

# Appendix 4

## Financial statements

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Financial Statements for the period ended 30 June 2020**

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DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of comprehensive income for the year ended 30 June 2020

		2020	2020	2020	2019
	Note	Actual	Original	Budget	Actual
		\$'000	budget	variance	\$'000
			\$'000	\$'000	
<b>Income</b>					
Appropriation revenue	2	268,526	271,551	(3,025)	409,763
User charges and fees		95	195	(100)	104
Grants and other contributions		2,515	-	2,515	820
Interest		289	289	-	332
Other revenue		1,891	-	1,891	590
<b>Total income</b>		<b>273,316</b>	<b>272,035</b>	<b>1,281</b>	<b>411,609</b>
<b>Expenses</b>					
Employee expenses	3	24,921	23,418	1,503	24,044
Supplies and services	5	13,658	15,059	(1,401)	14,190
Grants and subsidies	6	290,551	245,394	45,157	321,608
Deferred appropriation payable (expense) to consolidated fund		-	-	-	57,168
Depreciation and amortisation	8, 9	581	155	426	1,910
Other expenses		390	271	119	487
<b>Total expenses</b>		<b>330,101</b>	<b>284,297</b>	<b>45,804</b>	<b>419,407</b>
<b>Operating result for the year</b>		<b>(56,785)</b>	<b>(12,262)</b>	<b>(44,523)</b>	<b>(7,797)</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to operating result:					
Increase in asset revaluation surplus	11	-	-	-	4,389
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,389</b>
<b>Total comprehensive income</b>		<b>(56,785)</b>	<b>(12,262)</b>	<b>(44,523)</b>	<b>(3,408)</b>

An explanation of major variances is included under budgetary reporting disclosures (page 7).  
The accompanying notes form part of these statements.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Statement of financial position as at 30 June 2020**

	Note	2020 Actual \$'000	2020 Original budget \$'000	2020 Budget variance \$'000	2019 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents	14	36,575	8,860	27,715	68,094
Receivables	7	3,015	2,585	430	2,333
Other assets		233	-	233	92
<b>Total current assets</b>		<b>39,823</b>	<b>11,445</b>	<b>28,378</b>	<b>70,519</b>
<b>Non-current assets</b>					
Receivables	7	3,390	3,385	5	4,010
Property, plant and equipment	8	10	46,356	(46,346)	58,964
Intangible assets	9	992	1,170	(178)	-
<b>Total non-current assets</b>		<b>4,392</b>	<b>50,911</b>	<b>(46,519)</b>	<b>62,974</b>
<b>Total assets</b>		<b>44,215</b>	<b>62,356</b>	<b>(18,141)</b>	<b>133,493</b>
<b>Current liabilities</b>					
Payables	10	29,209	2,882	26,327	60,756
Accrued employee benefits		636	914	(278)	1,048
Other current liabilities		-	-	-	45
<b>Total current liabilities</b>		<b>29,845</b>	<b>3,796</b>	<b>26,049</b>	<b>61,849</b>
<b>Non-current liabilities</b>					
Payables		-	126	(126)	-
Other non-current liabilities		-	-	-	222
<b>Total non-current liabilities</b>		<b>-</b>	<b>126</b>	<b>(126)</b>	<b>222</b>
<b>Total liabilities</b>		<b>29,845</b>	<b>3,922</b>	<b>25,923</b>	<b>62,071</b>
<b>Net assets</b>		<b>14,370</b>	<b>58,434</b>	<b>(44,064)</b>	<b>71,422</b>
<b>Equity</b>					
Contributed equity		78,834	-	-	79,101
Accumulated surplus/(deficit)		(64,464)	-	-	(21,893)
Asset revaluation surplus	11	-	-	-	14,214
<b>Total equity</b>		<b>14,370</b>	<b>58,434</b>	<b>(44,064)</b>	<b>71,422</b>

*An explanation of major variances is included under budgetary reporting disclosures (page 7).  
The accompanying notes form part of these statements.*

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of changes in equity for the year ended 30 June 2020

	Note	Contributed equity \$'000	Accumulated surplus/ (deficit) \$'000	Asset revaluation surplus \$'000	Total \$'000
<b>Balance - 1 July 2018</b>		<b>79,162</b>	<b>(14,036)</b>	<b>9,825</b>	<b>74,951</b>
Net effect of changes in accounting policies		-	(60)	-	(60)
<b>Operating result</b>		<b>-</b>	<b>(7,797)</b>	<b>-</b>	<b>(7,797)</b>
<b>Other comprehensive income</b>					
Increase in asset revaluation surplus	11	-	-	4,389	4,389
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(7,797)</b>	<b>4,389</b>	<b>(3,408)</b>
<b>Transactions with owners as owners:</b>					
Appropriated equity injections		853	-	-	853
Appropriated equity withdrawals		(914)	-	-	(914)
<b>Net transactions with owners as owners</b>		<b>(61)</b>	<b>-</b>	<b>-</b>	<b>(61)</b>
<b>Balance - 30 June 2019</b>		<b>79,101</b>	<b>(21,893)</b>	<b>14,214</b>	<b>71,422</b>
<b>Operating result</b>					
Operating result from continuing operations		-	(56,785)	-	(56,785)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(56,785)</b>	<b>-</b>	<b>(56,785)</b>
<b>Transactions with owners as owners:</b>					
Appropriated equity injections		1,030	-	-	1,030
Appropriated equity withdrawals		(1,297)	-	-	(1,297)
Transfer of asset revaluation surplus to accumulated surplus/(deficit)	11	-	14,214	(14,214)	-
<b>Net transactions with owners as owners</b>		<b>(267)</b>	<b>14,214</b>	<b>(14,214)</b>	<b>(267)</b>
<b>Balance - 30 June 2020</b>		<b>78,834</b>	<b>(64,464)</b>	<b>-</b>	<b>14,370</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 2020

		2020	2020	2020	2019
	Note	Actual \$'000	Original budget \$'000	Budget variance \$'000	Actual \$'000
<b>Cash flows from operating activities</b>					
<b>Inflows:</b>					
Appropriation receipts	2	228,428	271,774	(43,346)	380,431
User charges and fees		245	195	50	331
Grants and other contributions		1,657	-	1,657	41
GST input tax credits received from ATO		4,393	-	4,393	5,593
GST collected from customers		55	-	55	52
Interest receipts		289	-	289	332
Other		259	-	259	600
<b>Outflows:</b>					
Employee expenses		(25,039)	(23,418)	(1,621)	(23,297)
Supplies and services		(12,445)	(15,059)	2,614	(15,498)
Grants and subsidies		(223,637)	(232,843)	9,207	(316,615)
GST paid to suppliers		(4,336)	-	(4,336)	(4,348)
GST remitted to ATO		(57)	-	(57)	(75)
Other		(403)	(494)	91	(453)
<b>Net cash used in/provided by operating activities</b>		<b>(30,591)</b>	<b>155</b>	<b>(30,746)</b>	<b>27,094</b>
<b>Cash flows from investing activities</b>					
<b>Inflows:</b>					
Loans and advances redeemed		625	914	(289)	587
<b>Outflows:</b>					
Payments for property, plant and equipment		(267)	(1,725)	1,458	(2,345)
Payments for intangible assets		(1,019)	(1,109)	90	-
<b>Net cash used in/provided by investing activities</b>		<b>(661)</b>	<b>(1,920)</b>	<b>1,259</b>	<b>(1,758)</b>
<b>Cash flows from financing activities</b>					
<b>Inflows:</b>					
Equity injections		1,030	2,809	(1,779)	853
<b>Outflows:</b>					
Equity withdrawals		(1,297)	(1,044)	(253)	(914)
<b>Net cash used in/provided by financing activities</b>		<b>(267)</b>	<b>1,765</b>	<b>(2,032)</b>	<b>(61)</b>
Net increase/(decrease) in cash and cash equivalents		(31,519)	-	(31,519)	25,275
<b>Cash and cash equivalents - opening balance</b>	14	<b>68,094</b>	<b>8,860</b>	<b>59,234</b>	<b>42,818</b>
<b>Cash and cash equivalents - closing balance</b>	14	<b>36,575</b>	<b>8,860</b>	<b>27,715</b>	<b>68,094</b>

An explanation of major variances is included under budgetary reporting disclosures (page 7).  
The accompanying notes form part of these statements.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the statement of cash flows for the year ended 30 June 2020

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of operating result to net cash provided by operating activities</b>		
Operating surplus/(deficit)	(56,785)	(7,797)
<b>Non-cash items included in operating result:</b>		
Depreciation and amortisation expense	581	1,910
Impairment losses	8	52
Net losses on disposal of property, plant and equipment	-	1
Transfer of non-current physical assets to local councils	58,072	5,279
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	(1,263)	194
(Increase)/decrease in GST input tax credits receivable	55	1,222
(Increase)/decrease in ALCS and LSL reimbursement receivables	290	615
(Increase)/decrease in other assets	(141)	(92)
Increase/(decrease) in payables	(30,954)	25,081
Increase/(decrease) in accrued employee benefits	(413)	594
Increase/(decrease) in other liabilities	(41)	36
<b>Net cash used in/provided by operating activities</b>	<b><u>(30,591)</u></b>	<b><u>27,094</u></b>

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Budgetary reporting disclosures for the year ended 30 June 2020**

**Explanation of major variances - statement of comprehensive income**

**Appropriation revenue**

The actual appropriation revenue is \$3.03 million less than the budgeted figure. This is primarily due to funds deferred to future years for the Indigenous Councils Critical Infrastructure Program (ICCIIP) of \$18.82 million following a further one-year extension of the program necessitated in part by the COVID-19 pandemic which has placed restrictions on contractors from visiting indigenous communities to undertake infrastructure works.

This is offset by:

- new funding of \$3 million to assist the Burdekin Shire Council in commencing the Ayr water supply infrastructure (stage 2) project (a total of \$10 million will be provided over three years to complete the project)
- a draw-down of additional funds from the \$129 million Racing Infrastructure Fund (RIF) to support higher than anticipated payments following the approval of the Greater Brisbane Greyhound Centre in October 2019.

**Grants and other contributions**

The actual grants and other contributions are \$2.52 million greater than budget mainly due to:

- a \$1.5 million Commonwealth grant received to commence the Palm Island rising main project to connect the water treatment plant to the main reservoir
- a \$0.5 million contribution from the Queensland State Archives via archival services provided free of charge
- unanticipated sponsorship revenue of \$0.41 million to support Multicultural Queensland Month (held in August 2019).

**Employee expenses**

The actual employee expenses are \$1.5 million greater than budget due to additional temporary resources employed to assist with key deliverables in 2019–20. This included but is not limited to:

- investigation and administrative tasks of the Office of the Independent Assessor
- preparation and provision of training to prospective councillors preceding the local government elections in March 2020
- provision of engineering and project management services to indigenous councils within the ICCIP.

**Supplies and services**

The actual supplies and services is \$1.4 million less than budget primarily due to the employment of temporary staff to deliver key initiatives of the department in place of procuring external service providers as originally budgeted.

**Grants and subsidies**

Additional grants and subsidies expenditure of \$45.16 million in 2019–20 was principally due to:

- the unbudgeted transfer of the \$46.24 million Northern Peninsula Area water supply system to the Northern Peninsula Area Regional Council (NPARC) on 1 October 2019
- unplanned expenditure of \$12.16 million within the RIF following approval of the Greater Brisbane Greyhound Centre in October 2019
- unplanned expenditure of \$3 million due to new funding provided to Burdekin Shire Council for the Ayr water supply infrastructure (stage 2) project.

These overspends are offset by:

- planned expenditure of \$17.65 million in 2019–20 that was deferred to future years for the ICCIP following a further one-year extension of the program necessitated in part by the COVID-19 pandemic which has placed restrictions on contractors from visiting indigenous communities to undertake infrastructure works.

**Explanation of major variances - statement of financial position**

**Cash and cash equivalents**

The variance of \$27.72 million is mainly due to unspent appropriation received by the department for budgeted expenses that were unspent at 30 June 2020 of \$17.07 million and grants payable to councils under the 2019–21 Works for Queensland program of \$9.81 million.

Unspent appropriation of \$17.07 million principally relates to lower than anticipated claims by councils under the ICCIP due to a further one-year extension of the program necessitated in part by the COVID-19 pandemic which has placed restrictions on contractors from visiting indigenous communities to undertake infrastructure works.

**Property, plant and equipment**

The variance of \$46.35 million is primarily due to the unbudgeted transfer of the \$46.24 million Northern Peninsula Area water supply system to the NPARC on 1 October 2019.

**Current payables**

The current payables are higher than the budgeted figure due to the same factors outlined in the variance for cash and cash equivalents.

**Explanation of major variances - statement of cash flows**

**Appropriation receipts**

The actual appropriation receipts are lower than the budgeted figure by \$43.35 million due to:

- unspent appropriation of \$57.17 million at 30 June 2019 returned to Queensland Treasury during the year
- a \$3.03 million variance in appropriation required for 2019–20 due to the same factors outlined for the major variances in the statement of comprehensive income.

This is offset by unspent appropriation payable to Queensland Treasury at 30 June 2020 of \$17.07 million.

**Employee expenses**

Cash outflows for employee expenses were greater than the budgeted figure due to the same factors outlined in the major variances for the statement of comprehensive income.



**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Budgetary reporting disclosures for the year ended 30 June 2020**

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**Explanation of major variances - statement of cash flows (continued)****Supplies and services**

Payments made for supplies and services were \$2.61 million less than the budgeted figure due to:

- the reallocation of resources to employee expenses (as outlined in the major variances for the statement of comprehensive income)
- \$0.5 million in archival services provided free of charge by the Queensland State Archives
- \$0.37 million in support provided in-kind for Multicultural Queensland Month (held in August 2019).

**Grants and subsidies**

The actual grants and subsidies payments are lower than the budgeted figure by \$9.21 million principally due to grants payable to councils at 30 June 2020 for the 2019–20 Works for Queensland program of \$9.81 million.

**Payments for property, plant and equipment**

Cash outflows for property, plant and equipment are lower than the budgeted figure by \$1.46 million due to the reclassification of the Northern Peninsula Area water supply system asbestos pipeline replacement project to a grant following the transfer of the water supply system to the NPARC on 1 October 2019.

**Equity injections**

Equity injections received are lower than the budgeted figure due to the reclassification of projects relating to the Northern Peninsula Area water supply system as outlined in the above variance in payments for property, plant and equipment.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of comprehensive income by major departmental service for the period ended 30 June 2020

	Local Government		Multicultural Affairs		Racing		Independent Assessor <sup>(1)</sup>		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Income</b>										
Appropriation revenue	204,385	350,123	14,483	15,010	45,247	41,804	4,411	2,826	268,526	409,763
User charges and fees	81	104	14	-	-	-	-	-	95	104
Grants and other contributions	1,818	373	622	405	17	17	58	25	2,515	820
Interest	289	327	-	-	-	5	-	-	289	332
Other revenue	1,860	97	26	62	5	428	-	3	1,891	590
<b>Total income</b>	<b>208,433</b>	<b>351,024</b>	<b>15,145</b>	<b>15,477</b>	<b>45,269</b>	<b>42,254</b>	<b>4,469</b>	<b>2,854</b>	<b>273,316</b>	<b>411,609</b>
<b>Expenses</b>										
Employee expenses	15,778	16,468	5,244	5,224	857	809	3,042	1,543	24,921	24,044
Supplies and services	9,185	10,875	2,612	2,424	230	241	1,371	650	13,658	14,190
Grants and subsidies	239,567	281,057	6,863	5,561	44,115	34,989	6	1	290,551	321,608
Deferred appropriation payable (expense) to consolidated fund	-	48,219	-	2,097	-	6,207	-	646	-	57,168
Depreciation and amortisation	554	1,909	-	-	-	-	27	-	581	1,909
Other expenses	134	293	226	171	7	9	23	14	390	487
<b>Total expenses</b>	<b>265,218</b>	<b>358,821</b>	<b>15,145</b>	<b>15,477</b>	<b>45,269</b>	<b>42,254</b>	<b>4,469</b>	<b>2,854</b>	<b>330,101</b>	<b>419,406</b>
<b>Operating result for the year</b>	<b>(56,785)</b>	<b>(7,797)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,785)</b>	<b>(7,797)</b>
<b>Other comprehensive income</b>										
Items that will not be reclassified to operating result:										
Increase in asset revaluation surplus	-	4,389	-	-	-	-	-	-	-	4,389
<b>Total comprehensive income</b>	<b>(56,785)</b>	<b>(3,408)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,785)</b>	<b>(3,408)</b>

<sup>(1)</sup> In 2019 the Independent Assessor was included in the Local Government service. Corresponding 2018–19 comparative balances have been restated to be consistent with the current reporting period.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Statement of assets and liabilities by major departmental service for the period ended 30 June 2020

	Local Government		Multicultural Affairs		Racing		Independent Assessor <sup>(1)</sup>		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Current assets</b>										
Cash and cash equivalents	32,138	57,030	560	2,696	3,519	7,636	358	731	36,575	68,084
Receivables	2,810	1,974	135	271	16	36	54	53	3,015	2,333
Other assets	146	64	52	21	8	3	27	4	233	92
<b>Total current assets</b>	<b>35,094</b>	<b>59,069</b>	<b>747</b>	<b>2,988</b>	<b>3,543</b>	<b>7,675</b>	<b>439</b>	<b>788</b>	<b>39,823</b>	<b>70,519</b>
<b>Non-current assets</b>										
Receivables	3,390	4,010	-	-	-	-	-	-	3,390	4,010
Property, plant and equipment	7	58,960	2	3	-	-	1	1	10	58,964
Intangible assets	618	-	-	-	-	-	374	-	992	-
<b>Total non-current assets</b>	<b>4,015</b>	<b>62,969</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>375</b>	<b>1</b>	<b>4,392</b>	<b>62,974</b>
<b>Total assets</b>	<b>39,109</b>	<b>122,038</b>	<b>749</b>	<b>2,991</b>	<b>3,543</b>	<b>7,675</b>	<b>814</b>	<b>789</b>	<b>44,215</b>	<b>133,492</b>
<b>Current liabilities</b>										
Payables	25,009	50,054	417	2,417	3,497	7,603	286	681	29,209	60,756
Accrued employee benefits	399	731	143	234	21	33	73	49	636	1,048
Other current liabilities	-	-	-	45	-	-	-	-	-	45
<b>Total current liabilities</b>	<b>25,408</b>	<b>50,786</b>	<b>560</b>	<b>2,696</b>	<b>3,518</b>	<b>7,636</b>	<b>359</b>	<b>731</b>	<b>29,845</b>	<b>61,849</b>
<b>Non-current liabilities</b>										
Other non-current liabilities	-	155	-	50	-	7	-	10	-	222
<b>Total non-current liabilities</b>	<b>-</b>	<b>155</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>222</b>
<b>Total liabilities</b>	<b>25,408</b>	<b>50,941</b>	<b>560</b>	<b>2,745</b>	<b>3,518</b>	<b>7,643</b>	<b>359</b>	<b>741</b>	<b>29,845</b>	<b>62,071</b>

<sup>(1)</sup> In 2019 the Independent Assessor was included in the Local Government service. Corresponding 2018–19 comparative balances have been restated to be consistent with the current reporting period.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Basis of financial statement preparation for the period ended 30 June 2020**

**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 38 of the Financial and Performance Management Standard 2019. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

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

**First year application of new accounting standards**

The department applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases for the first time in 2019–20. There is no material impact on the department's financial statements as a result of the adoption of the new accounting standards.

The department applied the modified retrospective transition method and has not restated comparative information for 2018–19. These continue to be reported under relevant standards applicable in 2018–19.

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

Under the new income recognition model, the department first considers whether AASB 15 applies to a revenue transaction. AASB 15 introduces a new five-step revenue recognition process applicable to all revenue from contracts with customers:

1. identify the contract
2. identify the performance obligations
3. determine the transaction price
4. allocate the transaction price to the performance obligations
5. recognise revenue progressively as individual performance obligations are satisfied.

The new model has the potential to alter the timing and/or revenue amount being recognised, based on specific contractual terms. For this to apply, the performance obligations from the transaction needs to be 'sufficiently specific' and enforceable.

Where AASB 15 does not apply, the department assesses the revenue transaction under AASB 1058. AASB 1058 applies to transactions where the department acquires an asset for significantly less than fair value to enable the department to further its objectives, and to the receipt of volunteer services. The department's revenue line items recognised under this standard from 1 July 2019 include appropriation revenue from Queensland Treasury and most grants and other contributions (including archival services received free of charge).

The revenue recognition framework for transactions under AASB 1058, other than specific-purpose capital grants, is as follows.

- Recognise the asset (e.g. cash)
- Recognise any related amounts (grants and donations in many cases can have nil related amounts)
- Recognise the difference as income upfront.

In addition, AASB 1058 allows for deferral of income from specific-purpose capital grants where

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

A review has been performed of all material revenue contracts the department entered into during 2019–20. In most instances, there are no further enforceable performance obligations attached that give rise to a change in the timing and/or amount of revenue recognition under AASB 15 in 2019–20.

The department's main source of revenue is appropriations. Revenue recognition for the department's controlled and administered appropriations will not change under AASB 1058, as compared to AASB 1004. Appropriation revenue will continue to be recognised when the department gains control of the asset (e.g. cash), which is upon receipt.

The department administers grants from the government for which there are no sufficiently specific performance obligations. These continue to be recognised upon receipt under AASB 1058.

**b) AASB 16 Leases**

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

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

*Amendments to former operating leases for office accommodation and employee housing*

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

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

From 2019–20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
Basis of financial statement preparation for the period ended 30 June 2020**b) AASB 16 Leases (continued)***Changes to lessee accounting*

Previously, the department classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee.

This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on the balance sheet as lease liabilities and right-of-use assets.

The lease arrangements between the department and DHPW for non-specialised, commercial office accommodation through the QGAO are exempt from lease accounting under AASB 16 as per advice from Queensland Treasury. Lease arrangements relating to motor vehicles under DHPW's QFleet program were also identified as being exempt from AASB 16. This is due to DHPW holding substantive substitution rights within these agreements. Costs for these services continue to be expensed under supplies and services (note 5) when incurred.

For 2019–20, \$2.24 million (2018–19: \$1.56 million) was recognised by the department as an expense in the statement of comprehensive income in respect of office accommodation. This is contained under property and building expenses in note 5.

The department holds no other material leases which require accounting for under AASB 16.

**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. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparative information reflects the audited 2018–19 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. The department has no controlled entities.

**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.

- **Multicultural Affairs**

Promote Queensland as a unified, harmonious and inclusive community.

- **Racing**

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

- **Independent Assessor**

Enhance the integrity and sustainability of the local government system by administering the councillor complaints framework.

**Impacts from COVID-19**

In response to the COVID-19 pandemic, the department commenced formal emergency management activities from 17 March 2020 for the purposes of protecting workforce health and well-being and maintaining its public services.

The department's responses to the COVID-19 pandemic included reprioritising funding for a \$0.9 million COVID-19 package to support vulnerable multicultural communities, including a dedicated connections package for refugees, asylum seekers and migrants.

Funding was also reallocated to future years for indigenous council infrastructure programs, necessitated in part by the COVID-19 pandemic which placed restrictions on contractors from visiting indigenous communities to undertake infrastructure works.

The department will help to support communities in 2020–21 through future committed funding provided as part of the COVID-19 Queensland Government Economic Recovery Strategy: Unite and Recover Queensland Jobs. Funding programs under this strategy include \$200 million for the COVID-19 Works for Queensland and the \$50 million COVID-19 Unite and Recover community stimulus package.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Notes to the financial statements for the period ended 30 June 2020**
**1. Objectives and principal activities of the department**

The department has a vision for a contemporary organisation enabling sustainable, vibrant, inclusive and confident local communities. The vision and objectives will be realised through the department's primary purpose to lead, engage and collaborate to design and administer frameworks that inspire confidence and trust in systems of governance, increase stakeholder capability and encourage and support communities to thrive.

The department actively contributes to the Queensland government's objectives for the community *Our Future State - Advancing Queensland's Priorities* to:

- Create jobs in a strong economy by funding local government infrastructure projects, racing industry activities and community-focused projects to stimulate job growth
- Keep Queenslanders healthy through programs and initiatives that promote cohesive communities and assist in the provision of critical water and sewerage infrastructure in remote locations
- Be a responsive government by ensuring that our partners, stakeholders and communities across Queensland have easy and consistent access to our information and services.

**2. Appropriation revenue**

	Note	2020 \$'000	2019 \$'000
<b>Reconciliation of payments from consolidated fund to appropriation revenue recognised in operating result</b>			
<b>Original budgeted appropriation revenue</b>		271,774	422,299
Supplementary amounts:			
Treasurer's transfers		(43,346)	(41,868)
<b>Total appropriation receipts (cash)</b>		<u>228,428</u>	<u>380,431</u>
Less: opening balance of appropriation revenue receivable		(223)	-
Plus/less: effect of adoption of new accounting standards		223	-
Plus: closing balance of appropriation revenue receivable	7	-	223
Plus: opening balance of deferred appropriation payable to consolidated fund		57,168	29,109
Less: closing balance of deferred appropriation payable to consolidated fund	10	(17,070)	(57,168)
<b>Net appropriation revenue</b>		<u>268,526</u>	<u>352,595</u>
Plus: deferred appropriation payable to consolidated fund (expense in 2018–19)		-	57,168
<b>Appropriation revenue recognised in statement of comprehensive income</b>		<u>268,526</u>	<u>409,763</u>
<b>Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity</b>			
Budgeted equity adjustment appropriation		1,765	2,351
Treasurer's transfers		(2,032)	(2,412)
<b>Equity adjustment recognised in contributed equity</b>		<u>(267)</u>	<u>(61)</u>

**Accounting policy - appropriation revenue**

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

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 15).

**3. Employee expenses**

	2020 \$'000	2019 \$'000
<b>Employee benefits</b>		
Salaries and wages <sup>(1)</sup>	18,621	17,952
Employer superannuation contributions	2,566	2,502
Annual leave levy	2,020	1,918
Sick leave expense	725	632
Long service leave levy	451	371
Termination benefits	61	78
Other employee benefits	142	45
<b>Employee related expenses</b>		
Workers' compensation premium	40	29
Other employee related expenses	296	517
<b>Total employee expenses</b>	<u>24,921</u>	<u>24,044</u>
Full-time equivalent employees	174	184

<sup>(1)</sup> Salaries and wages includes \$0.2 million of \$1,250 one-off, pro-rata payments for 162 full-time equivalent employees (announced in September 2019).

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020**3. Employee expenses (continued)****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. As sick leave is non-vesting, 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.

**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. 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 an employee benefit and is recognised separately as employee related expenses.

**a) Key management personnel and remuneration**

The department's responsible Minister is identified as part of the department's key management personnel (KMP). That Minister is the Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs.

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 2019–20 and 2018–19. Further information about these positions can be found in the body of the annual report under the section relating to the executive leadership team.

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland 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.

Remuneration expenses for KMP comprise the following elements:

- short-term employee expenses including:
  - 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 period ended 30 June 2020**
**a) Key management personnel and remuneration (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.

**2020**

Position <sup>(1)</sup>	Responsibilities	Short-term employee expenses		Long-term employee expenses	Post employment expenses	Total expenses <sup>(2)</sup>
		Monetary expenses \$'000	Non-monetary expenses \$'000	\$'000	\$'000	\$'000
Director-General	Provides values-based leadership and management to ensure the department is responsive to community and business needs and government priorities.	327	5	8	41	381
Deputy Director-General (Local Government Division)	Leads the development and implementation of strategies, policies and programs that support a sustainable local government sector.	236	5	5	25	271
Deputy Director-General (Strategy, Racing and Multicultural Affairs) from 8 July 2019	Delivers responsive and robust governance and engagement strategies to the department and oversight of the multicultural affairs and racing policy functions.	222	5	5	23	255
Executive Director (Strategy and Service Delivery, Local Government)	Maintains appropriate statutory and policy frameworks, develops local government strategy and policy and promotes the sustainability, integrity, capacity and performance of local government through a network of regional advisors.	191	5	5	21	222
Executive Director (Finance, Performance and Programs, Local Government)	Leads the development and administration of local government grants programs, including the monitoring of council financial performance and the development and delivery of governance and capability programs.	187	5	4	21	217
Executive Director (Strategy and Racing) from 11 November 2019	Manages the administration of the <i>Racing Act 2002</i> , strategic policy setting and planning, corporate governance and reporting; and coordination and provision of policy advice on government submissions including the long-term sustainability of the racing industry in Queensland.	121	3	3	13	140
A/Executive Director (Racing) to 10 November 2019	Administers the <i>Racing Act 2002</i> and the provision of policy advice to the government relating to the long-term sustainability of the racing industry in Queensland.	71	3	2	7	83
Executive Director (Corporate)	Provides strategic advice, legal services, human resources, service delivery and contract management of people, procedures and service level agreements; and provides a secretariat to the Councillor Conduct Tribunal.	203	5	5	22	235
Executive Director (Chief Finance Officer)	Provides strategic leadership and direction for the efficient, effective and economic financial administration of the department.	203	5	5	22	235
Executive Director (Multicultural Affairs)	Administers the <i>Multicultural Recognition Act 2016</i> and promotes Queensland as a united, harmonious and inclusive community across government and the broader community.	198	5	5	22	230
Executive Director (Grants Review) to 10 November 2019	Leads the implementation planning phase of the review of state government grants provided to local governments and delivers a new grants to local government model.	68	3	2	7	80

<sup>(1)</sup> Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.

<sup>(2)</sup> The department does not have termination benefits to disclose in relation to its KMP.



DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

## a) Key management personnel and remuneration (continued)

2019

Position <sup>(1)</sup>	Responsibilities	Short-term employee expenses		Long-term employee expenses	Post employment expenses	Total expenses <sup>(2)</sup>
		Monetary expenses \$'000	Non-monetary expenses \$'000	\$'000	\$'000	\$'000
Director-General	Provides values-based leadership and management to ensure the department is responsive to community and business needs and government priorities.	320	7	7	41	375
Deputy Director-General (Local Government Division) from 13 August 2018	Leads the development and implementation of strategies, policies and programs that support a sustainable local government sector.	197	6	4	22	229
Deputy Director-General (Strategy, Governance and Engagement) from 25 February to 30 June 2019	Delivers responsive and robust governance and engagement strategies to the department and oversight of the multicultural affairs and racing policy functions.	79	2	2	7	89
Deputy Director-General (Strategy, Governance and Engagement) - former to 15 February 2019	Delivers responsive and robust governance and engagement strategies to the department and oversight of the multicultural affairs and racing policy functions.	104	5	2	12	123
Executive Director (Strategy and Service Delivery) <sup>(3)</sup>	Maintains appropriate statutory and policy frameworks, develops local government strategy and policy and promotes the sustainability, integrity, capacity and performance of local government through a network of regional advisors.	178	7	4	19	208
Executive Director (Finance, Performance and Programs) from 11 April 2019	Leads the development and administration of local government grants programs, including the monitoring of council financial performance and the development and delivery of governance and capability programs.	45	2	1	4	51
Executive Director (Grants Review) from 1 March 2019	Leads the implementation planning phase of the review of state government grants provided to local governments and delivers a new grants to local government model.	62	-	1	7	70
Executive Director (Corporate)	Provides strategic advice, legal services, human resources, service delivery and contract management of people, procedures, corporate reporting and planning, service level agreements and change.	183	7	4	19	213
Executive Director (Chief Finance Officer)	Provides strategic leadership and direction for the efficient, effective and economic financial administration of the department.	199	7	4	22	232
Executive Director (Multicultural Affairs Queensland and Engagement)	Promotes Queensland as a united, harmonious and inclusive community and manages the communication and engagement functions of the department.	197	7	4	21	228
A/Executive Director (Racing) from 1 March 2019	Administers the <i>Racing Act 2002</i> and the provision of policy advice to the government relating to the long-term sustainability of the racing industry in Queensland.	63	2	1	7	73

<sup>(1)</sup> Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.

<sup>(2)</sup> The department does not have termination benefits to disclose in relation to its KMP.

<sup>(3)</sup> Due to a restructure that took effect on 4 February 2019, Executive Director (Strategy, Governance and Engagement) was changed to Executive Director (Strategy and Service Delivery).

## b) Performance payments

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

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Notes to the financial statements for the period ended 30 June 2020**
**4. Related party transactions**
**a) Transactions with people/entities related to key management personnel**

The department had no transactions with people and entities related to its KMP 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 2) and equity injections (note 2), both of which are provided in cash via Queensland Treasury.

The department has service level and partnering agreements with the following Queensland government controlled entities:

- Department of State Development, Tourism and Innovation (DSDTI) who provides corporate services relating to ethics and integrity, information management and technology, facilities management, internal audit and procurement. Corporate services fees paid to DSDTI in 2019–20 were \$1.42 million (2018–19: \$0.87 million)
- Queensland Shared Services (QSS) who provides corporate business services and technology solutions to support finance and human resources transactions. Business services and technology solutions fees paid to QSS in 2019–20 were \$0.91 million (2018–19: \$1.05 million).

The department holds rental arrangements with DHPW for commercial office accommodation, storage facilities and car park spaces (refer note 5).

**5. Supplies and services**

	2020	2019
	\$'000	\$'000
Contractors and consultants	3,969	6,491
Property rental and building expenses	3,572	2,819
Shared service provider fee	2,312	1,749
Information technology and computer equipment	1,903	1,166
Marketing and communications	543	542
Other	1,359	1,423
<b>Total supplies and services</b>	<b>13,658</b>	<b>14,190</b>

Total audit fees quoted by the Queensland Audit Office (QAO) relating to the 2019–20 financial statements are \$102,000 (2018–19: \$99,500).

**Accounting policy – distinction between grants and procurement**

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in note 6.

**6. Grants and subsidies**

	2020	2019
	\$'000	\$'000
Local governments <sup>(1)</sup>	237,819	278,640
Statutory bodies	44,114	34,988
Charities and community groups <sup>(2)</sup>	8,344	7,425
Queensland government departments	-	356
Industry	-	10
Contributions	274	189
<b>Total grants and subsidies</b>	<b>290,551</b>	<b>321,608</b>

<sup>(1)</sup> Includes transfer of infrastructure assets to the NPARC (\$46.24 million) and Cherbourg Aboriginal Shire Council (\$11.83 million).

<sup>(2)</sup> Includes grants expense for Community Connections Support Package (\$0.65 million) as a result of the COVID-19 pandemic which was reallocated from existing program and project funding.

**Accounting policy - grants and subsidies**

A grant or subsidy is a payment or contribution made to an organisation or person which is not to be repaid, but which must be spent by the recipient for a specific purpose. Accordingly grants and subsidy payments are expensed when payment is made.

**7. Receivables**

	2020	2019
<b>Current</b>	<b>\$'000</b>	<b>\$'000</b>
Trade debtors	1,717	1,098
Less: Loss allowance	(62)	(694)
	1,655	404
GST input tax credits receivable	242	297
Appropriation revenue receivable	-	223
Loans receivable <sup>(1)</sup>	908	914
Other	210	495
<b>Total current receivables</b>	<b>3,015</b>	<b>2,333</b>
<b>Non-current</b>		
Loans receivable <sup>(1)</sup>	3,390	4,010
<b>Total non-current receivables</b>	<b>3,390</b>	<b>4,010</b>

<sup>(1)</sup> These amounts represent interest free loans to councils under the Smaller Communities Assistance Program.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

## 7. Receivables (continued)

**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. Some payment extensions have been granted to debtors affected by COVID-19.

Loans are measured at fair value upon initial recognition and amortised over the life of the loan using the effective interest method. Where loans 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 grant in the statement of comprehensive income and notional interest income is recognised over the term of the loan.

**Accounting policy - impairment of receivables**

The loss allowance reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the department's debtors, and relevant industry data form part of the department's impairment assessment.

*Key judgement:* No loss allowance is recorded for the department's receivables from Queensland or Australian government agencies on the basis of materiality. All other debtors have been individually assessed with the implications of COVID-19 and are deemed a low credit risk. Refer to note 14 for the department's credit risk management policies.

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

**Credit risk exposure of receivables**

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

*Key judgement:* As the department has very few debtors, receivables are assessed individually per type of debtor to measure the expected credit losses. Amounts outstanding are assessed for probability of default and loss given default. The probability of default reflects historical observed default rates calculated using credit losses experienced on past transactions during the last 10 years preceding 30 June 2020 for each type of debtor. In addition, reasonable and supportable forward-looking information for expected economic changes that affect the future recovery of receivables, specifically as a result of COVID-19, have been considered.

Set out below is the credit risk exposure on the department's trade and other debtors broken down by type of debtor

Type of debtor	2020			2019		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Loss rate	Expected credit losses
	\$'000	%	\$'000	\$'000	%	\$'000
Queensland government agencies	231	0.00	-	739	0.00	-
Australian government agencies	259	0.00	-	308	0.00	-
Queensland local government	5,902	0.00	-	5,261	0.00	-
Private entities - grantees	61	100.00	61	693	100.00	693
Private entities	7	0.00	-	29	0.00	-
Other	7	10.50	1	7	9.00	1
	<b>6,467</b>		<b>62</b>	<b>7,037</b>		<b>694</b>

  

Movement in loss allowance	2020	2019
	\$'000	\$'000
Balance - 1 July	694	582
Net effect of changes in accounting policy	-	60
Increase in allowance recognised in operating result	8	52
Amounts written off during the year	(488)	-
Amounts recovered during the year	(152)	-
<b>Balance - 30 June</b>	<b>62</b>	<b>694</b>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

8. Property, plant and equipment

a) Closing balances and reconciliation of carrying amount

	Infrastructure		Plant and equipment		Capital work in progress		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross	-	94,186	41	57	-	12,161	41	106,404
Less: Accumulated depreciation	-	(47,398)	(31)	(42)	-	-	(31)	(47,440)
<b>Carrying amount - 30 June</b>	-	<b>46,788</b>	<b>10</b>	<b>15</b>	-	<b>12,161</b>	<b>10</b>	<b>58,964</b>
Represented by movements in carrying amount:								
Carrying amount - 1 July	46,788	49,552	15	21	12,161	9,987	58,964	59,560
Acquisitions	-	-	-	39	-	2,174	-	2,213
Disposals	-	-	-	(8)	(328)	-	(328)	(8)
Transfer out to local government entities	(58,072)	(5,248)	-	(31)	-	-	(58,072)	(5,279)
Transfers between asset classes	11,833	-	-	-	(11,833)	-	-	-
Net revaluation increase	-	4,389	-	-	-	-	-	4,389
Depreciation expense	(549)	(1,905)	(5)	(5)	-	-	(554)	(1,910)
<b>Carrying amount - 30 June</b>	-	<b>46,788</b>	<b>10</b>	<b>15</b>	-	<b>12,161</b>	<b>10</b>	<b>58,964</b>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020**8. Property, plant and equipment (continued)****b) Significant asset disclosures**

The transfer of ownership of the water infrastructure assets from the department to the NPARC occurred on 1 October 2019. The net book value of the water supply system at transfer date was \$46.24 million. Due to the assets being donated to the council at nil consideration, the department recognised a grant expense of \$46.24 million in 2019–20 (refer note 6).

*Key judgement:* Specific appraisals of the water infrastructure assets, including physical condition assessments, were undertaken by Gray Robinson and Cottrell Quantity Surveyors in 2018–19. Due to the specialised nature of these assets and lack of observable market data, current replacement cost was determined as the most relevant valuation basis. The 2018–19 comprehensive valuation process resulted in fair value adjustments to the water infrastructure assets as at 30 June 2019. The fair value of these assets at the transfer date of 1 October 2019 was assessed as not being materially different from the asset values derived during the last specific appraisal. Hence, no further revaluations were required to be undertaken prior to the asset transfer in 2019–20.

The department undertook replacement of the Cherbourg sewage treatment plant, associated water reticulation infrastructure and rehabilitation works. Practical completion was reached during 2019–20 and the assets were donated to the council at nil consideration. The department recognised a grant expense of \$11.83 million in 2019–20 (refer note 6).

**Accounting policy - recognition**

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

Plant and equipment	\$5,000
Infrastructure	\$10,000

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

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.

**Accounting policy - cost of acquisition**

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as engineering design fees), plus all other costs incurred in getting the assets ready for use.

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 cost is recognised as the carrying amount in the books of the other entity immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland government entity, are recognised at their fair value at the date of acquisition.

**Accounting policy - measurement**

Infrastructure assets are measured at fair value. With respect to this asset class, the cost of items acquired during the financial year (prior to transfer to the council) has been judged by management to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at historical cost in accordance with Queensland Treasury's Non-Current Asset Policies for the Queensland public sector. The carrying amounts for these is not materially different from their fair value.

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment constructed in-house 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.

**Accounting policy - revaluation**

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), that asset class is subject to a specific appraisal 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.

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

On revaluation, 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 method was applied to the department's infrastructure assets.

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
**Notes to the financial statements for the period ended 30 June 2020**

**8. Property, plant and equipment (continued)**

**Accounting policy - depreciation**

Infrastructure and plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less any estimated residual value, 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.

*Key judgement:* Straight line depreciation is used as it is consistent with the even consumption of service potential of these assets over their useful life to the department.

*Key estimate:* The department uses the below depreciation rates:

<b>Class</b>	<b>2020 Rate %</b>	<b>2019 Rate %</b>
Infrastructure <sup>(1)</sup>	-	1.25 - 16.67
Plant and equipment	20.00 - 25.00	10.00 - 25.00

<sup>(1)</sup> The department's infrastructure assets were transferred to the NPARC on 1 October 2019.

**Accounting policy - impairment**

*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.

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 as a revaluation decrement.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

9. Intangible assets

a) Closing balances and reconciliation of carrying amount

	Software internally generated		Software work in progress		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross	400	-	619	-	1,019	-
Less: Accumulated amortisation	(27)	-	-	-	(27)	-
<b>Carrying amount - 30 June</b>	<b>373</b>	<b>-</b>	<b>619</b>	<b>-</b>	<b>992</b>	<b>-</b>
Represented by movements in carrying amount:						
Carrying amount - 1 July	-	-	-	-	-	-
Acquisitions through internal development	400	-	619	-	1,019	-
Amortisation	(27)	-	-	-	(27)	-
<b>Carrying amount - 30 June</b>	<b>373</b>	<b>-</b>	<b>619</b>	<b>-</b>	<b>992</b>	<b>-</b>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
 Notes to the financial statements for the period ended 30 June 2020

**9. Intangible assets (continued)**
**Accounting policy - recognition**

Intangible assets of the department comprise internally generated software and work in progress software. Intangible assets with a historical cost or other equal to or greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Any training costs are expensed as incurred.

There is no active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy below.

No intangible assets have been classified as held for sale.

**Accounting policy - amortisation**

*Key judgement:* All intangible assets of the department have finite useful lives and are amortised on a straight line basis over their estimated useful life to the department. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all the department's intangible assets is zero.

*Key estimate:* The department uses the below amortisation rate:

Class	2020 Rate %	2019 Rate %
Software internally generated	20.00	-

**Accounting policy - impairment**

*Key judgement:* All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the department, including discontinuing the use of the software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

10. Payables	2020	2019
	\$'000	\$'000
<b>Current</b>		
Trade creditors	1,889	2,183
Grants payable	10,215	1,372
Deferred appropriation payable to consolidated fund	17,070	57,168
Other	35	33
<b>Total current payables</b>	<b>29,209</b>	<b>60,756</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.

11. Asset revaluation surplus	Infrastructure
	\$'000
<b>Balance - 1 July 2018</b>	9,825
Revaluation increment	4,389
<b>Balance - 30 June 2019</b>	<b>14,214</b>
Transfer of asset revaluation surplus to accumulated surplus/(deficit)	(14,214)
<b>Balance - 30 June 2020</b>	<b>-</b>

**Accounting policy - asset revaluation surplus**

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

12. Commitments	2019
	\$'000
<b>Operating lease commitments at 30 June 2019</b>	
2018–19 disclosures under AASB 117	
Not later than one year	2,258
Later than one year and not later than five years	9,250
Later than five years	19,086
	<b>30,594</b>



DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

12. Commitments (continued)

**Capital expenditure commitments**

Infrastructure capital commitments (inclusive of non-recoverable GST input tax credits) contracted for at reporting date but not recognised in the accounts are payable:

	2020 \$'000	2019 \$'000
Not later than one year	44	2,013
Later than one year and not later than five years	-	2,546
	<u>44</u>	<u>4,559</u>

**Grants and subsidies expenditure commitments**

As at 30 June 2020, 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	171,145	202,814
Later than one year and not later than five years	74,334	131,883
	<u>245,479</u>	<u>334,697</u>

The above commitments for grants and subsidies expenditure are allocated to the following categories:

Charities and community groups	5,289	7,360
Local governments	183,209	281,383
Statutory bodies	56,981	45,954
	<u>245,479</u>	<u>334,697</u>

**Other expenditure commitments**

Other expenditure committed at the end of the period, but not recognised in the accounts, are as follows:

Not later than one year	4,928	2,010
Later than one year and not later than five years	2,104	-
	<u>7,032</u>	<u>2,010</u>

13. Contingencies

**Financial guarantees and associated risk**

Bank guarantees are mainly held for financial security against non-conformance of contracts across the department. The department has no bank guarantees as at 30 June 2020 (2018–19: \$0.09 million).

There are no claims against the department through the Queensland Government and Insurance Fund as at 30 June 2020.

**Native title claims over departmental land**

The transfer of ownership of the administered land from the department to the NPARC on 1 October 2019 also transferred the two native title determinations made by the Federal Court in respect of the land (refer to note 15).

14. Financial and other risk disclosures

**Financial instrument categories**

Financial assets and financial liabilities are recognised 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:

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	36,575	68,094
Financial assets at amortised cost:		
Receivables (note 7)	6,405	6,343
<b>Total financial assets</b>	<u>42,980</u>	<u>74,437</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.

**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 2020.

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:

Payables (note 10)	29,209	60,756
<b>Total financial liabilities</b>	<u>29,209</u>	<u>60,756</u>

No financial assets and financial liabilities have been offset and presented net in the statement of financial position.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Notes to the financial statements for the period ended 30 June 2020

14. Financial and other 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	The risk that 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 7).
Liquidity risk	The risk that 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 10).
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.

Credit risk management practices

The department considers financial assets that are over 30 days past the due date to have a significantly increased credit risk, and measures the loss allowance of such assets at lifetime expected credit losses instead of 12-month expected credit losses. The exception is trade receivables (note 7), for which the loss allowance is always measured at lifetime expected credit losses.

*Key judgement:* All financial assets with Queensland and Australian government agencies are considered to have low credit risk as the department has no prior experience of default from these counterparties. Financial assets with other debtors have been assessed individually, and economic changes resulting from COVID-19 have been considered. The department assumes that credit risk has not materially changed for these low credit risk assets.

The department typically considers a financial asset to be in default when it becomes 90 days past due. However, a financial asset can be in default before that point if information indicates that the department is unlikely to receive the outstanding amounts in full. The department's assessment of default does not take into account any collateral or other credit enhancements.

The department's write-off policy is disclosed in note 7.

Credit risk exposure

Credit risk exposure relating to receivables is disclosed in note 7.

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	2020 payable in			
	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	29,209	-	-	29,209
<b>Total</b>	<b>29,209</b>	<b>-</b>	<b>-</b>	<b>29,209</b>
Financial liabilities	2019 payable in			
	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	60,756	-	-	60,756
<b>Total</b>	<b>60,756</b>	<b>-</b>	<b>-</b>	<b>60,756</b>

Climate risk exposure

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

**DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS**  
Notes to the financial statements for the period ended 30 June 2020

14. Administered activities	Schedule of administered items	Note	Local Government		Racing		Actual		Budget	Budget variance
			2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	
	<b>Administered income</b>									
	Appropriation revenue	a)	504,473	493,026	65,135	50,630	569,608	543,656	326,714	242,894
	Grants and other contributions	b)	503,514	496,889	-	-	503,514	496,889	250,600	252,914
	User charges and fees	c)	314	382	-	-	314	382	444	(130)
	<b>Total administered income</b>		<b>1,008,301</b>	<b>990,297</b>	<b>65,135</b>	<b>50,630</b>	<b>1,073,436</b>	<b>1,040,927</b>	<b>577,758</b>	<b>495,678</b>
	<b>Administered expenses</b>									
	Grants and subsidies	d)	504,571	497,854	65,135	50,630	569,706	548,484	326,714	242,992
	Transfers of administered revenue to government		503,828	492,291	-	-	503,828	492,291	251,044	252,784
	Other expenses		-	152	-	-	-	152	-	-
	<b>Total administered expenses</b>		<b>1,008,399</b>	<b>990,297</b>	<b>65,135</b>	<b>50,630</b>	<b>1,073,534</b>	<b>1,040,927</b>	<b>577,758</b>	<b>495,776</b>
	<b>Operating surplus/(deficit)</b>		<b>(98)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98)</b>	<b>-</b>	<b>-</b>	<b>(98)</b>
	<b>Administered assets</b>									
	<b>Current</b>									
	Cash		132	303	2,726	3,667	2,858	3,970	3,750	(892)
	<b>Total current assets</b>		<b>132</b>	<b>303</b>	<b>2,726</b>	<b>3,667</b>	<b>2,858</b>	<b>3,970</b>	<b>3,750</b>	<b>(892)</b>
	<b>Non-current</b>									
	Land		-	98	-	-	-	98	98	(98)
	<b>Total non-current assets</b>		<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>98</b>	<b>(98)</b>
	<b>Total assets</b>		<b>132</b>	<b>401</b>	<b>2,726</b>	<b>3,667</b>	<b>2,858</b>	<b>4,068</b>	<b>3,848</b>	<b>(990)</b>
	<b>Administered liabilities</b>									
	<b>Current</b>									
	Payables		1	152	2,726	3,667	2,727	3,818	3,750	(1,023)
	Payables to government		131	152	-	-	131	152	-	131
	<b>Total current liabilities</b>	a)	<b>132</b>	<b>303</b>	<b>2,726</b>	<b>3,667</b>	<b>2,858</b>	<b>3,970</b>	<b>3,750</b>	<b>(892)</b>
	<b>Net administered assets</b>		<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>98</b>	<b>(98)</b>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
 Notes to the financial statements for the period ended 30 June 2020

15. Administered activities (continued)	2020 \$'000	2019 \$'000
<b>a) Reconciliation of payments from consolidated fund to administered income</b>		
Budgeted appropriation	326,714	242,144
Treasurer's transfers	45,378	44,280
Unforeseen expenditure	197,495	257,158
<b>Total administered receipts</b>	<b>569,587</b>	<b>543,582</b>
Plus: opening balance of appropriation revenue payable to consolidated fund	152	74
Less: closing balance of deferred appropriation payable	(131)	(152)
<b>Net appropriation revenue</b>	<b>569,608</b>	<b>543,504</b>
Plus: deferred appropriation payable (expense in 2018–19)	-	152
<b>Administered revenue recognised</b>	<b>569,608</b>	<b>543,656</b>
<b>b) Grants and other contributions</b>		
Commonwealth	503,514	496,889
<b>Total grants and other contributions</b>	<b>503,514</b>	<b>496,889</b>
<b>c) User charges and fees</b>		
Levy - Queensland government entities <sup>(1)</sup>	314	382
<b>Total user charges and fees</b>	<b>314</b>	<b>382</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	504,571	497,854
Racing Queensland	65,135	50,630
<b>Total grants and subsidies</b>	<b>569,706</b>	<b>548,484</b>

**Explanations of major variances - administered activities**

The large variances for appropriation revenue, grants and other contributions, grants and subsidies and transfers of administered revenue to government are mainly due to the early payment of the Financial Assistance Grants of \$259.59 million by the Australian government in May 2020 that applies to 2020–21.

The department as trustee for the State of Queensland held seven parcels of deed of grant in trust land located in the remote NPARC (2018–19: \$98,000). The transfer of ownership of the land from the department to the NPARC occurred on 1 October 2019. This was a result of the transfer of the water infrastructure system which is attached to the land (refer to notes 6 and 8b).

**Accounting policy - administered activities**

The department administers, but does not control, certain resources on behalf of the government. In doing so, it has responsibility for administering those activities and related transactions and balances efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives. 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 Under Treasurer has approved an overdraft limit of \$150 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.

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 topography.

*Key judgement:* State Valuation Services (SVS) performed a specific appraisal on the land assets in 2017–18. Due to the use of market observable prices from similar assets, land is valued using a market approach. In 2018–19, SVS provided market-based indices for the land assets, which resulted in no movements to the land asset's fair value. The use of market-based indices are observable inputs that are developed using market data and publicly available information on market transactions. No further valuations were performed prior to the land assets' transfer date of 1 October 2019.

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

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS  
Management certificate for the period ended 30 June 2020

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 38 of the Financial and Performance Management Standard 2019 and other prescribed requirements. In accordance with 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 financial year ended 30 June 2020 and of the financial position of the department as at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the Financial and Performance Management Standard 2019 for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



John Clifton CPA  
Chief Finance Officer

Date: 21/8/20



Warwick Agnew  
Director-General

Date: 21 August 2020



## 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 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

#### Basis for opinion

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

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

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

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

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



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

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

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

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

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

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



### Statement

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

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

### Prescribed requirements scope

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

A handwritten signature in black ink that reads "Melissa Read".

Melissa Read  
as delegate of the Auditor-General

24 August 2020  
Queensland Audit Office  
Brisbane