasonably certain that the renewal options will be exercised, the lease commitment includes the extended option period. No operating leases contain restrictions on financing or other leasing activities. Operating leases are recognised on a straight line basis over the period of the lease term.</p> <p>For 2017-18, \$3.842 million (2016-17: \$5.012 million) was recognised by the department as an expense in the Statement of Comprehensive Income in respect of operating leases.</p>		
<b>Capital expenditure commitments</b>		
Infrastructure capital commitments (inclusive of non-recoverable GST input tax credits) contracted for at reporting date but not recognised in the accounts are payable as follows:		
- Not later than one year	5,062	74,532
- Later than one year and not later than five years	291	33,728
- Later than five years	-	227
	<u>5,353</u>	<u>108,487</u>
<b>Grants and subsidies expenditure commitments</b>		
As at 30 June 2018, approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies (inclusive of non-recoverable GST input tax credits) provided certain criteria are met:		
- Not later than one year	211,366	282,549
- Later than one year and not later than five years	70,261	107,918
	<u>281,627</u>	<u>390,467</u>
<p>The above commitments for grants and subsidies expenditure are allocated to the following categories:</p>		
- Charities and community groups	277	14,278
- Local governments	281,350	376,189
	<u>281,627</u>	<u>390,467</u>
<b>Other expenditure commitments</b>		
Other expenditure committed at the end of the period, but not recognised in the accounts, are as follows:		
- Not later than one year	1,444	77,080
- Later than one year and not later than five years	20	66,459
- Later than five years	-	6,002
	<u>1,464</u>	<u>149,540</u>

## 18. Contingencies

### Financial guarantees and associated risk

Bank guarantees are mainly held for financial security against non-conformance of contracts across the department. The total value of bank guarantees held for these projects as at 30 June 2018 is \$0.170 million (2016-17: \$53.047 million).

*Key judgement:* No contract performance breaches have occurred and the department does not expect that the guarantees will be called upon. Consequently, the probability of default is considered remote and no provision for losses has been recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

### Litigation in progress

The department has one case before the Supreme Court as at 30 June 2018 (unchanged from last year), with an anticipated settlement amount of \$40,000. There is one claim against the department through QGIF. The department would be able to claim back the amounts paid out, less a \$10,000 deduction.

### Native title claims

At 30 June 2018, two native title determinations have been made by the Federal Court in respect of departmental land covering a total area of 124,698 sqm in the Northern Peninsula area. The land has a carrying amount of \$98,000. At reporting date it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

## 19. Financial risk disclosures

### 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:

	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	42,818	267,562
Loans and receivables at amortised cost - comprising:		
Receivables (note 12)	8,850	74,070
<b>Total financial assets</b>	<u>51,668</u>	<u>341,632</u>

The Under Treasurer has approved an overdraft limit of \$30 million for the department's controlled bank account. There is no overdraft interest charged on this facility. This facility was undrawn at 30 June and is available for use in the next reporting period.

Cash and cash equivalents includes \$17.091 million held by other Queensland Government departments. These pertain to recoveries for post machinery of government transactions processed by the department during the transition period.

### Accounting policy - Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June 2018.

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

### Financial liabilities

Financial liabilities at amortised cost - comprising:

Payables (note 15)	34,681	139,705
Interest-bearing liabilities - QTC borrowings	-	41,157
<b>Total financial liabilities</b>	<u>34,681</u>	<u>180,862</u>

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

19. Financial risk disclosures (continued)

Financial risk management

(a) Risk exposure

Financial risk management is implemented pursuant to government and departmental policies. 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 policies approved by the department which relate to financial arrangements as required by Queensland Treasury.

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

Risk exposure	Definition	Exposure
Credit risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The department is exposed to credit risk in respect of its receivables (note 12). The maximum exposure to credit risk in relation to loans is the gross carrying amount of those assets before allowing for any fair value adjustments or impairment losses.
Liquidity risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in respect to its payables (note 15).
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to interest rate changes, commodity price changes or other market prices.

(b) Risk measurement and management strategies

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

Risk exposure	Measurement method	Risk management strategies
Credit risk	Ageing analysis	Credit risk is managed through the use of a credit management policy articulated in the department's Financial Management Practice Manual. This policy aims to reduce the exposure to credit default by ensuring that credits are granted to customers with good credit history that have the capacity to repay the department within the agreed timeframe. The department monitors all funds owed on a monthly basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of the Under Treasurer approved overdraft limit for the department's controlled bank account. This overdraft limit reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due.
Market risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest risk and manages its risk as per the department's risk management policy.

Maximum credit risk exposure

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 allowances for impairment.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department according to the due date (normally terms of 30 days). The method for calculating any allowance for impairment is based on objective evidence that the department will not be able to collect a receivable, including financial difficulty of the debtor, default of payments and ageing of the debt. If no loss events have arisen in respect of a particular debtor, no allowance for impairment is made in respect of that debtor. If the department determines that an amount owing by such a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written off directly against receivables. Where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised as a bad debt and written off directly against receivables.

19. Financial risk disclosures (continued)

	2018	2017
	\$'000	\$'000
<b>Movement in the allowance for impairment loss</b>		
Balance at 1 July	1,261	1,255
Increase in allowance recognised in operating result	-	6
Balance transferred as a result of machinery of government changes	(679)	-
<b>Balance at 30 June</b>	<b>582</b>	<b>1,261</b>

**Liquidity risk - contractual maturity of financial liabilities**

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

Financial liabilities	2018 payable in			Total
	< 1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	\$'000
Payables	34,555	126	-	34,681
<b>Total</b>	<b>34,555</b>	<b>126</b>	<b>-</b>	<b>34,681</b>

Financial liabilities	2017 payable in			Total
	< 1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	\$'000
Payables	139,705	-	-	139,705
Interest-bearing liabilities - Queensland Treasury Corporation (QTC) borrowings	994	24,247	22,556	47,797
<b>Total</b>	<b>140,699</b>	<b>24,247</b>	<b>22,556</b>	<b>187,502</b>

20. Agency transactions and balances

The department processes transactions for DSDMIP as a result of machinery of government changes until all systems have been transferred. In addition, it has also processed transactions on behalf of CRRDA after its establishment as a statutory authority.

As the department performs only 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.

	2018
	\$'000
<b>(a) Agent income and expenses - controlled</b>	
<b>Income</b>	
User charges and fees	16
Other revenue	9
<b>Total income</b>	<b>25</b>
<b>Expenses</b>	
Employee expenses	18,364
Supplies and services	4,726
Grants and subsidies	65
Depreciation and amortisation	2
Other expenses	1
<b>Total expenses</b>	<b>23,158</b>
<b>(b) Agent income and expenses - administered</b>	
<b>Income</b>	
Other revenue	5,328
<b>Total income</b>	<b>5,328</b>
<b>Expenses</b>	
Grants and subsidies	119,318
<b>Total expenses</b>	<b>119,318</b>

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21. Administered activities

Schedule of administered items

	Note	Funding Programs and Community Initiatives - Actual		Better Planning for Queensland - Actual <sup>(1) (2)</sup>		Infrastructure Policy and Planning - Actual <sup>(2)</sup>		Actual		Adjusted Budget	Budget Variance
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered income</b>											
Appropriation revenue <sup>(3)</sup>	(a)	735,223	1,115,868	-	-	15,500	22,146	750,723	1,138,014	509,963	240,760
Grants and other contributions <sup>(3)</sup>	(b)	473,087	689,929	-	-	-	-	473,087	689,929	237,620	235,467
User charges and fees	(c)	370	405	1,434	-	-	-	1,804	405	1,878	(74)
Other revenue		6,480	10,869	-	-	-	-	6,480	10,869	6,118	362
<b>Total administered income</b>		<b>1,215,160</b>	<b>1,817,071</b>	<b>1,434</b>	<b>-</b>	<b>15,500</b>	<b>22,146</b>	<b>1,232,094</b>	<b>1,839,217</b>	<b>755,579</b>	<b>476,515</b>
<b>Administered expenses</b>											
Grants and subsidies <sup>(3)</sup>	(d)	735,136	1,123,062	-	-	15,500	22,146	750,636	1,145,208	514,943	235,693
Transfers of administered revenue to government <sup>(3)</sup>		479,950	693,969	1,434	-	-	-	481,384	693,969	240,636	240,748
Other expenses	(a)	74	39	-	-	-	-	74	39	-	74
<b>Total administered expenses</b>		<b>1,215,160</b>	<b>1,817,071</b>	<b>1,434</b>	<b>-</b>	<b>15,500</b>	<b>22,146</b>	<b>1,232,094</b>	<b>1,839,217</b>	<b>755,579</b>	<b>476,515</b>
<b>Operating surplus/(deficit)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administered assets</b>											
<b>Current</b>											
Cash		80	47	-	-	-	-	80	47	93	(13)
Receivables		-	1	-	-	-	-	-	1	1	(1)
<b>Total current assets</b>		<b>80</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>48</b>	<b>94</b>	<b>(14)</b>
<b>Non-current</b>											
Land	(e)	98	98	-	-	-	-	98	98	98	-
<b>Total non-current assets</b>		<b>98</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>-</b>
<b>Total assets</b>		<b>178</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>146</b>	<b>192</b>	<b>(14)</b>
<b>Administered liabilities</b>											
<b>Current</b>											
Payables		6	8	-	-	-	-	6	8	94	(88)
Payables to government	(a)	74	40	-	-	-	-	74	40	-	74
<b>Total current liabilities</b>		<b>80</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>48</b>	<b>94</b>	<b>(14)</b>
<b>Net administered assets</b>		<b>98</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>-</b>

<sup>(1)</sup> Includes the State Assessment and Referral Agency fee revenue collected on behalf of other departments which was reclassified to administered income in 2017-18.

<sup>(2)</sup> Function has transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018 as a result of machinery of government changes.

**Explanations of major variances - administered activities:**

<sup>(3)</sup> The actual figure is higher than the budgeted amount due to the advance funding for Financial Assistance Grants of \$241.259 million in June 2018 that applies to 2018-19.

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21. Administered activities (continued)

	2018 \$'000	2017 \$'000
<b>(a) Reconciliation of payments from Consolidated Fund to administered income</b>		
Budgeted appropriation	847,409	877,379
Transfers to other departments	(337,446)	(8,423)
Treasurer's transfers	52,774	-
Unforeseen expenditure	187,947	268,990
<b>Total administered receipts</b>	<b>750,684</b>	<b>1,137,946</b>
Plus: opening balance of appropriation revenue payable to Consolidated Fund	40	69
Less: closing balance of deferred appropriation payable	(74)	(40)
<b>Net appropriation revenue</b>	<b>750,650</b>	<b>1,137,975</b>
Plus: deferred appropriation payable (expense)	74	39
<b>Administered revenue recognised</b>	<b>750,723</b>	<b>1,138,014</b>
<b>Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity</b>		
Budgeted equity adjustment appropriation	129,000	-
Transfers to other departments	(83,664)	-
<b>Equity adjustment recognised in contributed equity</b>	<b>45,336</b>	<b>-</b>
<b>(b) Grants and other contributions</b>		
Commonwealth	473,087	689,929
<b>Total grants and other contributions</b>	<b>473,087</b>	<b>689,929</b>
<b>(c) User charges and fees</b>		
Administered fees and levies were received for the following:		
State Assessment and Referral Agency	1,434	-
Levy - Queensland Government entities <sup>(1)</sup>	370	405
<b>Total user charges and fees</b>	<b>1,804</b>	<b>405</b>
<sup>(1)</sup> Kuranda Skyrail levy is collected by Queensland Rail and forwarded to the department.		
<b>(d) Grants and subsidies</b>		
Administered grants and subsidies were made to the following entities:		
Local governments	490,565	719,156
Queensland Reconstruction Authority	244,571	378,636
Cross River Rail Delivery Authority	10,000	14,092
Building Queensland	5,500	8,054
Trade and Investment Queensland	-	25,271
<b>Total grants and subsidies</b>	<b>750,636</b>	<b>1,145,209</b>
<b>(e) Land at fair value</b>		
Land - Northern Peninsula Area Regional Council	98	98
<b>Total land at fair value</b>	<b>98</b>	<b>98</b>

The department as trustee for the State of Queensland holds seven parcels of deed of grant in trust land located in the remote Northern Peninsula Area Regional Council. The department has constructed infrastructure assets on these land assets for use by Far North Queensland Indigenous communities.

Fair value for land is determined by establishing its market value by reference to observable prices in an active market or recent market transactions using direct comparison to the sales history of similar properties based on location, area, access and typography.

*Key judgement:* SVS performed a comprehensive valuation in 2018. Due to the use of market observable prices from similar assets, land has been valued using a market approach and has been categorised as level 2 in accordance with accounting policies.

**(f) Machinery of government changes**

Following the machinery of government changes effective 1 January 2018, the responsibility of forwarding administered appropriation revenue of \$315.446 million to the Queensland Reconstruction Authority, South Bank and Roma Street Parklands and Building Queensland has been reallocated to DSDMIP. Administered appropriation of \$60.328 million to the Cross River Rail Delivery Authority has been reallocated to Queensland Treasury.

**Accounting policy - Administered activities**

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

Major administered revenues include appropriations and grants received from the Australian and the Queensland Government that are forwarded onto local governments and other Queensland government bodies.

The Acting Under Treasurer has approved an overdraft limit of \$350 million for the department's administered bank account. There is no overdraft interest charged on this facility. This facility was undrawn at 30 June and is available for use in the next reporting period.

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

## 22. Summary of other significant accounting policies

### Accounting standards applied for the first time

#### (a) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This standard is the only Australian Accounting Standard that became effective for the first time in 2017-18. It requires the disclosure of information that will allow users to understand changes in liabilities arising from financing activities. Additional disclosure has been added to the Notes to the Statement of Cash Flows section. No comparative information is required in respect of 2016-17.

### Future impact of accounting standards not yet effective

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

#### (a) AASB 16 Leases

This standard will first apply to the department's 2019-20 financial statements and will replace the current lease accounting standards.

Under the new requirements, lessees will be required to recognise a right-of-use asset (representing the right to use the underlying leased asset) and a liability (representing the obligation to make future lease payments) for all leases with a term of more than 12 months and an asset value of above \$10,000. Under this standard, the majority of operating leases will now be reported in the Statement of Financial Position. The right-of-use asset will be recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The department has commenced analysing its existing operating lease commitments (refer note 17) to estimate the expected impacts on transition based on information available at 30 June 2018. The department does not hold any operating leases with external parties, but has leases for office accommodation through the Queensland Government Accommodation Office. At 30 June 2018, the department has operating lease commitments of \$26.175 million and annual lease payments ranging from \$1.071 to \$2.196 million per year for office accommodation.

Considering their operation and impact across the whole-of-government, the department is currently awaiting formal guidance from Queensland Treasury as to whether these arrangements should be accounted for in the Statement of Financial Position under AASB 16. In the event that these arrangements are to be accounted for in the Statement of Financial Position, the department estimates a right-of-use asset and lease liability on transition of approximately \$17 million for office accommodation leases based on current operating lease commitments. Comparative data will not need to be restated.

There will be no material financial statement impact if these arrangements are not accounted for on-balance sheet.

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

These standards will first apply to the department's 2018-19 financial statements with a 1 July 2018 date of transition. The main impacts of these standards for the department are that they will change the requirements for the impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The department has commenced reviewing the impact of AASB 9 and has identified the following:

- There will be no change to the classification or valuation of cash and cash equivalents.
- Trade receivables will continue to be classified and measured at amortised cost on the basis that the carrying amount is expected to be a reasonable approximation of fair value due to their short-term nature. However, under AASB 9, the approach for measuring impairment provisions as at 30 June will need to be reassessed. The main difference under AASB 9 is that the department will measure lifetime expected credit losses on all trade receivables, except those owing from other government departments. An interim review of the department's trade receivables has found no material changes to the measurement of impairment provisions compared to the old approach. This is due to the majority of trade receivables being owed from the government sector, which are considered to be of low credit risk.
- The department provides interest free loans to local governments which are repaid through biannual instalments. The department recognises notional loan interest. These loans meet the Solely Payment of Principal and Interest (SPPI) test under AASB 9 as they constitute a basic lending arrangement. As such, these loans will continue to be categorised at amortised cost.
- All financial liabilities will continue to be measured at amortised cost. The department does not expect a material change in the reported value of financial liabilities.
- A number of one-off disclosures may be required in the 2018-19 financial statements to explain the impact of adopting AASB 9.

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

These standards will first apply to the department's 2019-20 financial statements. The new requirements may result in a change to the timing of revenue recognition of the department. As such, some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated obligations.

The department has commenced analysing the new revenue recognition requirements under these standards and the impact is expected to be minimal. The department's main source of revenue are appropriations. The timing of recognition of these is based on when control of the funds passes to the department, which is usually on receipt of the funds. In the event that revenue is obtained from other sources, such as through service level agreements, the department will assess the impact as it occurs. The department administers grants from the Australian Government for which there are no sufficiently specific performance obligations. The total of these grants in the 2017-18 year was \$473.087 million (refer note 21) and the administered grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with s.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
- (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 for the period ended 30 June 2018 and of the financial position of the department as at 30 June 2018
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



John Clifton CPA  
Chief Finance Officer

Date: 28/8/2018



Warwick Agnew  
Director-General

Date: 28/8/18.

## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Department of Local Government, Racing and Multicultural Affairs

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Department of Local Government, Racing and Multicultural Affairs.

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

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

#### Basis for opinion

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

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

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

#### Responsibilities of the department for the financial report

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

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

### **Report on other legal and regulatory requirements**

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

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



30 August 2018

Patrick Flemming  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

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# Compliance checklist

Summary of requirement	Basis for requirement	Annual Report reference
<b>Letter of compliance</b>	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7 Letter of compliance
<b>Accessibility</b>	Table of contents	ARRs – section 9.1 Contents
	Public availability	ARRs – section 9.2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 Accessibility information
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4
	Information licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5
<b>General information</b>	Introductory information	ARRs – section 10.1 6
	Agency role and main functions	ARRs – section 10.2 10
	Machinery of Government changes	ARRs – section 31 and 32 8
	Operating environment	ARRs – section 10.3 12
<b>Non-financial performance</b>	Queensland Government's objectives for the community	ARRs – section 11.1 14
	Other whole-of-government plans/specific initiatives	ARRs – section 11.2 22
	Agency objectives and performance indicators	ARRs – section 11.3 15
	Agency service areas and service standards	ARRs – section 11.4 25
<b>Financial performance</b>	Summary of financial performance	ARRs – section 12.1 31
<b>Governance – management and structure</b>	Organisational structure	ARRs – section 13.1 11
	Executive management	ARRs – section 13.2 37
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3 40
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 48
	Queensland public service values	ARRs – section 13.5 35
<b>Governance – risk management and accountability</b>	Risk management	ARRs – section 14.1 46
	Audit committee	ARRs – section 14.2 46
	Internal Audit	ARRs – section 14.3 47
	External scrutiny	ARRs – section 14.4 48
	Information systems and recordkeeping	ARRs – section 14.5 49

Summary of requirement		Basis for requirement	Annual Report reference
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	50
	Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> Directive No.16/16 <i>Early Retirement, Redundancy and Retrenchment</i> (from 20 May 2016) ARRs – section 15.2	54
Open data	Statement advising publication of information	ARRs – section 16	Accessibility information
	Consultancies	ARRs – section 33.1	data.qld.gov.au
	Overseas travel	ARRs – section 33.2	
	Queensland Language Services Policy	ARRs – section 33.3	
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	90
	Independent Auditor’s Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	91

FAA *Financial Accountability Act 2009*

FPMS Financial and Performance Management Standard 2009

ARRs Annual report requirements for Queensland Government agencies