

Financial summary 2016–17

Summary of financial performance

For the year ended 30 June 2017, the department reported income of \$245.9 million, a decrease from 2015–16 of \$5.6 million or two per cent. This reduction in income primarily stems from one-off events in 2015–16, including facilitating the Far North Queensland Economic Summit and the Advance Queensland Investment and Innovation Summit, as well as reduced legal spend on state representation at various Commissions of Inquiry. Further, the Commonwealth also provided a contribution towards Anzac Legacy Gallery initiatives during 2015–16.

Offsetting the decrease in revenue was additional income received from administering the Queensland Rail Train Crewing Practices Commission of Inquiry and other rail link reviews during 2016–17.

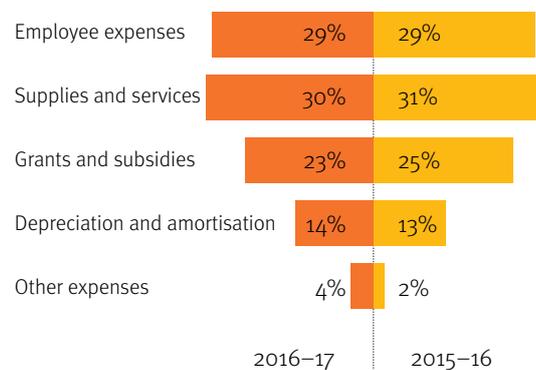
A breakdown of the department's income from continuing operations and comparison to prior year performance is highlighted in Figure 1.

Figure 1 – Comparison of income from continuing operations

Revenue category	2016–17 \$'000	2015–16 \$'000	Variance
Appropriation revenue	204,433	208,474	(2%)
User charges and fees	39,144	34,851	12%
Grants and other contributions	260	4539	(94%)
Other revenue	2015	3600	(44%)
Total income from operations	245,852	251,464	(2%)

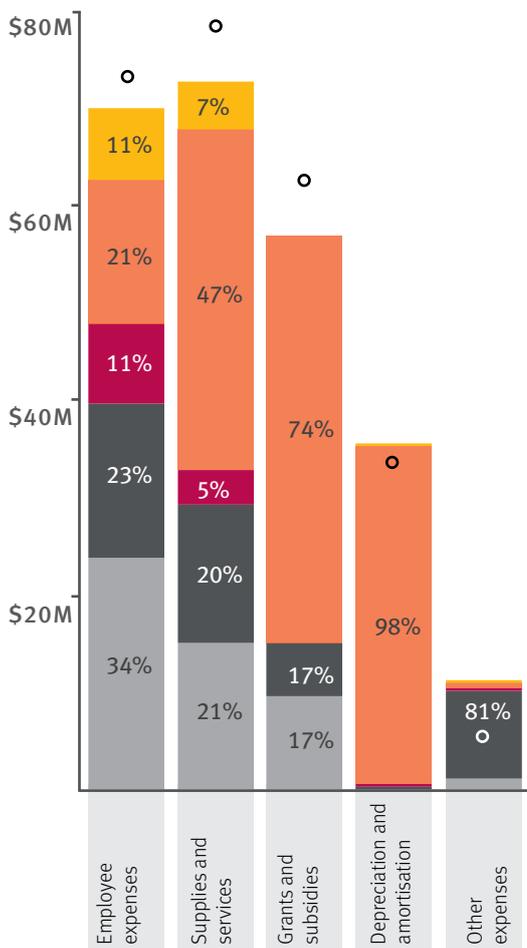
Expenditure trends in 2016–17 generally correlated with the decrease in income. As highlighted in Figure 2, the proportion of spend for each expenditure category, when compared to total spend, has remained consistent from the prior year.

Figure 2 – Expenditure by category as a proportion of total spend



The breakdown of each expenditure category by major departmental service and shared service providers is highlighted in Figure 3.

Figure 3 – 2016–17 Expenditure by category by major departmental service



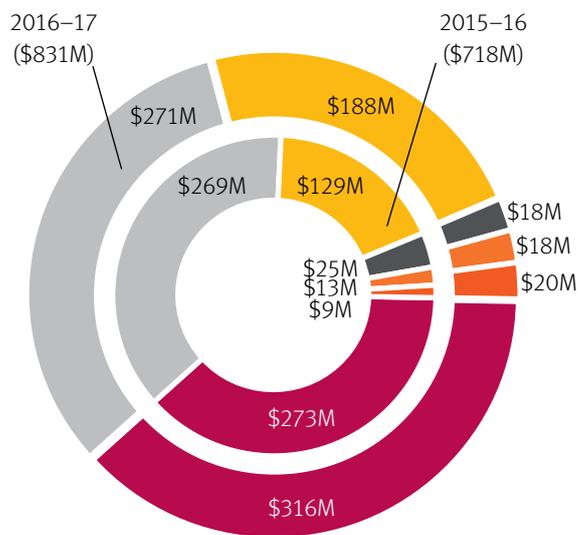
- Corporate Administration Agency
- Arts Queensland
- Legislative Drafting and ePublishing
- Government Services
- Policy Advice, Coordination and Cabinet Support
- 2015–16 total

Summary of financial position

A major undertaking in 2016–17 was the comprehensive revaluation of Arts Queensland buildings by State Valuation Services. This revaluation significantly contributed to the increase in net property, plant and equipment holdings at 30 June 2017 by \$113.8 million. The primary driver for the asset increase was due to the buildings' conditions being in a better state of repair than expected at this point in time in their respective asset lifecycle. This resulted in the extension of the buildings' useful life and associated impact on adjustments to the accumulated depreciation.

A breakdown of asset holdings and comparison of values between years is highlighted in Figure 4.

Figure 4 – Asset holdings by category



Asset category	2016-17	2015-16
Heritage and cultural assets	\$316M	\$273M
Land	\$271M	\$269M
Buildings	\$188M	\$129M
Cash	\$18M	\$25M
Receivables and loan receivable	\$18M	\$13M
Other	\$20M	\$9M

Administered funding

For the year ended 30 June 2017, the department's administered funding totalled \$154 million (\$131.3 million in 2015–16).

The distribution of administered funding between entities is highlighted in Figure 5.

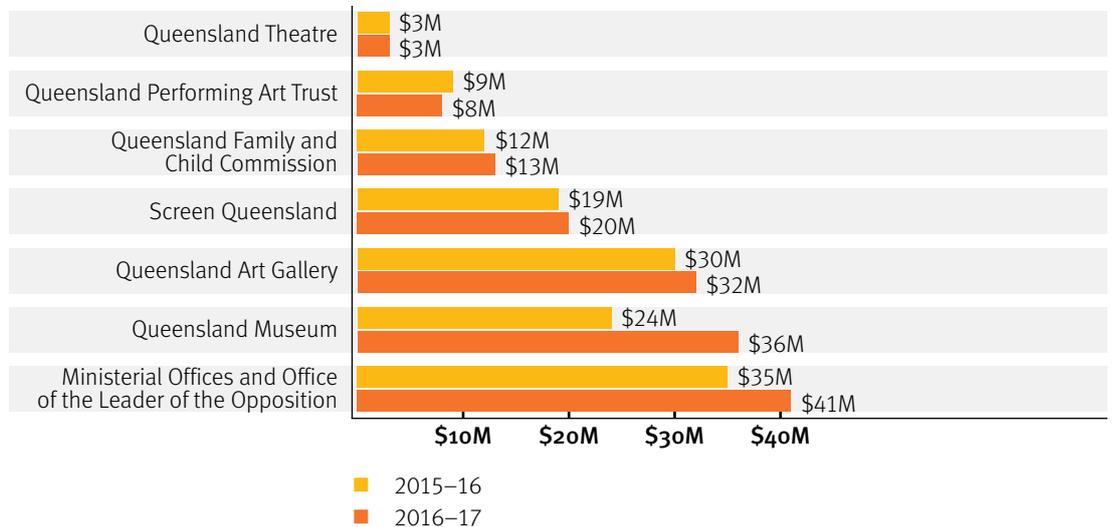
The increase in administered payments when compared to the prior year was primarily due to providing additional funding to Queensland Museum to develop a cutting edge interactive Science, Technology, Engineering and Mathematics centre, refresh exhibits, and for collection and critical asset maintenance. Also, additional funding was provided to the Queensland Art Gallery for Blockbuster Exhibitions and to Queensland Family and Child Commission for the reviews of blue card and foster care systems.

Chief Finance Officer Assurance

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

The statement indicated no deficiencies or breakdowns in internal controls, which would impact adversely on the department's financial governance or financial statements for the year.

Figure 5 – Administered funding distribution by entity





Queensland
Government

Department of the Premier and Cabinet
Financial Statements
for the year ended 30 June 2017

Department of the Premier and Cabinet
Financial Statements
for the year ended 30 June 2017

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Department of the Premier and Cabinet
Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	Economic Entity		Parent Entity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income from Continuing Operations					
Appropriation revenue	A1-1	204,433	208,474	204,433	208,474
User charges and fees	A1-2	40,461	36,010	39,144	34,851
Grants and other contributions	A1-3	20,062	23,351	260	4,539
Other revenue		2,502	3,912	2,015	3,600
Total Income from Continuing Operations		267,458	271,747	245,852	251,464
Expenses from Continuing Operations					
Employee expenses	A2-1	72,963	74,821	70,859	72,793
Supplies and services	A2-2	72,723	78,873	71,730	77,924
Grants and subsidies	A2-3	71,615	73,476	56,934	61,145
Depreciation and amortisation	B3 & B4	35,300	33,252	35,296	33,247
Other expenses	A2-4	11,227	6,345	11,006	6,286
Total Expenses from Continuing Operations		263,828	266,767	245,825	251,395
Operating Result for the Year		3,630	4,980	27	69
Other Comprehensive Income					
Increase (decrease) in asset revaluation surplus	B4	135,309	56,639	135,309	56,639
Total Other Comprehensive Income		135,309	56,639	135,309	56,639
Total Comprehensive Income		138,939	61,619	135,336	56,708

The accompanying notes form part of these statements.

Department of the Premier and Cabinet
Statement of Financial Position
as at 30 June 2017

	Notes	Economic Entity		Parent Entity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current Assets					
Cash and cash equivalents	B1	31,687	36,126	18,354	24,599
Receivables and loans receivable	B2	13,959	8,073	11,561	7,277
Inventories	9	9	22	9	22
Prepayments		1,972	1,517	1,897	1,388
Total Current Assets		47,627	45,738	31,821	33,286
Non-current Assets					
Receivables and loans receivable	B2	6,517	5,235	6,431	5,315
Intangible assets	B3	2,469	2,937	2,469	2,937
Property, plant and equipment	B4	790,643	676,755	790,631	676,739
Total Non-current Assets		799,629	684,927	799,531	684,991
Total Assets		847,256	730,665	831,352	718,277
Current Liabilities					
Payables	B5	14,164	15,297	14,008	15,099
Interest-bearing liabilities	B6	4,822	1,251	4,822	1,251
Accrued employee benefits	B7	3,236	2,917	3,147	2,823
Unearned revenue		664	699	664	699
Total Current Liabilities		22,886	20,164	22,641	19,872
Non-current Liabilities					
Payables	B5	1,006	243	813	-
Interest-bearing liabilities	B6	5,553	5,242	5,553	5,242
Accrued employee benefits	B7	52	42	-	-
Total Non-current Liabilities		6,611	5,527	6,366	5,242
Total Liabilities		29,497	25,691	29,007	25,114
Net Assets		817,759	704,974	802,345	693,163
Equity					
Contributed equity		606,648	632,802	606,648	632,802
Accumulated surplus/deficit		19,163	15,533	3,749	3,722
Asset revaluation surplus		191,948	56,639	191,948	56,639
Total Equity		817,759	704,974	802,345	693,163

The accompanying notes form part of these statements.

Department of the Premier and Cabinet
Statement of Changes in Equity
for the year ended 30 June 2017

	Notes	Economic Entity		Parent Entity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Contributed equity					
Balance as at 1 July		632,802	659,907	632,802	659,907
<i>Transactions with owners as owners:</i>					
Appropriated equity injections	B8	10,183	4,886	10,183	4,886
Appropriated equity withdrawals	B8	(36,337)	(31,991)	(36,337)	(31,991)
Balance as at 30 June		606,648	632,802	606,648	632,802
Accumulated Surplus					
Balance as at 1 July		15,533	10,553	3,722	3,653
<i>Operating Result:</i>					
Operating Result from Continuing Operations		3,630	4,980	27	69
Balance as at 30 June		19,163	15,533	3,749	3,722
Asset Revaluation Surplus					
Balance as at 1 July		56,639	-	56,639	-
<i>Other Comprehensive Income:</i>					
Increase (decrease) in asset revaluation surplus	B4	135,309	56,639	135,309	56,639
Balance as at 30 June		191,948	56,639	191,948	56,639

The accompanying notes form part of these statements.

Department of the Premier and Cabinet
Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Economic Entity		Parent Entity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Service appropriation receipts	A1-1	203,184	206,019	203,184	206,019
User charges and fees		40,346	36,570	39,030	35,208
Grants and other contributions		20,062	22,844	260	4,242
Interest receipts		539	610	187	137
GST input tax credits from ATO		13,870	12,820	12,437	11,828
GST collected from customers		3,738	4,219	3,628	4,139
Other		2,238	2,828	2,037	2,828
<i>Outflows:</i>					
Employee expenses		(72,801)	(74,987)	(70,704)	(72,970)
Supplies and services		(75,994)	(75,224)	(74,977)	(74,142)
Grants and subsidies		(71,810)	(72,467)	(57,129)	(60,121)
Finance/borrowing costs		(187)	(425)	(187)	(137)
GST paid to suppliers		(14,602)	(14,091)	(13,060)	(12,800)
GST remitted to ATO		(3,818)	(4,084)	(3,703)	(4,015)
Other		(8,091)	(1,714)	(7,870)	(1,991)
Net cash provided by operating activities	CF1	36,674	42,918	33,133	38,225
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		-	2	-	2
Loans and advances redeemed		1,573	2,233	1,260	2,618
<i>Outflows:</i>					
Payments for property, plant and equipment	B4	(13,412)	(4,085)	(13,412)	(4,085)
Payments for intangibles	B3	(15)	(273)	(15)	(273)
Loans and advances made		(7,096)	(5,597)	(5,142)	(5,734)
Net cash used in investing activities		(18,950)	(7,720)	(17,309)	(7,472)
Cash flows from financing activities					
<i>Inflows:</i>					
Equity injections	B8	10,183	4,886	10,183	4,886
Proceeds from borrowings		5,048	5,731	5,142	5,734
<i>Outflows:</i>					
Equity withdrawals	B8	(36,134)	(31,941)	(36,134)	(31,941)
Borrowing redemptions		(1,260)	(2,568)	(1,260)	(2,593)
Net cash used in financing activities		(22,163)	(23,892)	(22,069)	(23,914)
Net increase (decrease) in cash and cash equivalents					
		(4,439)	11,306	(6,245)	6,839
Cash and cash equivalents - opening balance		36,126	24,820	24,599	17,760
Cash and cash equivalents - closing balance	B1	31,687	36,126	18,354	24,599

The accompanying notes form part of these statements.

Department of the Premier and Cabinet
Notes to the Statement of Cash Flows
for the year ended 30 June 2017

CF1 Reconciliation of Operating Results to Net Cash from Operating Activities

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Operating surplus/(deficit)	3,630	4,980	27	69
Non-cash items:				
Depreciation and amortisation expense	35,300	33,252	35,296	33,247
Loss on disposal of plant and equipment	16	105	16	105
Impairment reversal	-	(41)	-	(41)
Revaluation decrement	-	1	-	1
Bad debts expense	17	32	17	15
Change in assets and liabilities				
(Decrease)/increase in deferred appropriation refundable to Consolidated Fund	5,960	(2,035)	5,960	(2,035)
(Increase)/decrease in trade debtors	(43)	(393)	(62)	(320)
(Increase)/decrease in other receivables	(713)	(656)	(773)	(656)
(Increase)/decrease in GST receivable	(735)	(533)	(622)	(238)
(Increase)/decrease in long service leave reimbursement receivable	21	138	21	138
(Increase)/decrease in annual leave reimbursement receivables	(175)	496	(175)	496
(Increase)/decrease in inventories	13	26	13	26
(Increase)/decrease in other current assets	(455)	(18)	(509)	62
Increase/(decrease) in GST payable	77	(81)	76	(65)
Increase/(decrease) in payables	(6,533)	7,134	(6,441)	6,929
Increase/(decrease) in accrued employee benefits	329	453	324	434
Increase/(decrease) in other current liabilities	(35)	58	(35)	58
Net cash from operating activities	36,674	42,918	33,133	38,225

Department of the Premier and Cabinet
Statement of Comprehensive Income by Major Departmental Services and Shared Service Providers
for the year ended 30 June 2017

	Policy Advice and Coordination, and Cabinet Support		Government Services		Legislative Drafting and e-Publishing		Arts Queensland		Corporate Administration Agency		General Not Attributed ¹ & Inter- Service/Unit Eliminations		Total		
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000
Income from Continuing Operations															
Appropriation revenue	45,816	47,456	41,468	50,367	12,033	13,288	104,071	96,053	123	185	922	1,125	204,433	208,474	
User charges and fees	3,179	38	2,398	1,979	96	46	22,248	21,252	12,354	12,665	(1,131)	(1,129)	39,144	34,851	
Grants and other contributions	-	409	-	3,602	-	46	260	399	81	82	(81)	1	260	4,539	
Other revenue	640	400	933	1,423	104	62	263	1,616	76	99	(1)	-	2,015	3,600	
Total Income from Continuing Operations	49,635	48,303	44,799	57,371	12,233	13,442	126,842	119,320	12,634	13,031	(291)	(3)	245,852	251,464	
Expenses from Continuing Operations															
Employee expenses	23,750	24,179	15,992	17,253	8,060	8,985	14,720	14,145	7,478	7,266	859	965	70,859	72,793	
Supplies and services	15,012	9,935	14,252	26,004	3,683	4,012	34,727	33,579	4,996	5,484	(940)	(1,072)	71,730	77,922	
Grants and subsidies	9,582	13,224	5,449	8,927	44	98	41,862	38,882	0	1	(3)	13	56,934	61,145	
Depreciation and amortisation	178	522	135	319	215	265	34,667	31,921	101	148	-	72	35,296	33,247	
Other expenses	1,113	443	8,970	4,868	231	82	712	725	180	150	(200)	20	11,006	6,288	
Total Expenses from Continuing Operations	49,635	48,303	44,799	57,371	12,233	13,442	126,888	119,253	12,755	13,029	(284)	(3)	245,825	251,395	
Operating Result for the Year	-	-	-	-	-	-	155	67	(121)	2	(7)	-	27	69	
Other Comprehensive Income															
Increase (decrease) in asset revaluation surplus	-	-	-	-	-	-	135,309	56,639	-	-	-	-	135,309	56,639	
Total Other Comprehensive Income	-	-	-	-	-	-	135,309	56,639	-	-	-	-	135,309	56,639	
Total Comprehensive Income	-	-	-	-	-	-	135,464	56,706	(121)	2	(7)	-	135,336	56,708	

1. Includes Corporate Support Services provided to the Public Service Commission and Office of the Governor.

**Department of the Premier and Cabinet
Statement of Assets and Liabilities by Major Departmental Services and Shared Service Providers
for the year ended 30 June 2017**

	Policy Advice and Coordination, and Cabinet Support		Government Services		Legislative Drafting and e-Publishing		Arts Queensland		Corporate Administration Agency		Inter-Service/Unit Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets														
Cash and cash equivalents	3,068	2,194	10,302	12,525	(478)	147	1,524	6,300	3,940	3,433	(2)	-	18,354	24,599
Receivables and loans receivable	2,207	1,006	807	1,281	391	189	7,877	3,747	491	1,198	(212)	(144)	11,561	7,277
Inventories	-	-	-	15	-	-	9	7	-	-	-	-	9	22
Prepayments	194	45	282	387	139	2	-	-	1,283	954	-	-	1,897	1,388
Total Current Assets	5,470	3,245	11,390	14,208	52	338	9,410	10,054	5,714	5,585	(214)	(144)	31,821	33,286
Non-current Assets														
Receivables and loans receivable	464	-	349	-	-	-	5,620	5,315	-	-	(2)	-	6,431	5,315
Intangible assets	245	447	111	214	2,114	2,276	-	-	-	-	-	-	2,469	2,937
Property, plant and equipment	-	34	3	113	260	46	790,325	676,399	45	147	(2)	-	790,631	676,739
Total Non-current Assets	709	481	463	327	2,374	2,322	795,945	681,714	45	147	(4)	-	799,531	684,991
Total Assets	6,178	3,726	11,853	14,535	2,425	2,660	805,355	691,768	5,759	5,732	(218)	(144)	831,352	718,277
Current Liabilities														
Payables	2,441	783	9,623	11,272	522	484	1,232	2,439	404	265	(213)	(144)	14,008	15,099
Interest-bearing liabilities	-	-	-	-	-	-	4,822	1,251	-	-	-	-	4,822	1,251
Accrued employee benefits	1,142	940	862	764	343	327	534	512	265	280	1	-	3,147	2,823
Unearned revenue	12	-	12	-	5	-	-	90	635	609	-	-	664	699
Total Current Liabilities	3,595	1,723	10,497	12,036	869	811	6,588	4,292	1,304	1,154	(212)	(144)	22,641	19,872
Non-current Liabilities														
Payables	464	-	349	-	-	-	-	-	-	-	-	-	813	-
Interest-bearing liabilities	-	-	-	-	-	-	5,554	5,242	-	-	(1)	-	5,553	5,242
Total Non-current Liabilities	464	-	349	-	-	-	5,554	5,242	-	-	(1)	-	6,366	5,242
Total Liabilities	4,059	1,723	10,846	12,036	869	811	12,142	9,534	1,304	1,154	(213)	(144)	29,007	25,114

Please note the department has systems in place to allocate assets and liabilities by departmental service.

Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017

Section A: Notes about our Financial Performance

A1 Revenue

A1-1: Appropriation Revenue

Reconciliation of Payments from Consolidated Fund to Appropriation Revenue for Services Recognised in Statement of Comprehensive Income

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Budgeted appropriation revenue	207,641	215,600	207,641	215,600
Transfer from/(to) other headings	(2,330)	(7,738)	(2,330)	(7,738)
Lapsed departmental services appropriation	(2,127)	(1,843)	(2,127)	(1,843)
Total appropriation receipts (cash)	203,184	206,019	203,184	206,019
Plus: Departmental Services - non-current receivable from the Consolidated Fund (Refer to Note B2)	813	-	813	-
Plus: Opening balance of deferred appropriation payable to Consolidated Fund (Refer to Note B5)	420	2,455	420	2,455
Less: Closing balance of deferred appropriation payable to Consolidated Fund (Refer to Note B5)	(6,380)	(420)	(6,380)	(420)
Net Appropriation Revenue	198,037	208,054	198,037	208,054
Plus: Deferred appropriation refundable to Consolidated Fund (expenses) (Refer to Note A2-4)	6,396	420	6,396	420
Appropriation Revenue recognised in the Statement of Comprehensive Income	204,433	208,474	204,433	208,474

Appropriations provided under the *Appropriation Act 2016* are recognised as revenue when received. Where an appropriation receivable or payable has been recorded in the financial statements as at 30 June, this has been approved by Queensland Treasury.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations (Refer to Section E: Notes about Administered Activities).

A1-2: User Charges and Fees

Corporate services partnership agreements	12,856	12,866	12,856	12,866
Facility services revenue	12,215	11,663	12,215	11,663
Car park revenue	8,199	7,892	8,199	7,892
Sales of goods/services	4,028	610	4,028	610
Other	3,163	2,979	1,846	1,820
Total	40,461	36,010	39,144	34,851

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

Sales of goods/services includes transactions of \$3.64m with related parties.

A1-3: Grants and Other Contributions

Contributions from Queensland Government departments	20,062	19,634	260	1,032
Commonwealth contributions	-	3,717	-	3,507
Total	20,062	23,351	260	4,539

Grants and other contributions revenue is recognised in the year in which the department obtains control over the grant or contribution (control is generally obtained at the time of receipt).

Contributions from Queensland Government departments are related party transactions.

Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017

A2 Expenses

A2-1: Employee Expenses	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Employee Benefits				
Wages and salaries	56,342	58,427	54,526	56,681
Employer superannuation contributions	7,548	7,440	7,379	7,278
Annual leave levy	5,723	5,615	5,719	5,603
Long service leave levy	1,265	1,299	1,265	1,292
Termination benefits	206	429	206	429
Other employee benefits	995	1,048	953	1,012
Employee Related Expenses				
Workers' compensation premium	187	215	181	210
Other employee related expenses	697	348	630	288
Total	72,963	74,821	70,859	72,793
Number of Full-Time Equivalent (FTE) Employees	672	664	652	644

Wages and salaries are recognised based on the period where service has been received. Sick leave is non-vesting with an expense recognised when leave is taken.

The department undertakes a whole of government Policy Futures graduate program which employed 63 graduates during 2016-17. The department receives reimbursement of costs from other agencies (related parties) which is fully offset against wages and salaries.

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on advice from the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole of government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. QSuper is a related party.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Central Scheme, the levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed quarterly in arrears. These schemes are administered by Queensland Treasury which is a related party.

Workers' compensation premiums are paid to WorkCover Queensland which is a related party.

FTE employees are calculated based on the Minimum Obligatory Human Resources Information (MOHRI) method. The reported FTEs above includes 70 FTE employees that were engaged in the provision of corporate services to other agencies in 2016-17 (67 FTE employees in 2015-16).

Key management personnel and remuneration disclosures are detailed in Note F2.

A2-2: Supplies and Services				
Building maintenance	20,908	19,293	20,908	19,293
Building services	19,560	18,306	19,312	18,071
Consultants and contractors	10,268	7,811	10,264	7,821
Information technology bureau services	7,213	8,799	7,061	8,688
Professional services	4,584	13,011	4,440	12,874
Advertising and communications	4,493	4,930	4,338	4,796
Outsourced corporate support	1,435	1,515	1,435	1,515
Telephone and communications support	824	806	800	777
Travel	767	891	646	785
Venue hire	361	820	361	820
Hospitality and official functions	353	372	335	359
Other	1,957	2,319	1,830	2,145
Total	72,723	78,873	71,730	77,924

For a transaction to be classified as supplies and services, the value of the goods and services received by the department must be approximately equal 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 grants and subsidies in Note A2-3. Supplies and services includes transactions of \$22.077m with related parties represented by other Queensland Government entities, none of which are considered material other than Department of Housing and Public Works for property rent amounting to \$8.277m for the year ended 30 June 2017.

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

A2-3: Grants and Subsidies

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Recurrent				
Grants to private sector entities	43,643	39,350	28,962	27,019
Grants to government entities and statutory bodies	21,291	23,239	21,291	23,239
Grants to individuals	256	141	256	141
Total recurrent	65,190	62,730	50,509	50,399
Capital				
Grants to government entities and statutory bodies	4,033	3,878	4,033	3,878
Grants to private sector entities	-	2	-	2
Total capital	4,033	3,880	4,033	3,880
Subsidy payments				
Contributions	688	6,265	688	6,265
Donations and gifts made	1,704	601	1,704	601
Total subsidy payments	2,392	6,866	2,392	6,866
Total	71,615	73,476	56,934	61,145

Grants occur when a payment or contribution is made to an organisation or person in return for performance of a certain objective in compliance with certain terms and conditions and which does not directly give approximately equal value in return to the department.

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

Grants and subsidies are recognised when the obligation for a transfer of resources arises according to the terms of the funding agreement.

Grants to private sector entities include the Major Performing Arts Organisations Funding, Organisations Fund, Playing Queensland Fund, Arts Ignite and Arts Impact.

Grants and subsidies includes transactions of \$14.403m with related parties represented by other Queensland Government entities.

A2-4: Other Expenses

Deferred appropriation refundable to Consolidated Fund	6,396	420	6,396	420
Sponsorships	2,950	1,061	2,776	1,061
Insurance premiums - QGIF	427	440	410	425
External audit fees*	344	318	313	289
Interest	186	134	187	137
Losses from disposal of property, plant and equipment	16	105	16	105
Deferred revenue refundable to other entities	-	3,500	-	3,500
Special payments - ex-gratia payments	-	11	-	11
Other	908	356	908	338
Total	11,227	6,345	11,006	6,286

*Total audit fees quoted by the Queensland Audit Office (QAO) relating to the 2016-17 financial statements was \$443,150 (2015-16 \$438,700). This fee includes the provision of audit services to the administered entity, Ministerial Offices and Office of the Leader of the Opposition, which has been recovered by the department. There are no non-audit services included in the amount.

The Queensland Government Insurance Fund (QGIF) is an internal Queensland Treasury managed fund to oversee the State Government's self-insurance scheme. Queensland Treasury is a related party.

Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017

Section B: Notes about our Financial Position

B1 Cash and Cash Equivalents

	Economic Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Imprest accounts	34	34	33	33
Cash at bank and on hand	31,653	36,092	18,321	24,566
Total	31,687	36,126	18,354	24,599

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 2017, as well as short-term investments redeemable within three months.

All departmental bank accounts are grouped within the whole of government set-off arrangement with the Queensland Treasury Corporation (QTC) and as such, do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balances accrues to the Consolidated Fund.

B2 Receivables and Loans Receivable

Current				
Trade debtors	2,962	2,919	2,871	2,809
Advances	200	200	200	200
Less: Allowance for impairment loss	(200)	(200)	(200)	(200)
Net Advances	-	-	-	-
GST input tax credits receivable	2,617	1,882	2,047	1,425
GST payable	(296)	(373)	(279)	(355)
Net GST receivable	2,321	1,509	1,768	1,070
Loans receivable	6,544	1,498	4,822	1,251
Annual leave reimbursements	1,008	833	1,008	833
Accrued Receivable	506	564	474	564
Long service leave reimbursements	180	201	180	201
Other receivables	438	549	438	549
Total current receivables and loans receivable	13,959	8,073	11,561	7,277
Non-current				
Loans receivable	5,639	5,162	5,553	5,242
Appropriation receivable	813	-	813	-
Lease incentives	65	73	65	73
Total non-current receivables and loans receivable	6,517	5,235	6,431	5,315

All current receivables and loans receivable plus any transaction costs relating to loans receivable are recognised at cost.

Settlement of trade debtors is generally required within 30 days from the invoice date.

Loans receivable are represented solely by the Revolving Film Finance Fund (RFFF). The RFFF provides secured loans to cash flow film and television productions and for infrastructure projects that will benefit the film and television industry. It is administered by Screen Queensland (SQ) on behalf of the Government. All funds are drawn from QTC. QTC is a related party.

Applicants apply for the loan through SQ and once approved, AQ recognise a loan receivable and payable (Note B6) with interest (charged at a book rate which is equivalent to the QTC government debt pool rate) passed onto SQ. This means that all costs incurred by AQ in managing the RFFF are passed onto SQ.

Non-current appropriation receivable relates a future amount owed to the department from the Consolidated Fund to offset the non-current payable recognised for the straight-lining of leases for 1 William Street (Refer Note B5).

Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017

B3 Intangible Assets

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Software Internally Generated				
At cost	5,689	5,507	5,689	5,507
Less: Accumulated amortisation	(3,235)	(2,752)	(3,235)	(2,752)
Total Software Internally Generated	2,454	2,755	2,454	2,755
Software Work in Progress				
At cost	15	182	15	182
Total Software Work In Progress	15	182	15	182
Total	2,469	2,937	2,469	2,937

Intangible Assets Reconciliation

	Software Internally Generated		Software WIP		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Economic Entity						
Carrying amount at 1 July	2,755	2,396	182	770	2,937	3,166
Acquisitions	-	-	15	273	15	273
Transfers between classes	182	806	(182)	(806)	-	0
Impairment reversal	-	7	-	-	-	7
Transfers out to operating expense	-	-	-	(55)	-	(55)
Amortisation	(483)	(455)	-	-	(483)	(455)
Carrying amount at 30 June	2,454	2,755	15	182	2,469	2,937
Parent Entity						
Carrying amount at 1 July	2,755	2,396	182	770	2,937	3,166
Acquisitions	-	-	15	273	15	273
Transfers between classes	182	806	(182)	(806)	-	0
Impairment reversal	-	7	-	-	-	7
Transfers out to operating expense	-	-	-	(55)	-	(55)
Amortisation	(483)	(455)	-	-	(483)	(455)
Carrying amount at 30 June	2,454	2,755	15	182	2,469	2,937

B3-1: Recognition and Measurement

Intangible assets with a cost or other value equal to or greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Any general administration, other indirect or overhead costs and training costs are expensed as incurred.

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

Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy outlined in Note B3-2.

Department of the Premier and Cabinet
Notes to the Financial Statements
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B3-2: Amortisation Expense and Impairment

Amortisation Expense

Amortisation of intangibles is performed on a straight-line basis.

Key Judgement: Straight-line amortisation is used reflecting the progressive, even consumption of future economic benefits over the assets useful life to the department and consolidated entity.

The residual value of intangible assets has been determined to be zero reflecting the estimated amount to be received on disposal at the end of their useful life.

Key Estimate: Intangible assets are amortised on a straight-line basis between 5-33%. The estimation of useful life and resulting amortisation rates are based on a number of factors including the department's past experience, the planned replacement program and expected usage, wear and tear, obsolescence and fiscal capacity. Useful lives are reviewed on an annual basis.

Impairment

Intangible assets are assessed annually for impairment using a combination of external and internal impairment indicators. 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 asset.

Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. Recoverable amount is determined as the higher of the asset's fair value less costs to sell or depreciated replacement cost. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Key Judgement: If an indicator of possible impairment exists, management determine the asset's recoverable amount.

No intangible assets were impaired at 30 June 2017.

B4 Property, Plant and Equipment

B4-1: Closing balances and reconciliation of carrying amounts

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Plant and Equipment				
At cost	4,932	7,429	4,838	7,335
Less: Accumulated depreciation	(2,856)	(5,318)	(2,774)	(5,240)
Total Plant and Equipment	2,076	2,111	2,064	2,095
Land				
At fair value	270,600	269,100	270,600	269,100
Total Land	270,600	269,100	270,600	269,100
Buildings				
At fair value	304,500	256,657	304,500	256,657
Less: Accumulated depreciation	(116,758)	(127,629)	(116,758)	(127,629)
Total Buildings	187,742	129,028	187,742	129,028
Heritage and Cultural Assets				
At fair value ¹	640,192	733,268	640,192	733,268
Less: Accumulated depreciation ¹	(324,184)	(460,467)	(324,184)	(460,467)
Total Heritage and Cultural Assets	316,008	272,801	316,008	272,801
Capital works in progress				
At cost - Buildings	14,217	3,715	14,217	3,715
Total Capital works in progress	14,217	3,715	14,217	3,715
Total	790,643	676,755	790,631	676,739

1. The fair value and accumulated depreciation for Heritage and Cultural Assets (Buildings) experienced significant fluctuations in 2016-17 due to the comprehensive revaluations undertaken and the associated extension of the remaining useful lives.

Department of the Premier and Cabinet
Notes to the Financial Statements
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Property, Plant and Equipment Reconciliation

Economic Entity	Plant and Equipment	Capital Works in Progress	Land	Buildings	Heritage and Cultural Assets	Total
Fair Value Level ¹	-	-	Level 2	Level 3	Level 3	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016	2,111	3,715	269,100	129,028	272,801	676,755
Acquisitions	270	13,142	-	-	-	13,412
Disposals	(16)	-	-	-	-	(16)
Transfers between asset classes	71	(2,640)	-	1,111	1,458	-
Net revaluation increments/(decrements)	-	-	1,500	66,986	66,823	135,309
Depreciation	(360)	-	-	(9,383)	(25,074)	(34,817)
Carrying amount at 30 June 2017	2,076	14,217	270,600	187,742	316,008	790,643
Carrying amount at 1 July 2015	3,140	691	241,700	403,245	125	648,901
Acquisitions	33	3,625	-	-	427	4,085
Disposals	(16)	-	-	-	(90)	(106)
Transfers between asset classes ²	-	(601)	-	(275,052)	275,653	-
Net revaluation increments/(decrements)	-	-	27,400	9,414	19,824	56,638
Impairment reversals	34	-	-	-	-	34
Depreciation	(1,080)	-	-	(8,579)	(23,138)	(32,797)
Carrying amount at 30 June 2016	2,111	3,715	269,100	129,028	272,801	676,755
Parent Entity						
Carrying amount at 1 July 2016	2,095	3,715	269,100	129,028	272,801	676,739
Acquisitions	270	13,142	-	-	-	13,412
Disposals	(16)	-	-	-	-	(16)
Transfers between asset classes	71	(2,640)	-	1,111	1,458	-
Net revaluation increments/(decrements)	-	-	1,500	66,986	66,823	135,309
Depreciation	(356)	-	-	(9,383)	(25,074)	(34,813)
Carrying amount at 30 June 2017	2,064	14,217	270,600	187,742	316,008	790,631
Carrying amount at 1 July 2015	3,119	691	241,700	403,245	125	648,880
Acquisitions	33	3,625	-	-	427	4,085
Disposals	(16)	-	-	-	(90)	(106)
Transfers between asset classes ²	-	(601)	-	(275,052)	275,653	-
Net revaluation increments/(decrements)	-	-	27,400	9,414	19,824	56,638
Impairment reversals	34	-	-	-	-	34
Depreciation	(1,075)	-	-	(8,579)	(23,138)	(32,792)
Carrying amount at 30 June 2016	2,095	3,715	269,100	129,028	272,801	676,739

1. Definitions of fair value levels are provided in Note B4-4.

2. As a result of the heritage listing of the Brisbane cultural precinct on 12 June 2015, the decision was made to reclassify assets impacted from Building Assets to Heritage and Cultural Buildings from 1 July 2015.

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for the year ended 30 June 2017

B4-2: Recognition and Acquisition

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

Asset Category	Amount	Asset Category	Amount
Land	\$1	Heritage and cultural assets	
Buildings	\$10,000	Buildings	\$10,000
Plant and equipment	\$5,000	Artwork	\$5,000

Items with a lesser value are expensed in the year of acquisition. Expenditure is only added to an asset's carrying amount if it increases the service potential or useful life to the department of the existing asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

B4-3: Measurement Using Historical Cost

Plant and equipment is measured at cost in accordance with the *Non-Current Asset Policies for the Queensland Public Sector (NCAP)*. The carrying amounts for such plant and equipment is not materially different from their fair value.

B4-4: Measurement Using Fair Value

Land, buildings, and heritage and cultural assets are measured at fair value as required under the NCAP. Fair value is measured and disclosed in the financial statements according to the following fair value hierarchy, which is based on the data and assumptions used in the most recent specific appraisals:

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

None of the department's assets are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the year. Refer to Note B4-1 for a reconciliation from opening balances to closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy.

Revaluation of Property, Plant and Equipment

Buildings, and heritage and cultural buildings are comprehensively revalued at least once every five years by independent professional valuers. Land, and heritage and cultural artwork assets are comprehensively revalued annually.

The department engaged the State Valuation Service (SVS) this financial year to perform a comprehensive valuation of building and heritage and cultural building assets using the depreciated replacement cost (DRC) valuation method and a comprehensive market valuation of land assets. The effective date of the valuations was 30 June 2017. SVS is registered under the *Queensland Valuers Registration Act 1992* and are Certified Practising Valuers experienced in valuation approaches for financial reporting to satisfy AASB13.

Mr Josh Milani was engaged to perform a comprehensive market valuation of heritage and cultural artwork assets. Mr Milani is an approved valuer for the Commonwealth Cultural Gifts Scheme and is experienced in the valuation of heritage and cultural artwork.

When assets have not been comprehensively valued in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets fair values at reporting date. With the exception of heritage and cultural artwork, SVS supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

The revaluation status of property, plant and equipment as at 30 June 2017 are summarised in the following table:

Asset Class	Land	Buildings	Heritage and Cultural Assets	
			Buildings	Artwork
Effective Revaluation Date	June 2017	June 2017	June 2017	June 2017
Prior Comprehensive Revaluation	May 2016	June 2012	June 2012	May 2016
Next Scheduled Comprehensive Revaluation	2017-18	2021-22	2021-22	2017-18

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Key Judgement: The valuation process has been undertaken with regard to AASB13. The principal and most advantageous market assumption is that property sales derived from the Queensland property market are used to determine valuations. Market participant assumptions are also made in the valuation process that market participants would not sell less than/buy higher than the current market value. Highest and best use assumptions have been made on the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual restrictions on use (including heritage listing).

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

B4-5: Depreciation Expense and Impairment

Depreciation Expense

Depreciation of property, plant and equipment is performed on a straight-line basis. Land is not depreciated as it has unlimited useful life. Heritage and cultural assets (artwork) are not depreciated as their service potential is not expected to diminish with time or use. Heritage buildings do have a service potential that could diminish over time and are therefore depreciated accordingly. Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

Key Judgement: Straight-line depreciation is used reflecting the progressive, even consumption of future economic benefits over their useful life to the department and consolidated entity.

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

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly. Separately identifiable components only exist in the buildings and heritage and cultural assets (buildings) asset classes of the department.

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

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

Land	N/A
Buildings	1-33%
Heritage and cultural assets	
Buildings	1-33%
Artwork	N/A
Plant and equipment	5-33%

The estimation of useful life and resulting depreciation rates are based on a number of factors including the department's past experience, the planned replacement program and expected usage, wear and tear, obsolescence and fiscal capacity. Useful lives are reviewed on an annual basis.

Impairment

Property, plant and equipment is assessed annually for impairment using a combination of external and internal impairment indicators.

Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. Recoverable amount is determined as the higher of the asset's fair value less costs to sell or depreciated replacement cost. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Key Judgement: Impairment assessment is performed in consultation with Arts Queensland Property and Facilities Management. If an indicator of possible impairment exists, management determine the asset's recoverable amount.

No items of property, plant and equipment were impaired at 30 June 2017.

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Notes to the Financial Statements
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B5 Payables

	Economic Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Deferred appropriation refundable to Consolidated Fund	6,380	420	6,380	420
Trade creditors and accruals	6,368	9,973	6,212	9,775
Grants and subsidies payable	678	873	678	873
Deferred revenue refundable to other entities	-	3,500	-	3,500
Other	738	531	738	531
Total Current Payables	14,164	15,297	14,008	15,099
Non-Current				
Other	1,006	243	813	-
Total Non-Current Payables	1,006	243	813	-

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the purchase contract price, net of applicable trade and other discounts. Amounts owing are unsecured.

B6 Interest-Bearing Liabilities

Interest-bearing liabilities are recognised at cost, plus any establishment expenses. All borrowings by the department are from QTC. QTC is a related party. There have been no defaults or breaches of the loan agreements during the period. Repayment dates vary from one to five years. Principal and interest repayments were made quarterly in arrears.

The fair value of interest-bearing liabilities and borrowing rates are set out in Note C3-4. Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

B7 Accrued Employee Benefits

Current				
Long service leave levy payable	389	298	389	298
Annual leave levy payable	1,552	1,599	1,463	1,505
Accrued salaries and wages	1,295	1,020	1,295	1,020
Total Current	3,236	2,917	3,147	2,823
Non-Current				
Accrued long service leave	52	42	-	-
Total Non-Current	52	42	-	-

The Parent Entity's financial statements do not contain a provision for annual leave or long service leave as the liability is held on a whole of government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Economic Entity includes SQ which does not participate in whole of government central leave schemes. As such, the Economic Entity reflects provisions for leave associated with SQ only.

B8 Appropriations Recognised in Equity

Budgeted equity adjustment appropriation	(15,217)	(23,539)	(15,217)	(23,539)
Lapsed equity adjustment	(10,734)	-	(10,734)	-
Unforeseen expenditure	-	(3,516)	-	(3,516)
Equity adjustment receipts (payment)	(25,951)	(27,055)	(25,951)	(27,055)
Less: Opening balance of equity adjustment receivable	-	(50)	-	(50)
Less: Closing balance of equity adjustment payable	(203)	-	(203)	-
Equity adjustment recognised in Contributed Equity	(26,154)	(27,105)	(26,154)	(27,105)

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Section C: Notes about our Risks and Other Accounting Uncertainties

C1 Financial Contingencies

There are no legal actions or insurance claims that have been undertaken by or against the department at reporting date.

C2 Financial Commitments

	Economic Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
C2-1: Non-Cancellable Operating Lease Commitments				
Not later than one year	5,201	212	4,993	-
Later than one year and not later than five years	22,094	510	21,782	-
Later than five years	65,193	-	65,193	-
Total Non-Cancellable Operating Leases	92,488	722	91,968	-
C2-2: Capital Expenditure Commitments				
Not later than one year	2,450	-	2,450	-
Later than one year and not later than five years	-	-	-	-
Total Capital Expenditure Commitments	2,450	-	2,450	-

In preparation of the 2016-17 financial statements, the department identified amounts disclosed as capital expenditure commitments in the 2015-16 financial statements that were capital maintenance (operating expenditure) commitments. Comparative numbers reported in the 2015-16 financial statements have been restated above to correct these errors for both the consolidated entity and the department.

C3 Financial Risk Disclosures

C3-1: Financial Instrument Categories

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position. The department has the following categories of financial assets and financial liabilities:

	Notes	2017	2016	2017	2016
Financial Assets					
Cash and cash equivalents	B1	31,687	36,126	18,354	24,599
Receivables and loans receivable	B2	20,476	13,308	17,992	12,592
Total Financial Assets		52,163	49,434	36,346	37,191
Financial Liabilities					
Payables	B5	15,170	15,540	14,821	15,099
Interest-bearing liabilities - QTC borrowings		10,375	6,493	10,375	6,493
Total Financial Liabilities		25,545	22,033	25,196	21,592

C3-2: Financial Risk Management

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

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

Risk Exposure	Measurement Method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

The department has no material liquidity or market risks. The department has credit risk exposure through the RFFF loan facility.

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If a default on a film assistance loan occurs there is potential for the loan to become non-recoverable to SQ. There is minimal credit risk exposure for all other financial assets. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of provisions for impairment.

This credit risk is mitigated through the use of a credit management strategy. The strategy involves the SQ board approving all new loan arrangements after a comprehensive application process and an on-going monitoring process. All loan arrangements are on a secured, fixed term, interest bearing basis. The security is a fixed and floating charge over the assets of the borrower held by SQ.

C3-3: Financial Assets

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts. Ageing of past due but not impaired receivables are disclosed in the following table:

2017 Financial Assets Past Due but Not Impaired

	Economic Entity					Parent Entity				
	Overdue					Overdue				
	Less than 30 Days	30 - 60 Days	61-90 Days	More than 90 Days	Total	Less than 30 Days	30 - 60 Days	61-90 Days	More than 90 Days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017	1,316	90	23	60	1,489	1,316	90	23	45	1,474
2016	880	340	34	40	1,294	880	340	34	37	1,291

C3-4: Fair Value

All financial assets and liabilities are measured at cost. The fair value of borrowings is notified by QTC and is calculated using a weighted average rate. For the year ended 30 June 2017, the weighted average borrowing rate was 2.54%, ranging from 1.86% to 3.09%.

	Economic Entity				Parent Entity			
	2017		2016		2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Loans receivable	12,183	12,183	6,660	6,660	10,375	10,434	6,493	6,647
Total	12,183	12,183	6,660	6,660	10,375	10,434	6,493	6,647
Financial Liabilities								
Interest-bearing liabilities	10,375	10,434	6,493	6,647	10,375	10,434	6,493	6,647
Total	10,375	10,434	6,493	6,647	10,375	10,434	6,493	6,647

Refer to note B2 with respect to existing loan arrangements between AQ and SQ.

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

C4 Events Occurring after Balance Date

There are no matters of significance to the financial statements which occurred after 30 June 2017.

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Section D: Notes about our Performance compared to Budget

D1 Budget to Actual Comparison – Statement of Comprehensive Income

	Variance Notes	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000
Income from Continuing Operations				
Appropriation revenue		207,641	204,433	(3,208)
User charges and fees	1	35,527	39,144	3,617
Grants and other contributions		357	260	(97)
Other revenue	2	324	2,015	1,691
Total Income from Continuing Operations		243,849	245,852	2,003
Expenses from Continuing Operations				
Employee expenses		72,649	70,859	(1,790)
Supplies and services		70,401	71,730	1,329
Grants and subsidies	3	64,473	56,934	(7,539)
Depreciation and amortisation		33,450	35,296	1,846
Other expenses	4	2,876	11,006	8,130
Total Expenses from Continuing Operations		243,849	245,825	1,976
Operating Result for the Year		-	27	27
Other Comprehensive Income				
Increase (decrease) in asset revaluation surplus	5	23,637	135,309	111,672
Total Other Comprehensive Income		23,637	135,309	111,672
Total Comprehensive Income		23,637	135,336	111,699

1. Actual user charges and fees were higher than budget primarily due to cost recovery agreements with state government entities for the Queensland Rail train crewing practices Commission of Inquiry and rail link projects (\$3.17m), as well as additional facilities management revenue collected from tenants at the Brisbane culture precinct to offset increased costs (\$0.67m). This increase has been partly offset by less than expected revenue collected from Southbank carparks (\$0.20m). These items represents \$3.64m of the variance, with a further \$0.43m of offsets not material enough to be individually presented.

2. Actual other revenue was higher than budget primarily due to the recognition of in-kind support associated with archive storage (\$0.51m) and staff support from other departments assisting with the Queensland Rail train crewing practices Commission of Inquiry, Queensland Parole System Review and North West Minerals Province Taskforce (\$0.27m). The increase is also due to additional sponsorship received for state run events (\$0.70m) and sale of assets as a result of the relocation to 1 William Street (\$0.11m). These items represents \$1.59m of the variance.

3. Actual grants and subsidies were less than budget primarily due to the reallocation of costs towards reducing youth crime in Townsville initiatives within the Department of Justice and Attorney-General (\$1.70m), undertaking reviews of blue card and foster care systems at the Queensland Family and Child Commission (QFCC) (\$1.12m), as well as an internal reallocation to meet expenditure associated with the Queensland Parole System Review (\$0.58m). The decrease is also due to costs associated with arts infrastructure upgrades (\$1.75m) and delivering community-driven activities to build social cohesion (\$1.62m) postponed until 2017-18. These items represent \$6.77m of the variance.

4. Actual other expenses were higher than budget primarily due to the recognition of excess 2016-17 appropriation owed to the Consolidated Fund (\$6.40m), as well as additional sponsorship payments made during the year for Myriad Group activities, World of Drones Congress, White Ribbon Day Breakfast and Maroon Festival (\$1.53m). These items represent \$7.93m of the variance, with \$0.39m of offsets not material enough to be individually presented.

5. Actual other comprehensive income was higher than budget due to the outcome of undertaking a comprehensive revaluation of Arts Queensland buildings and heritage assets. This represents the variance.

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D2 Budget to Actual Comparison – Statement of Financial Position

	Variance	Budget	Actual	Variance
	Notes	2017	2017	2017
		\$'000	\$'000	\$'000
Current Assets				
Cash and cash equivalents	6	13,414	18,354	4,940
Receivables and loans receivable	7	5,542	11,561	6,019
Inventories		23	9	(14)
Prepayments	8	1,721	1,897	176
Total Current Assets		20,700	31,821	11,121
Non-current Assets				
Receivables and loans receivable	9	5,399	6,431	1,032
Intangible assets	10	2,756	2,469	(287)
Property, plant and equipment	11	652,922	790,631	137,709
Total Non-current Assets		661,077	799,531	138,454
Total Assets		681,777	831,352	149,575
Current Liabilities				
Payables	12	5,959	14,008	8,049
Interest-bearing liabilities	13	1,300	4,822	3,522
Accrued employee benefits	14	2,748	3,147	399
Unearned revenue		640	664	24
Total Current Liabilities		10,647	22,641	11,994
Non-current Liabilities				
Payables	9	-	813	813
Interest-bearing liabilities		5,399	5,553	154
Total Non-current Liabilities		5,399	6,366	967
Total Liabilities		16,046	29,007	12,961
Net Assets		665,731	802,345	136,614
Equity				
Total Equity	15	665,731	802,345	136,614

6. Actual cash and cash equivalents were higher than budget primarily due to recognition of excess 2016-17 appropriation owed to the Consolidated Fund at year end (\$6.38m), as well as higher than anticipated balances associated with Anzac Centenary commemoration grants (\$0.66m) and reducing Domestic and Family Violence activities (\$0.63m). This increase has been partly offset by higher than expected Goods and Services Tax (GST) receivable at year end (\$2.45m). This represents \$5.22m of the variance, with a further \$0.28m of offsets not material enough to be individually presented.

7. Actual current receivables and loans receivable were greater than budget due to new loans from the RFFF, as well as associated transfers between current and non-current categories (\$3.52m). The increase is also due to higher than expected GST receivable at year end (\$2.45m). This represents \$5.97m of the variance.

8. Actual prepayments were greater than budget primarily due to an increase in contractually required upfront payments made by Corporate Administration Agency (CAA) to information technology providers (\$0.30m). This increase was partly offset by the realignment of the telepresence video system contract to financial years therefore, no longer being prepaid (\$0.18m). This represents \$0.12m of the variance.

9. Actual non-current receivables and loans receivable, and non-current payables were higher than budget primarily due to adopting the straight-line leasing accounting methodology on 1 William Street rental agreements. This represents \$0.81m of the variance.

10. Actual intangibles were lower than budget due to delaying the implementation of a new Joiners, Leavers and Movers system until 2017-18 (\$0.40m) and the expensing of the ServiceNow software that was originally planned to be capitalised (\$0.06m). This decrease

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has been partly offset by additional costs associated with implementing the eLegislation system (\$0.15m) and commencement of upgrading the whole of government Performance Information Management System (\$0.02m). This represents the variance.

11. Actual property, plant and equipment was higher than budget primarily due to a comprehensive land, building and heritage assets revaluation during the year (\$147.33m). The increase has been partly offset by the deferral of capital work on the Anzac Legacy Gallery (\$7.22m), critical infrastructure at the Brisbane cultural precinct (\$1.10m) and the Cremorne Theatre upgrade (\$1.41m) until 2017-18. This represents \$137.60m of the variance.

12. Actual current payables were higher than budget primarily due to the recognition of excess 2016-17 appropriation owed to the Consolidated Fund at year end (\$6.38m), as well as higher than anticipated balances associated with Anzac Centenary commemoration grants (\$0.66m) and reducing Domestic and Family Violence activities (\$0.63m). This represents \$7.67m of the variance.

13. Actual current interest-bearing liabilities were greater than budget primarily due to new loans not initially forecasted for the RFFF and associated transfers between current and non-current categories. This represents the variance.

14. Actual accrued employee expenditure was higher than budget due to salary and wages (\$0.25m) and annual leave levies owed to QSuper (\$0.14m) at year end were higher than initially forecast. This represents the variance.

15. Actual total equity was higher than budget primarily due to the outcome of a comprehensive land, building and heritage assets revaluation during the year (\$145.78m). The increase has been partly offset by the deferral of funding provided for the Anzac Legacy Gallery (\$7.00m), critical infrastructure at the Brisbane cultural precinct (\$1.10m) and a new Joiners, Leavers and Movers system (\$0.36m) until 2017-18. This represents \$137.32m of the variance.

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D3 Budget to Actual Comparison – Statement of Cash Flows

	Variance	Budget	Actual	Variance
	Notes	2017	2017	2017
		\$'000	\$'000	\$'000
Cash flows from operating activities				
<i>Inflows:</i>				
Service appropriation receipts		207,641	203,184	(4,457)
User charges and fees	16	35,516	39,030	3,514
Grants and other contributions		357	260	(97)
Interest receipts	17	-	187	187
GST input tax credits from ATO	18	5,524	12,437	6,913
GST collected from customers	18	2,103	3,628	1,525
Other	19	132	2,037	1,905
<i>Outflows:</i>				
Employee expenses		(72,479)	(70,704)	(1,775)
Supplies and services		(70,189)	(74,977)	4,788
Grants and subsidies	20	(64,473)	(57,129)	(7,344)
Finance/borrowing costs	17	-	(187)	187
GST paid to suppliers	18	(7,490)	(13,060)	5,570
GST remitted to ATO	18	(244)	(3,703)	3,459
Other	21	(2,684)	(7,870)	5,186
Net cash provided by operating activities		33,714	33,133	(581)
Cash flows from investing activities				
<i>Inflows:</i>				
Receipts from loans	22	138	1,260	1,122
<i>Outflows:</i>				
Payments for property, plant and equipment	23	(18,651)	(13,412)	(5,239)
Payments for intangibles	24	(400)	(15)	(385)
Payments for loans	22	(341)	(5,142)	4,801
Net cash used in investing activities		(19,254)	(17,309)	(1,945)
Cash flows from financing activities				
<i>Inflows:</i>				
Equity injections	25	17,576	10,183	(7,393)
Borrowings	22	341	5,142	4,801
<i>Outflows:</i>				
Equity withdrawals	26	(32,793)	(36,134)	3,341
Borrowing redemptions	22	(138)	(1,260)	1,122
Net cash used in financing activities		(15,014)	(22,069)	7,055
Net increase (decrease) in cash and cash equivalents		(554)	(6,245)	5,691
Cash and cash equivalents at beginning of financial year		13,968	24,599	10,631
Cash and cash equivalents at end of financial year		13,414	18,354	4,940

16. Actual user charges and fees were higher than budget primarily due to cost recovery agreements with state government entities for the Queensland Rail train crewing practices Commission of Inquiry and rail link projects (\$3.17m) as well as additional facilities management revenue collected from tenants at the Brisbane culture precinct to offset increased costs (\$0.67m). This increase has been partly offset by less than expected revenue collected at Southbank carparks (\$0.20m). These items represent \$3.64m of the variance, with a further \$0.13m of offsets not material enough to be individually presented.

17. Actual interest receipts and finance/borrowing costs were higher than budget due to interest earned and paid with increased loans associated with the RFFF. This represents the variance.

18. The department is working to establish best practice in GST budgeting, including the adoption of a four-line approach (rather than net) to record and classify budgeted activities as GST generating transactions. As a consequence, actual GST transactions were greater than the allowance provided for under the current budget methodology.

19. Actual other operating inflows were higher than budget due to receipt of unbudgeted sundry receivables recorded at the end of 2015-16 (\$1.00m), as well as sponsorship received for state run events (\$0.70m). This represents \$1.70m of the variance.

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20. Actual grants and subsidies were less than budget primarily due to the reallocation of costs towards reducing youth crime in Townsville initiatives within the Department of Justice and Attorney-General (\$1.70m), undertaking reviews of blue card and foster care systems at the QFCC (\$1.12m), as well as an internal reallocation to meet expenditure associated with the Queensland Parole System Review (\$0.58m). The decrease is also due to costs associated with arts infrastructure upgrades (\$1.75m) and delivering community-driven activities to build social cohesion (\$1.62m) postponed until 2017-18. These items represent \$6.77m of the variance.

21. Actual other operating outflows were greater than budget primarily due to the return of unrequired cash received in 2015-16 for Anzac legacy projects to the Department of Veteran Affairs in 2016-17 (\$3.50m). The increase is also due to sponsorship payments during the year for Myriad Group activities, World of Drones Congress, White Ribbon Day Breakfast and Maroon Festival (\$1.53m). These items represent \$5.03m of the variance.

22. Actual receipts from loans, payments for loans, borrowings and borrowing redemptions are higher than budget due to the relatively uncertain nature of activities associated with the RFFF at the time of budget formation.

23. Actual payments for property, plant and equipment were lower than budget primarily due to deferral of capital work on the Anzac Legacy Gallery (\$7.22m). This decrease has been partly offset by additional spend on the Cremorne Theatre upgrade (\$1.60m) and tenancy works at the Judith Wright Centre of Contemporary Arts, including relocating the Aboriginal Centre for the Performing Arts (\$0.19m). This represents \$5.43m of the variance, with \$0.19m of offsets not material enough to be individually presented.

24. Actual payments for intangibles were lower than budget due to delaying the implementation of a new Joiners, Leavers and Movers system until 2017-18 (\$0.40m). This decrease has been partly offset by additional costs associated with the commencement of upgrading the whole of government Performance Information Management System (\$0.02m). This represents the variance.

25. Actual equity injections were lower than budget due to deferred Anzac Legacy Gallery capital expenditure (\$6.29m) and capital infrastructure works program at the Brisbane cultural precinct (\$1.10m) into 2017-18. This represents the variance.

26. Actual equity withdrawals were more than budget primarily due to the return of additional cash to the Consolidated Fund associated with funding increased depreciation expense (non-cash) that arose from asset revaluations (\$1.88m). The increase is also due to equity to output transfers for Anzac Centenary commemoration activities and information and communication technology system upgrades (\$1.30m), as well as deferral of funds for implementation of a new Joiners, Leavers and Movers system into 2017-18 (\$0.36m). This represents \$3.54m of the variance, with \$0.20m of offsets not material enough to be individually presented.

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Section E: Notes about our Administered Activities

E1 Schedule of Administered Income, Expenses, Assets and Liabilities

E1-1: 2016-17 Financial Information

	Ministerial Offices and Office of the Leader of the Opposition	Former Governor's Pension	Queensland Family and Child Commission	Arts Queensland	Total Administered
	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Revenues					
Appropriation revenue (Note E1-4)	41,100	150	13,499	98,688	153,437
Other revenue	177	-	342	-	519
Total Administered Revenues	41,277	150	13,841	98,688	153,956
Administered Expenses					
Employee expenses	24,744	127	-	-	24,871
Supplies and services	16,249	-	-	-	16,249
Grants and subsidies (Note E1-3)	-	-	13,310	98,688	111,998
Depreciation and amortisation	157	-	-	-	157
Other expenses	127	-	342	-	469
Total Administered Expenses	41,277	127	13,652	98,688	153,744
Operating Surplus/(Deficit)	-	23	189	-	212
Administered Assets					
Current					
Cash and cash equivalents	6,920	120	189	-	7,229
Receivables	618	-	342	-	960
Other current assets	26	-	-	-	26
Total Current Assets	7,564	120	531	-	8,215
Non-current					
Receivables	994	-	-	-	994
Property, plant and equipment/intangibles	1,304	-	-	-	1,304
Total Non-current Assets	2,298	-	-	-	2,298
Total Assets	9,862	120	531	-	10,513
Administered Liabilities					
Current					
Payables	2,003	-	342	-	2,345
Accrued employee benefits	1,347	-	-	-	1,347
Total Current Liabilities	3,350	-	342	-	3,692
Non-current					
Payables	994	-	-	-	994
Accrued employee benefits	688	-	-	-	688
Total Non-current Liabilities	1,682	-	-	-	1,682
Total Liabilities	5,032	-	342	-	5,374
Net Administered Assets	4,830	120	189	-	5,139
Total Administered Equity	4,830	120	189	-	5,139

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E1-2: 2015-16 Financial Information

	Ministerial Offices and Office of the Leader of the Opposition	Former Governor's Pension	Queensland Family and Child Commission	Arts Queensland	Total Administered
	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Revenues					
Appropriation revenue	35,211	150	11,569	84,152	131,082
Other revenue	31	-	189	-	220
Total Administered Revenues	35,242	150	11,758	84,152	131,302
Administered Expenses					
Employee expenses	23,556	130	-	-	23,686
Supplies and services	11,304	-	-	-	11,304
Grants and subsidies (Note: E1-3)	-	-	11,569	84,152	95,721
Depreciation and amortisation	227	-	-	-	227
Other expenses	163	-	189	-	352
Total Administered Expenses	35,250	130	11,758	84,152	131,290
Operating Surplus/(Deficit)	(8)	20	-	-	12
Administered Assets					
Current					
Cash and cash equivalents	8,921	98	-	-	9,019
Receivables	517	-	189	-	706
Other current assets	27	-	-	-	27
Total Current Assets	9,465	98	189	-	9,752
Non-current					
Property, plant and equipment/intangibles	359	-	-	-	359
Total Non-current Assets	359	-	-	-	359
Total Assets	9,824	98	189	-	10,111
Administered Liabilities					
Current					
Payables	961	-	189	-	1,150
Accrued employee benefits	1,033	-	-	-	1,033
Total Current Liabilities	1,994	-	189	-	2,183
Non-current					
Accrued employee benefits	3,000	-	-	-	3,000
Total Non-current Liabilities	3,000	-	-	-	3,000
Total Liabilities	4,994	-	189	-	5,183
Net Administered Assets	4,830	98	-	-	4,928
Total Administered Equity	4,830	98	-	-	4,928

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	2017 \$'000	2016 \$'000
E1-3: Grants and subsidies were paid to the following entities		
Queensland Family and Child Commission	13,310	11,569
Queensland Art Gallery	32,173	29,530
Queensland Museum	36,116	24,090
Queensland Performing Art Trust	7,997	9,330
Queensland Theatre	2,600	2,600
Screen Queensland	19,802	18,602
Total Grants and subsidies	111,998	95,721

E1-4: Reconciliation of Payments from Consolidated Fund to Administered Revenue

Budgeted appropriation	150,956	126,420
Transfers from/(to) other headings	2,330	7,738
Total Administered Receipts	153,286	134,158
Less: Opening balance of departmental services revenue receivable	-	(3,076)
Less: Closing balance of unearned departmental services revenue	(190)	(189)
Net Administered Appropriation Revenue	153,096	130,893
Plus: Deferred appropriation refundable to Consolidated Fund (expenses)	341	189
Appropriation Revenue recognised in the Statement of Comprehensive Income	153,437	131,082

E1-5: Significant Accounting Policy

Relevant significant accounting policies for Administered activities are in line with those stated under the Reporting Entity's notes to the Financial Statements.

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E2 Budget to Actual Comparison – Administered Activities

E2-1: Income and Expenses

	Variance	Budget	Actual	Variance
	Notes	2017	2017	2017
		\$'000	\$'000	\$'000
Administered Revenues				
Appropriation revenue		150,956	153,437	2,481
Other revenue	1	-	519	519
Total Administered Revenues		150,956	153,956	3,000
Administered Expenses				
Employee expenses	2	29,592	24,871	(4,721)
Supplies and services		15,569	16,249	680
Grants and subsidies	3	105,026	111,998	6,972
Depreciation and amortisation	4	646	157	(489)
Other expenses	5	123	469	346
Total Administered Expenses		150,956	153,744	2,788
Operating Surplus/(Deficit)		-	212	212

Variance Notes – Administered Activities (Income and Expenses)

1. Actual other revenue was higher than budget primarily due to the return of grant payments made to the QFCC to undertake the Child Death Model Review (\$0.12m), the three year evaluation of the child protection reform program (\$0.10m), systems reviews (\$0.07m), the Hearing our Voices project (\$0.03m) and the community education work package (\$0.02m) post budget formation. These programs of work will continue to progress in 2017-18. In addition, the increase also relates to Ministerial Offices and Office of the Leader of the Opposition's recovery of costs from Queensland Treasury for the replacement of compatible information technology equipment at 1 William Street (\$0.14m) and subsequent sale of incompatible assets used at 100 George Street (\$0.02m). These items represent \$0.50m of the variance.

2. Actual employee expenses were lower than budget primarily due to temporary savings generated within ministerial offices from unanticipated vacancies arising out of portfolio reshuffles during the financial year. This represents the variance.

3. Actual grants and subsidies were higher than budget primarily due to additional appropriation provided to Queensland Museum to develop a cutting edge interactive Science, Technology, Engineering and Mathematics (STEM) centre (\$5.00m) and for preservation of the state collection (\$0.85m), as well as to the QFCC for the reviews of blue card and foster care systems (\$1.12m). These items represent the variance.

4. Actual depreciation and amortisation was lower than budget primarily due to ministerial offices not replacing aged assets until late in the financial year as a result of relocating to 1 William Street. This represents the variance.

5. Actual other expenses were higher than budget primarily due to administered appropriation payable to the Consolidated Fund associated with QFCC's Child Death Model Review (\$0.12m), the three year evaluation of the child protection reform program (\$0.10m), systems reviews (\$0.07m), the Hearing our Voices project (\$0.03m) and the community education work package (\$0.02m). This represents the variance.

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E2-2: Assets and Liabilities

	Variance	Budget	Actual	Variance
	Notes	2017	2017	2017
		\$'000	\$'000	\$'000
Administered Assets				
Current				
Cash and cash equivalents	6	11,513	7,229	(4,284)
Receivables	7	414	960	546
Other current assets		23	26	3
Total Current Assets		11,950	8,215	(3,735)
Non-current				
Receivables	8	-	994	994
Property, plant and equipment	9	1,162	1,304	142
Total Non-current Assets		1,162	2,298	1,136
Total Assets		13,112	10,513	(2,599)
Administered Liabilities				
Current				
Payables	10	902	2,345	1,443
Accrued employee benefits	11	2,212	1,347	(865)
Total Current Liabilities		3,114	3,692	578
Non-current				
Payables	8	-	994	994
Accrued employee benefits	11	5,081	688	(4,393)
Total Non-current Liabilities		5,081	1,682	(3,399)
Total Liabilities		8,195	5,374	(2,821)
Net Administered Assets		4,917	5,139	222
Total Administered Equity		4,917	5,139	222

Variance Notes – Administered Activities (Assets and Liabilities)

6. Actual cash and cash equivalents were lower than budget due to movements in cash balances held to fund severance provisions for Ministerial Offices and Office of the Leader of the Opposition following resignations of employees with high years of recognised service. These items represent \$5.26m of the variance, with \$0.98m of offsets not material enough to be individually presented.

7. Actual receivables were higher than budget primarily due to unspent grant funding to be returned from QFCC associated with undertaking the Child Death Model Review (\$0.12m), the three year evaluation of the child protection reform program (\$0.10m), systems reviews (\$0.07m), the Hearing our Voices project (\$0.03m) and the community education work package (\$0.02m). In addition, the increase is also due to a higher than expected GST receivable for ministerial offices as a result of a large technology purchase at year end (\$0.13m). These items represent \$0.47m of the variance.

8. Actual non-current receivables and non-current payables were higher than budget primarily due to adopting the straight-line leasing accounting methodology on 1 William Street rental agreements. This represents the variance.

9. Actual property, plant and equipment were higher than budget due to asset acquisitions at the end of the financial year to support ministerial offices located in 1 Williams Street resulting in lower depreciation expense for the year. This represents the variance.

10. Actual current payables were higher than budget primarily due to appropriation to be returned to the Consolidated Fund associated with QFCC's Child Death Model Review (\$0.12m), the three year evaluation of the child protection reform program (\$0.10m), systems reviews (\$0.07m), the Hearing our Voices project (\$0.03m) and the community education work package (\$0.02m). In addition, the increase is also attributable to ministerial offices technology purchases at year end (\$0.70m) and Fringe Benefit Tax payable (\$0.30m). These items represent \$1.34m of the variance.

11. Actual current and non-current accrued employee benefits were lower than budget primarily due to movements in the severance provisions for Ministerial Offices and Office of the Leader of the Opposition as a result of resignations of employees with high years of recognised service. This represents the variance.

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

Section F: Other Information

F1 Objectives and Principal Activities of the Department

As the lead central agency of the Queensland public service, the Department of the Premier and Cabinet services the Premier and Cabinet, building confidence in and driving an innovative government, while providing whole of government leadership to deliver outstanding results and value for money for Queenslanders.

The department's vision is that it makes a real and tangible difference today, and our contributions will be recognised by future generations.

To achieve this vision, the department's strategic objectives are to:

- Support the Premier to set the strategic direction of government.
- Lead the development, coordination and implementation of effective and innovative policy solutions.
- Maintain a robust system of government with disciplined Cabinet and Executive Council systems and processes.
- Lead Queensland's engagement with the Council of Australian Governments (COAG) and other whole of government interjurisdictional activities.
- Lead planning and delivery of whole of government communication.
- Provide strategic advice and coordination of the Premier's official overseas visits and functions.
- Deliver the legislative program for Queensland.
- Support Queenslanders' access to arts and cultural experiences to enable growth of the arts sector and a strong community of arts.

The department is committed to supporting the delivery of the Queensland Government's objectives for the community. This is achieved through collaboration across the whole of government to achieve policy outcomes that support these objectives.

The major services delivered by the department* are as follows:

- **Policy Advice and Coordination, and Cabinet Support:** provision of detailed briefings to the Premier on social, legal, economic, environmental and performance policy, from design and development through to coordination and implementation. It also includes the management and coordination of all procedural, operational and logistical services supporting Cabinet and Cabinet Committees, including custodianship of Cabinet records from current and previous governments.
- **Government Services:** provision of policy and operational advice and support to the Premier in relation to constitutional, executive government and machinery-of-government matters. It also includes supporting the administration of business before Executive Council, provision of support services to Ministerial Offices and the Leader of the Opposition, and management and coordination of the Anzac Centenary commemorative program.
- **Legislative Drafting and ePublishing:** provision of legislative drafting services to all Queensland public sector agencies and provision of access to legislation on the Queensland legislation website.
- **Arts Queensland:** management of investment programs that support individual artists and arts and cultural organisations; support of capital infrastructure that provides public spaces for arts production and engagement; and provision of arts and cultural policy and strategy advice to the Queensland Government.
- **Corporate Administration Agency (CAA):** provision of corporate services to Queensland public sector entities, principally statutory bodies. Includes human resource (HR) management and HR consulting, payroll and recruitment services, financial management and transactional services, and information technology and business systems.

Administered items

Administered activities are those undertaken by departments on behalf of the Government.

The Department of the Premier and Cabinet administers funds on behalf of the State which includes resourcing for Ministerial Offices and Office of the Leader of the Opposition.

The key clients are Ministers, Assistant Ministers, the Leader of the Opposition and their respective staff. The services provided are:

- support for Ministers to assist in undertaking their responsibilities as Ministers of the State
- management of advisory, secretarial and administrative staff and associated resources for all Ministerial Offices
- maintenance of procedures to ensure the financial accountability of these offices is in accordance with the Queensland Ministerial Handbook
- corporate support for the Office of the Leader of the Opposition.

The department also administers funds on behalf of the State for the following statutory entities: Queensland Family and Child Commission, Queensland Art Gallery, Queensland Museum, Queensland Performing Arts Trust, Queensland Theatre and Screen Queensland.

*Major services delivered by the department do not align to structural divisions. Strategy and Engagement is distributed between Policy Advice and Coordination, and Cabinet Support, and Government Services.

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

F2 Key Management Personnel (KMP)

F2-1: Details of Key Management Personnel

For 2016-17, the department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. That Minister is the Premier and Minister for the Arts.

The following details for non-ministerial KMP include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2016-17 and 2015-16. Further information on these positions can be found in the body of the Annual Report.

Position	Responsibilities
Director-General	The Director-General leads the efficient, effective and economic administration of the department.
Deputy Director-General, Policy	The Deputy Director-General, Policy leads policy advice and facilitates the development of evidence-based policy advice and coordination for the Premier and Cabinet to drive change across government. The position also provides detailed briefings to the Premier on policy, from design and development through to coordination and implementation.
Deputy Director-General, Corporate and Government Services	The Deputy Director-General, Corporate and Government Services is responsible for the daily operations of the department, and leads the operating strategy for the department to enable robust governance structures and effective and responsive corporate service delivery. The position also provides key advice to the Director-General and to the Premier on complex constitutional, legal, executive government and administration matters.
Deputy Director-General, Strategy and Engagement	The Deputy Director-General, Strategy and Engagement leads, directs and coordinates policy at a strategic level, supplies executive management support to the Director-General in developing and coordinating strategic policy across government, and is responsible for supporting intergovernmental relations between the Commonwealth and the State. Strategy and Engagement Division also leads whole of government sponsorships and communication activities, as well as manages and coordinates events including State occasions, official visits and functions.
Deputy Director-General, Arts Queensland	The Deputy Director-General, Arts Queensland is responsible for the efficient, effective and economic administration of Arts Queensland.
Queensland Parliamentary Counsel	The Queensland Parliamentary Counsel leads the efficient, effective and economic administration of the Office of the Queensland Parliamentary Counsel.
Cabinet Secretary	The Cabinet Secretary provides Cabinet support for the Premier and Cabinet and Cabinet-related activities across government. The position also coordinates the operation of Cabinet and its related processes, including administration of all Cabinet information, custodianship of the Cabinet record from current and previous governments and direct logistical support for Cabinet and Community Cabinet meetings.
Senior Executive Director, Office of the Director-General	The Senior Executive Director manages the Office of the Director-General.
Former Positions*	Responsibilities
General Manager, Corporate Services (26 Feb 16)*	The General Manager, Corporate Services is responsible for delivering contemporary, fit for purpose, high quality, value for money corporate services to the department.
General Manager, Government Services (29 Feb 16)*	The General Manager, Government Services is responsible for delivering high quality advice, services and policy options to the Premier and the department in relation to constitutional and legal matters and ministerial services. Government Services also coordinated the Anzac Centenary Coordination Unit.
Senior Executive Director, Social Policy (18 Jan 16)*	The Senior Executive Director, Social Policy provides strategic leadership, direction, and co-ordination on social policy issues and provided executive management support to the Director-General in developing and coordinating strategic social policy across government.
Senior Executive Director, Economic Policy (18 Jan 16)*	The Senior Executive Director, Economic Policy provides strategic leadership, direction, and co-ordination on economic policy issues and provided executive management support to the Director-General in developing and coordinating strategic economic policy across government.

*Positions did not form part of the Corporate Governance Group after the date stated in the table. Accordingly no remuneration beyond this date has been included in Note F2-4: Non-Ministerial KMP Performance Remuneration Expense.

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

F2-2: Related Party Transactions

Transactions with people/entities related to KMP

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

Transactions with related parties of the entity have occurred within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect the entity would have entered into on an arm's-length basis. No KMP related party transactions were entered into during the financial year.

Transactions with other Queensland Government-controlled entities

The entity transacts with other Queensland Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions. Where transactions with other Queensland Government controlled entities are considered individually significant or material, these have been disclosed as related party transactions in the relevant notes as follows:

Note A1-2: User Charges and Fees

Note A1-3: Grants and Other Contributions

Note A2-1: Employee Expenses

Note A2-2: Supplies and Services

Note A2-3: Grants and Subsidies

Note A2-4: Other Expenses

Note B2: Receivables and Loans Receivable

Note B6: Interest-Bearing Liabilities

F2-3: KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances.

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

1. Short term employee expenses which include:

- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position; and
- non-monetary benefits, consisting of provision of a carpark together with fringe benefits tax applicable to the benefit.

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

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

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

There were nil performance payments in 2016-17 (nil in 2015-16).

The remuneration packages for the Director-General and other KMP do not provide for any performance or bonus payments.

F2-4: Non-Ministerial KMP Performance Remuneration Expense

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

Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017

Position (Classification)	Employee Expenses							Total
	Financial Year	Short Term		Long Term	Post	Termin.	Total	
		Monetary \$'000	Non-Monetary \$'000					
Director-General (CEO)	2016-17	640	-	12	78	-	730	
	2015-16	649	-	12	77	-	738	
Deputy Director-General, Policy (CEO) (From 18 Jan 16)	2016-17	313	1	6	34	-	354	
	2015-16	145	-	3	12	-	160	
Deputy Director-General, Corporate and Government Services (SES4) (From 27 Jan 16)	2016-17	258	-	5	27	-	290	
	2015-16	118	-	2	9	-	129	
Deputy Director-General, Corporate and Government Services (SES4) (To 26 Jan 16)	2015-16	178	-	3	23	-	204	
Deputy Director-General, Strategy and Engagement (SES4) (From 23 Jan 17)	2016-17	108	-	2	12	-	122	
Deputy Director-General, Strategy and Engagement (SES4) (From 11 Aug 15 to 04 Nov 16)	2016-17	104	-	2	9	-	115	
	2015-16	213	-	4	19	-	236	
Deputy Director-General, Strategy and Engagement (CEO) (To 10 Aug 15)	2015-16	36	-	1	4	-	41	
Deputy Director-General, Arts Queensland (SES4)	2016-17	234	-	5	26	-	265	
	2015-16	218	-	5	25	-	248	
Queensland Parliamentary Counsel (CEO) (From 02 Jan 16)	2016-17	294	-	6	38	-	338	
Queensland Parliamentary Counsel (CEO) (To 03 Jan 16)	2015-16	148	-	3	18	-	169	
Cabinet Secretary (SES3)	2015-16	233	-	2	20	7	262	
	2016-17	222	-	4	25	-	251	
Senior Executive Director, Office of the Director-General (SES2) (From 12 Dec 16)	2015-16	242	-	4	24	-	270	
Senior Executive Director, Office of the Director-General (SES3) (To 10 Aug 15)	2016-17	101	-	2	10	-	113	
2015-16	21	-	-	-	2	-	23	
Positions below ceased being KMP from their respective end dates.								
General Manager, Corporate Services (SES3) (To 26 Feb 16)	2015-16	266	-	3	16	123	408	
General Manager, Government Services (SES3) (To 29 Feb 16)	2015-16	120	-	2	14	-	136	
Senior Executive Director, Social Policy (SES4) (To 18 Jan 16)	2015-16	149	-	3	17	-	169	
Senior Executive Director, Economic Policy (SES4) (To 18 Jan 16)	2015-16	116	-	2	14	-	132	
Total Remuneration	2016-17	2,274	1	44	259	-	2,578	
	2015-16	2,852	-	49	294	130	3,325	

Department of the Premier and Cabinet Notes to the Financial Statements for the year ended 30 June 2017

F3 Basis of Financial Statement Preparation

F3-1: General Information

The Department of the Premier and Cabinet is a Queensland Government Department established under the *Public Service Act 2008*. The department is controlled by the State of Queensland which is the ultimate parent. The head office and principal place of business of the department is 1 William Street, Brisbane QLD 4000. These financial statements cover the Department of the Premier and Cabinet and are authorised for issue by the Director-General and the Chief Finance Officer (Acting) at the date of signing the Management Certificate. For information in relation to the department's financial report please call (07) 3003 9218, email premiers.master@premiers.qld.gov.au or visit the departmental internet site www.premiers.qld.gov.au.

F3-2: Compliance with the Prescribed Requirements

The Department of the Premier and Cabinet has prepared these financial statements:

- In compliance with section 42 of the *Financial and Performance Management Standard 2009*.
- In accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities requirements.
- In accordance with the minimum reporting requirements mentioned in the Financial Reporting Requirements for Queensland Government agencies for reporting periods beginning on or after 1 July 2016.
- On an accrual basis.

F3-3: Presentation

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is less than \$500 to zero. Comparative information reflects the audited 2015-16 financial statements. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

F3-4: Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. Any GST credits receivable from, or GST payable to the ATO, are recognised in note B2.

F3-5: The Reporting Entity

The parent entity financial statements consist of the Department of the Premier and Cabinet. Controlled and associated entities are as outlined below.

Controlled Entities:

- Screen Queensland Pty Ltd (SQ) is a company, incorporated in the State of Queensland, limited by shares held beneficially by the State of Queensland. Its principal activities during the course of the year were the facilitation of the development, promotion and enhancement of the film production industry, and film culture and presentation of film and film-related events in Queensland. The share capital of SQ consists of one fully paid share to the value of \$10 and is held by the department on behalf of the State of Queensland.
- The Aboriginal Centre for the Performing Arts Pty Ltd (ACPA) is a registered training company that delivers accredited training to indigenous and non-indigenous persons in various performing arts courses. The share capital of ACPA consists of two (2) ordinary shares of \$1 each, fully paid, and held by the department on behalf of the State of Queensland.
- Queensland Music Festival Pty Ltd (QMF) was established and incorporated in the State of Queensland as a non-profit company to produce and promote a biennial Queensland festival of music which achieves both international excellence and accessibility for Queenslanders from all walks of life. The share capital of QMF consists of two (2) ordinary shares of \$1 each, fully paid, and are held by the department on behalf of the State of Queensland.

Associated Entities:

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

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

Consolidated Economic Entity financial statements include SQ only. All other entities are considered immaterial and have not been consolidated or recognised under equity accounting as they would not materially affect the reported financial position and revenue and expenses of the Economic Entity.

Each controlled and associated entity is a reporting entity in its own right and the audited financial statements are included in their respective annual reports. A summary of the latest audited financial transactions and balances for controlled and associated entities are shown below in Figure 1.

Figure 1: Audited Financial Transactions and Balances

	SQ	QMF	ACPA	MBF
	30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2016
	\$'000	\$'000	\$'000	\$'000
	Audited	Audited	Audited	Audited
Revenue	21,872	4,050	1,588	16,442
Expenses	18,176	2,958	1,837	16,426
Net Surplus/(Deficit)	3,696	1,092	(249)	16
Assets	26,241	1,659	905	2,478
Liabilities	10,888	284	249	1,367
Net Assets	15,353	1,375	656	1,111

SQ and ACPA are audited by the Auditor-General of Queensland. QMF is audited by Integrated Audit Service Pty Ltd and MBF is audited by BDO Audit Pty Ltd. QMF and MBF are exempt from audit by the Auditor-General of Queensland under section 30A of the *Auditor-General Act 2009*. QMF has changed year end from 30 September to 31 December, therefore is reporting 15 months to 31 December 2016.

F3-6: Accounting Estimates and Judgements

Reference should be made to the respective notes for more information on critical judgements, estimates and assumptions about the estimation of uncertainty and the potential this could have to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. These are as follows:

Note B3-2: Intangible Assets. Amortisation expense and impairment

Note B4-4: Property, plant and equipment. Measurement using fair value

Note B4-5: Property, plant and equipment. Depreciation expense and impairment

The value of goods and services received free or below fair value have been reflected in the department's financial results if the value of the goods and services can be reliably determined and the goods and services would have been purchased if not donated.

F3-7: First Year Application of New Accounting Standards or Change in Accounting Policy

Changes in Accounting Policy

The department did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards Early Adopted for 2016-17

No Australian Accounting Standards have been early adopted for the 2016-17 year.

Accounting Standards Applied for the First Time

The only Australian Accounting Standard that became effective for the first time in 2016-17, and materially impacted on this financial report, is AASB 124 *Related Party Disclosures*. This standard requires note disclosures about KMP remuneration expenses and other related party transactions, and does not impact on financial statement line items. As Queensland Treasury already required disclosure of KMP remuneration expenses, there was minimal impact for the department's disclosures compared to 2015-16 (refer to Note F2-4). Material related party transactions for 2016-17 are disclosed in Note F2. No comparative information is required in respect of 2015-16.

F3-8: Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below. All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the department's activities, or have no material impact on the department.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This standard will require additional financial liability disclosure, by way of a reconciliation in the notes to the Statement of Cash Flows, to enable the reader to evaluate changes in liabilities arising from financing activities, encompassing cash flow and non-cash flow changes between the opening and closing balance of the relevant liabilities. This incoming standard will be applicable to departmental

Department of the Premier and Cabinet Notes to the Financial Statements for the year ended 30 June 2017

borrowings with QTC as outlined in Note B6 and will first apply to the department's financial statements for 2017-18 and is not expected to have a material impact.

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

The department has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

- grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The department receives several grants for which there are no sufficiently specific performance obligations, so these grants will continue to be recognised as revenue upfront.
- depending on the respective contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the department's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated obligations (such amounts would be reported as a liability in the meantime). The department is yet to complete its analysis of existing arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.
- a range of new disclosures will also be required by the new standards in respect of the department's revenue.

This incoming standard will first apply to the department's financial statements for 2019-20.

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

The main impacts of these standards on the department are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value. The main impact for the department will be on the measurement of loans receivable.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, all of the department's financial assets are expected to be measured at fair value. In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the department's operating result. These Standards will become effective from reporting periods beginning on or after 1 January 2018.

AASB 16 Leases

When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for Lessees

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. There will be a significant increase in assets and liabilities relating to property leases at 1 William Street, Brisbane and 111 George Street, Brisbane.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. The Department will await further guidance from Queensland Treasury on the transitional accounting method to be applied.

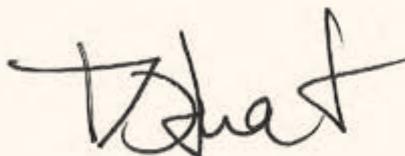
The department has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required. This standard will first apply to the department from its financial statements for 2019-20.

**Department of the Premier and Cabinet
Notes to the Financial Statements
for the year ended 30 June 2017**

Certificate of the Department of the Premier and Cabinet

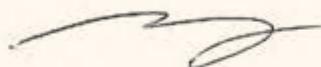
These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of the Premier and Cabinet for the financial year ended 30 June 2017 and of the financial position of the department at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Dave Stewart
Director-General

25 August 2017



Phillip Fogarty CPA
Chief Finance Officer (Acting)

25 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of the Premier and Cabinet

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of the Premier and Cabinet (the parent) and its controlled entities (the group). The financial report comprises the statements of financial position and statements of assets and liabilities by major departmental services and shared service providers as at 30 June 2017, the statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services and shared service providers for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificates provided by the Director-General and Chief Finance Officer (Acting).

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2017, and their financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

Basis for opinion

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

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

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

Key audit matters

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

Valuation of heritage and cultural assets (\$316 million) and depreciation expense (\$25.0 million)

Refer to note B4 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>The Department of the Premier and Cabinet's heritage and cultural assets include material building assets measured at fair value at balance date. The Department performed a comprehensive revaluation of all heritage and cultural building assets. These buildings are restricted for use due to heritage listing. The fair value of the buildings was determined using the current replacement cost method which comprises:</p> <ul style="list-style-type: none"> • Gross replacement cost, less • Accumulated depreciation <p>The Department derived the gross replacement cost of these buildings at balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> • identifying the components of buildings with separately identifiable replacement costs (known as unit rate categories) • developing a unit rate for each of these components, including: <ul style="list-style-type: none"> ○ estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. \$/square metre) ○ identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. <p>The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of assets. The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the adequacy of management's review of the valuation process. • Assessing the appropriateness of the building components used for measuring gross replacement cost with reference to the Department's asset management plans, the unit costs of its recent projects, and common industry practices. • For unit rates: <ul style="list-style-type: none"> ○ Assessing the competence, capability and objectivity of the experts used by the entity to develop the models. ○ Obtaining an understanding of the methodology used, and assessing its appropriateness with reference to common industry practices. ○ On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the: <ul style="list-style-type: none"> ▪ modern substitute (including locality factors and oncosts) ▪ adjustment for excess quality, obsolescence or restrictions on use. • Evaluating useful life estimates for reasonableness by: <ul style="list-style-type: none"> ○ Reviewing management's annual assessment of useful lives. ○ At an aggregated level, reviewing for consistency between renewal budgets and the gross replacement cost of assets due to expire during the renewal budget period. ○ Reviewing that no component still in use has reached or exceeded its useful life. ○ Reviewing formal asset management plans, and enquiring of management about whether these plans remain current. • Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Responsibilities of the accountable officer for the financial report

The accountable officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the

accountable officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The accountable officer is also responsible for assessing the parent's and group'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 parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accountable officer.
- Conclude on the appropriateness of the accountable officer'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 parent's or group'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 parent or group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

From the matters communicated with the accountable officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters.

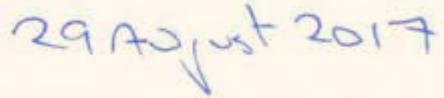
Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



Brendan Worrall
Auditor-General



Queensland Audit Office
Brisbane