



PART B

meet the
game changers

financial statements

PART B

Department of Science, Information Technology and Innovation

The Department of Science, Information Technology and Innovation Financial Statements

Understanding our financial statements

The financial statements enable readers to assess the Department of Science, Information Technology and Innovation (the department) including its commercialised business unit (CBU) and shared service provider (SSP) financial results and cash flows for the 2016–17 financial year, and its position as at the end of the financial year.

These financial statements cover the department and its controlled entity.

The department is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

	Page No
<i>Statement of Comprehensive Income</i>	3
This statement shows income and expenses and the results of operations for the financial year, as well as other comprehensive income including asset revaluation adjustments.	
<i>Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs</i>	4
This statement provides information on income and expenses by each departmental service, CBU and SSP.	
<i>Statement of Financial Position</i>	6
This statement provides information concerning assets, liabilities and the department's equity at the end of the financial year. Assets shown as current are reasonably expected to be converted to cash, sold or consumed in the operations of the department in the next financial year. Similarly, current liabilities are expected to consume cash in the next financial year.	
<i>Statement of Assets and Liabilities by Major Departmental Services, CBUs and SSPs</i>	7
This statement provides information on assets and liabilities by each departmental service, CBU and SSP.	
<i>Statement of Changes in Equity</i>	9
This statement provides information on the movement of equity during the financial year.	
<i>Statement of Cash Flows</i>	10
This statement provides information concerning sources and uses of cash during the financial year and available cash at the end of the financial year.	
<i>Notes to the financial statements</i>	11
<i>Management Certificate</i>	49
<i>Independent Auditor's Report</i>	50

General information

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

Level 33
1 William Street
BRISBANE QLD 4000

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

For information in relation to the department's financial statements, please call 13 QGOV (13 74 68), email webfeedback@dsiti.qld.gov.au or visit the departmental website www.qld.gov.au/dsiti.

Statement of Comprehensive Income

for the year ended 30 June 2017

	Notes	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance* \$'000	2016 Actual \$'000
OPERATING RESULT					
Income from continuing operations					
Appropriation revenue	5	305,455	294,567	10,888	282,430
User charges and fees	6	302,914	289,682	13,232	304,176
Grants and other contributions	7	22,347	18,754	3,593	20,459
Interest	13	115	156	(41)	162
Other revenue	8	5,541	-	5,541	2,017
Total revenue		636,372	603,159	33,213	609,244
Gains on disposal of assets		5	-	5	10
Total income from continuing operations		636,377	603,159	33,218	609,254
Expenses from continuing operations					
Employee expenses	9	261,212	263,956	(2,744)	260,663
Supplies and services	10	281,912	242,222	39,690	256,348
Grants and subsidies	11	51,267	71,325	(20,058)	41,670
Depreciation and amortisation	16/17	28,616	29,315	(699)	28,468
Impairment losses	16/27	2,314	-	2,314	621
Finance/borrowing costs	19	4,343	4,329	14	4,016
Other expenses	12	2,789	2,938	(149)	19,682
Total expenses from continuing operations		632,453	614,085	18,368	611,468
Operating result from continuing operations before income tax		3,924	(10,926)	14,850	(2,214)
Income tax revenue	28	620	-	620	6
Operating result from continuing operations after income tax		4,544	(10,926)	15,470	(2,208)
Other comprehensive income					
Items that will not be reclassified to operating result					
Increase in asset revaluation surplus	17	-	-	-	1,059
Total other comprehensive income		-	-	-	1,059
Total comprehensive income		4,544	(10,926)	15,470	(1,149)

* An explanation of major variances is included at note 29.
The accompanying notes form part of these statements.

PART B

Department of Science, Information Technology and Innovation

Statement of Comprehensive Income by Major Departmental Services, CBU's and SSPs

for the year ended 30 June 2017

	CITEC (CBU)		Queensland Shared Services (SSP)		Services for Government		Services for Queenslanders	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income from continuing operations								
Appropriation revenue	-	-	-	-	148,101	145,592	74,264	61,758
User charges and fees	153,741	150,199	139,871	143,720	4,104	3,761	29,924	28,208
Grants and other contributions	711	-	3,251	5,590	14,808	14,500	-	-
Interest	115	162	-	-	-	-	-	-
Other revenue	151	9	315	295	5,750	3,366	285	45
Total revenue	154,718	150,370	143,437	149,605	172,763	167,219	104,473	90,011
Gains on disposal of assets	-	1	-	-	5	5	-	2
Total income from continuing operations	154,718	150,371	143,437	149,605	172,768	167,224	104,473	90,013
Expenses from continuing operations								
Employee expenses	40,108	40,425	81,886	85,115	49,269	48,375	49,330	47,377
Supplies and services	110,772	106,176	50,648	55,473	94,729	90,076	47,052	34,749
Grants and subsidies	-	-	-	-	3,448	2,236	1,560	1,460
Depreciation and amortisation	5,441	7,432	4,221	3,716	15,130	13,423	3,500	3,817
Impairment losses	27	19	2,286	551	-	2	1	4
Finance/borrowing costs	13	76	-	-	4,323	3,940	-	-
Other expenses	564	566	1,349	1,034	5,176	10,965	2,923	2,542
Total expenses from continuing operations	156,925	154,694	140,390	145,889	172,075	169,017	104,366	89,949
Operating result from continuing operations before income tax	(2,207)	(4,323)	3,047	3,716	693	(1,793)	107	64
Income tax revenue	620	6	-	-	-	-	-	-
Operating result from continuing operations after income tax	(1,587)	(4,317)	3,047	3,716	693	(1,793)	107	64
Other comprehensive income								
Items that will not be reclassified to operating result								
Increase in asset revaluation surplus	-	-	-	-	-	1,059	-	-
Total other comprehensive income	-	-	-	-	-	1,059	-	-
Total comprehensive income	(1,587)	(4,317)	3,047	3,716	693	(734)	107	64

The accompanying notes form part of these statements.

Statement of Comprehensive Income by Major Departmental Services, CBU's and SSPs

for the year ended 30 June 2017

	Advance Queensland through innovation		General – not attributable		Inter-departmental eliminations		Department total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income from continuing operations								
Appropriation revenue	69,383	55,647	26,519	19,433	(12,812)	-	305,455	282,430
User charges and fees	-	41	-	7	(24,726)	(21,760)	302,914	304,176
Grants and other contributions	1,877	369	1,700	-	-	-	22,347	20,459
Interest	-	-	-	-	-	-	115	162
Other revenue	357	28	24,656	25,383	(25,973)	(27,109)	5,541	2,017
Total revenue	71,617	56,085	52,875	44,823	(63,511)	(48,869)	636,372	609,244
Gains on disposal of assets	-	-	-	2	-	-	5	10
Total income from continuing operations	71,617	56,085	52,875	44,825	(63,511)	(48,869)	636,377	609,254
Expenses from continuing operations								
Employee expenses	13,918	11,719	26,905	27,899	(204)	(247)	261,212	260,663
Supplies and services	8,502	3,545	20,657	14,909	(50,448)	(48,580)	281,912	256,348
Grants and subsidies	46,256	37,974	3	-	-	-	51,267	41,670
Depreciation and amortisation	120	6	204	74	-	-	28,616	28,468
Impairment losses	1	-	(1)	45	-	-	2,314	621
Finance/borrowing costs	-	-	7	-	-	-	4,343	4,016
Other expenses	2,031	3,043	3,605	1,574	(12,859)	(42)	2,789	19,682
Total expenses from continuing operations	70,828	56,287	51,380	44,501	(63,511)	(48,869)	632,453	611,468
Operating result from continuing operations before income tax	789	(202)	1,495	324	-	-	3,924	(2,214)
Income tax revenue	-	-	-	-	-	-	620	6
Operating result from continuing operations after income tax	789	(202)	1,495	324	-	-	4,544	(2,208)
Other comprehensive income								
Items that will not be reclassified to operating result								
Increase in asset revaluation surplus	-	-	-	-	-	-	-	1,059
Total other comprehensive income	-	-	-	-	-	-	-	1,059
Total comprehensive income	789	(202)	1,495	324	-	-	4,544	(1,149)

The accompanying notes form part of these statements.

PART B

Department of Science, Information Technology and Innovation

Statement of Financial Position

as at 30 June 2017

	Notes	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance* \$'000	2016 Actual \$'000
Current assets					
Cash and cash equivalents	13	41,857	27,831	14,026	41,690
Receivables	14	47,910	45,842	2,068	55,648
Other current assets	15	18,836	13,033	5,803	13,506
Total current assets		108,603	86,706	21,897	110,844
Non-current assets					
Intangible assets	16	35,614	34,995	619	30,770
Property, plant and equipment	17	183,082	170,737	12,345	189,078
Other non-current assets	15	1,195	790	405	738
Total non-current assets		219,891	206,522	13,369	220,586
Total assets		328,494	293,228	35,266	331,430
Current liabilities					
Payables	18	47,649	48,468	(819)	52,680
Interest-bearing liabilities	19	9,106	7	9,099	8,882
Accrued employee benefits	20	11,146	9,485	1,661	10,234
Other current liabilities	21	4,795	1,916	2,879	2,029
Total current liabilities		72,696	59,876	12,820	73,825
Non-current liabilities					
Payables		-	430	(430)	-
Interest-bearing liabilities	19	112,967	117,110	(4,143)	116,296
Deferred tax liabilities	28	905	1,532	(627)	1,526
Other non-current liabilities	21	3,242	-	3,242	230
Total non-current liabilities		117,114	119,072	(1,958)	118,052
Total liabilities		189,810	178,948	10,862	191,877
Net assets		138,684	114,280	24,404	139,553
Equity					
Contributed equity		150,504			155,917
Accumulated deficit		(59,513)			(64,057)
Asset revaluation surplus	17	47,693			47,693
Total equity		138,684	114,280	24,404	139,553

* An explanation of major variances is included at note 29.
The accompanying notes form part of these statements.

Statement of Assets and Liabilities by Major Departmental Services, CBU's and SSPs

as at 30 June 2017

	CITEC (CBU)		Queensland Shared Services (SSP)		Services for Government		Services for Queenslanders	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets								
Cash and cash equivalents	16,935	16,077	22,430	16,493	-	1	3,366	3,240
Receivables	16,215	14,984	14,056	22,919	16,788	14,014	10,103	6,730
Other current assets	4,069	3,707	1,183	470	10,797	7,152	1,853	1,886
Total current assets	37,219	34,768	37,669	39,882	27,585	21,167	15,322	11,856
Non-current assets								
Intangible assets	2,889	3,688	24,554	21,297	1,401	1,064	6,770	4,721
Property, plant and equipment	8,622	11,174	808	1,365	165,181	171,413	4,209	4,957
Other non-current assets	162	738	-	-	-	-	-	-
Total non-current assets	11,673	15,600	25,362	22,662	166,582	172,477	10,979	9,678
Total assets	48,892	50,368	63,031	62,544	194,167	193,644	26,301	21,534
Current liabilities								
Payables	7,853	7,157	5,322	6,579	33,357	33,779	11,062	7,157
Interest-bearing liabilities	-	580	-	-	8,995	8,302	-	-
Accrued employee benefits	1,764	1,606	3,577	3,299	2,161	2,104	2,165	1,956
Other current liabilities	1,647	1,249	2,397	-	222	386	-	189
Total current liabilities	11,264	10,592	11,296	9,878	44,735	44,571	13,227	9,302
Non-current liabilities								
Interest-bearing liabilities	-	-	-	-	112,570	116,296	-	-
Deferred tax liabilities	905	1,526	-	-	-	-	-	-
Other non-current liabilities	98	230	-	-	-	-	-	-
Total non-current liabilities	1,003	1,756	-	-	112,570	116,296	-	-
Total liabilities	12,267	12,348	11,296	9,878	157,305	160,867	13,227	9,302
Net assets	36,625	38,020	51,735	52,666	36,862	32,777	13,074	12,232

The accompanying notes form part of these statements.

PART B

Department of Science, Information Technology and Innovation

Statement of Assets and Liabilities by Major Departmental Services, CBU's and SSPs

as at 30 June 2017

	Advance Queensland through innovation		General – not attributable		Inter-departmental eliminations		Department total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets								
Cash and cash equivalents	-	-	(874)	5,879	-	-	41,857	41,690
Receivables	4,160	855	7,290	2,840	(20,702)	(6,694)	47,910	55,648
Other current assets	39	26	895	265	-	-	18,836	13,506
Total current assets	4,199	881	7,311	8,984	(20,702)	(6,694)	108,603	110,844
Non-current assets								
Intangible assets	-	-	-	-	-	-	35,614	30,770
Property, plant and equipment	2,986	7	1,276	162	-	-	183,082	189,078
Other non-current assets	1,033	-	-	-	-	-	1,195	738
Total non-current assets	4,019	7	1,276	162	-	-	219,891	220,586
Total assets	8,218	888	8,587	9,146	(20,702)	(6,694)	328,494	331,430
Current liabilities								
Payables	2,907	540	7,850	4,162	(20,702)	(6,694)	47,649	52,680
Interest-bearing liabilities	-	-	111	-	-	-	9,106	8,882
Accrued employee benefits	300	216	1,179	1,053	-	-	11,146	10,234
Other current liabilities	529	205	-	-	-	-	4,795	2,029
Total current liabilities	3,736	961	9,140	5,215	(20,702)	(6,694)	72,696	73,825
Non-current liabilities								
Interest-bearing liabilities	-	-	397	-	-	-	112,967	116,296
Deferred tax liabilities	-	-	-	-	-	-	905	1,526
Other non-current liabilities	3,144	-	-	-	-	-	3,242	230
Total non-current liabilities	3,144	-	397	-	-	-	117,114	118,052
Total liabilities	6,880	961	9,537	5,215	(20,702)	(6,694)	189,810	191,877
Net assets	1,338	(73)	(950)	3,931	-	-	138,684	139,553

The accompanying notes form part of these statements.

Statement of Changes in Equity

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Contributed equity			
Balance as at 1 July		155,917	170,572
<i>Transactions with owners as owners</i>			
Appropriated equity injections	5	16,420	6,173
Appropriated equity withdrawals	5	(18,045)	(13,302)
Non-appropriated equity injections		191	-
Non-appropriated equity withdrawals		(3,979)	(7,526)
Balance as at 30 June		150,504	155,917
Accumulated deficit			
Balance as at 1 July		(64,057)	(61,849)
<i>Operating result</i>			
Operating result from continuing operations after income tax		4,544	(2,208)
Balance as at 30 June		(59,513)	(64,057)
Asset revaluation surplus			
Balance as at 1 July		47,693	46,634
<i>Other comprehensive income</i>			
Increase in asset revaluation surplus	17	-	1,059
Balance as at 30 June		47,693	47,693
Total equity as at 30 June		138,684	139,553

The accompanying notes form part of these statements.

PART B

Department of Science, Information Technology and Innovation

Statement of Cash Flows

for the year ended 30 June 2017

	Notes	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance* \$'000	2016 Actual \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Service appropriation receipts	5	291,854	294,567	(2,713)	266,860
User charges and fees		309,488	290,616	18,872	296,073
Grants and other contributions		20,940	18,754	2,186	20,459
GST collected from customers		28,588	27,641	947	28,974
GST input tax credits from ATO		35,226	13,806	21,420	33,216
Interest receipts		123	156	(33)	166
Other		6,060	-	6,060	1,899
<i>Outflows:</i>					
Employee expenses		(260,563)	(263,885)	3,322	(258,403)
Supplies and services		(273,577)	(242,057)	(31,520)	(257,937)
Grants and subsidies		(51,122)	(71,325)	20,203	(41,626)
Finance/borrowing costs		(4,345)	(4,329)	(16)	(4,015)
GST paid to suppliers		(31,844)	(12,279)	(19,565)	(28,437)
GST remitted to ATO		(32,800)	(28,734)	(4,066)	(33,746)
Other		(3,121)	(2,938)	(183)	(2,246)
Net cash provided by operating activities	24	34,907	19,993	14,914	21,237
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		121	16	105	1
<i>Outflows:</i>					
Payments for property, plant and equipment		(5,453)	(5,968)	515	(5,256)
Payments for intangibles		(12,217)	(9,657)	(2,560)	(5,977)
Net cash used in investing activities		(17,549)	(15,609)	(1,940)	(11,232)
Cash flows from financing activities					
<i>Inflows:</i>					
Equity injections		13,217	10,639	2,578	12,527
<i>Outflows:</i>					
Borrowing redemptions		(580)	(558)	(22)	(1,331)
Finance lease payments		(8,552)	(7,928)	(624)	(7,024)
Equity withdrawals		(21,276)	(18,161)	(3,115)	(18,441)
Net cash provided by financing activities		(17,191)	(16,008)	(1,183)	(14,269)
Net increase/(decrease) in cash and cash equivalents		167	(11,624)	11,791	(4,264)
Cash and cash equivalents at beginning of financial year		41,690	39,455	2,235	45,954
Cash and cash equivalents at end of financial year	13	41,857	27,831	14,026	41,690

* An explanation of major variances is included at note 29.
The accompanying notes form part of these statements.

Notes to the financial statements for the year ended 30 June 2017

Preparation information – basis of financial statement preparation

- Note 1: Statement of compliance
Note 2: The reporting entity

How we operate – our departmental objectives and activities

- Note 3: Objectives and principal activities of the department
Note 4: Controlled entity

Performance for the year

- Note 5: Appropriation receipts
Note 6: User charges and fees
Note 7: Grants and other contributions
Note 8: Other revenue
Note 9: Employee expenses
Note 10: Supplies and services
Note 11: Grants and subsidies
Note 12: Other expenses

Operating assets and liabilities

- Note 13: Cash and cash equivalents
Note 14: Receivables
Note 15: Other current and non-current assets
Note 16: Intangible assets
Note 17: Property, plant and equipment
Note 18: Payables
Note 19: Interest-bearing liabilities
Note 20: Accrued employee benefits
Note 21: Other current and non-current liabilities

Other key information

- Note 22: Key management personnel and remuneration expenses
Note 23: Related party transactions
Note 24: Reconciliation of operating result to net cash provided by operating activities
Note 25: Operating lease and capital commitments
Note 26: Contingencies
Note 27: Financial instruments
Note 28: Taxation equivalents
Note 29: Budgetary reporting disclosures
Note 30: Schedule of administered items
Note 31: Administered appropriation receipts
Note 32: Administered budget to actual comparison and variance analysis
Note 33: Agency transactions and balances
Note 34: Summary of other accounting policies
Note 35: Change in accounting policy and prior period adjustments
Note 36: Events occurring after balance date

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

1. Statement of compliance

The department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2016.

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

The historical cost convention is used as the measurement basis except for land, buildings, infrastructure and heritage and cultural assets which are measured at their fair value, refer note 34 (o).

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

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 34(s).

2. The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of the department and the entities that it controls, where these entities are material. Biopharmaceuticals Australia (Network) Pty Ltd (BPA) was the department's only controlled entity during 2016–17 financial year. Full details of this controlled entity are disclosed in note 4. All transactions and balances internal to the department have been eliminated in full.

3. Objectives and principal activities of the department

The department's vision is a better Queensland through science, innovation and technology. To achieve our vision, we deliver three broad service areas that achieve our objectives of:

- Advance Queensland through innovation
- Improve services for Queenslanders
- Improve services for Government

Through the Advance Queensland initiative, we are backing ideas that are creating jobs now and for the future, supporting local businesses to start and grow, and making the lives of Queenslanders better.

The department is supported by the Queensland Chief Scientist, who provides high-level strategic advice to the State Government on the role of science, research and innovation in achieving the government's priorities.

The department is funded for the departmental services it delivers principally by parliamentary appropriations with further significant funding sourced through the generation of user charges from the following services:

- Information, communication and technology (ICT) infrastructure and information brokerage services provided by the department's CBU, CITEC.
- Financial, procurement, payroll processing, workforce advisory, mail support and management of financial and human resource management/payroll technology solutions services provided by the department's SSP, Queensland Shared Services.

Further information regarding the objective and purpose of the major departmental services, CBU and SSP is detailed within section 2 – Our service performance, of the department's annual report.

Notes to the financial statements for the year ended 30 June 2017

4. Controlled entity

BPA was established and incorporated in the State of Queensland to oversee the staged development of a contract biopharmaceutical manufacturing facility and to undertake business development activities to support the operations of the facility and the biopharmaceutical industry. BPA is not-for-profit in nature.

BPA has completed remaining business development activities and effectively ceased operations on 16 June 2017, the date which BPA applied to the Australian Securities and Investment Commission (ASIC) to de-register. ASIC de-registered BPA on 23 August 2017.

The share capital of BPA consisted of one fully paid share to the value of \$1, which was held by the Minister for Innovation, Science and the Digital Economy and Minister for Small Business on behalf of the State of Queensland and enabled 100% control by the department through majority voting rights. The equity of \$1 was returned to the department as part of de-registration activities. Through a Member's Circulating Resolution, the Minister resolved to de-register BPA on 5 June 2017.

BPA was audited by the Auditor-General of Queensland. The assets, liabilities, income and expenses of BPA have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the department. The financial statements of BPA can be obtained from the department.

Further information regarding transactions between the department and BPA during 2016–17, including outstanding obligations of BPA novated to the department as part of de-registration activities, is detailed in note 23(b).

Summary financial information about BPA for the period ended 16 June 2017 is as follows.

Total assets		Total liabilities		Total income		Total expenses		Operating result	
2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
-	2,408	-	399	635	1,710	2,644	1,729	(2,009)	(19)

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

5. Appropriation receipts

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

	2017 \$'000	2016 \$'000
Budgeted appropriation revenue	294,567	324,729
Treasurer's transfers – transfers to equity adjustments	(173)	(9,299)
Lapsed appropriation revenue	(2,540)	(48,570)
Total appropriation receipts (cash)	291,854	266,860
Less: Opening balance of appropriation revenue receivable	(5,203)	-
Plus: Opening balance of deferred appropriation payable to consolidated fund	17,407	10,367
Plus: Closing balance of appropriation revenue receivable	1,397	5,203
Less: Closing balance of deferred appropriation payable to consolidated fund	-	(17,407)
Net appropriation revenue	305,455	265,023
Deferred appropriation payable to consolidated fund (expense)	-	17,407
Appropriation revenue recognised in Statement of Comprehensive Income	305,455	282,430

Reconciliation of payments from consolidated fund to equity adjustment

Budgeted equity adjustment appropriation	(4,444)	(7,689)
Treasurer's transfers – transfers from appropriation revenue	173	9,299
Equity adjustment receipts (cash)	(4,271)	1,610
Less: Opening balance of equity adjustment receivable	(1,813)	(8,165)
Plus: Opening balance of equity adjustment payable	2,403	16
Plus: Closing balance of equity adjustment receivable	2,056	1,813
Less: Closing balance of equity adjustment payable	-	(2,403)
Equity adjustment recognised in contributed equity	(1,625)	(7,129)

Accounting policy

Appropriations provided under the Appropriation Act 2016 are recognised as revenue or equity when received or when a service rendered is recognised after approval from 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 note 30.

6. User charges and fees

Information, communication and technology services	164,739	160,203
Services rendered by shared service provider	133,965	140,115
Other	4,210	3,858
Total	302,914	304,176

Accounting policy

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

Notes to the financial statements for the year ended 30 June 2017

7. Grants and other contributions	2017 \$'000	2016 \$'000
Queensland Government grants and contributions*	14,328	15,405
Commonwealth grants and contributions*	815	1,026
Industry grants and contributions*	6,038	4,028
Asset received at below fair value	696	-
Services received at below fair value	470	-
Total	22,347	20,459

* Included in grants and other contributions are non-reciprocal grants funded by the Commonwealth, Queensland Government and other external bodies for a range of grant purposes. As at 30 June 2017, \$8.522 million (30 June 2016: \$10.886 million) of all grants and contribution funding received by the department in the current and prior financial years remained unspent, although the department expects to fully comply with the conditions of the grant or contribution agreement, and so does not expect to recognise a payable in the future.

Accounting policy

Grants and contributions are non-reciprocal in nature so do not require any goods or services to be provided in return. Corresponding revenue is recognised in the year in which the department obtains control over the grant/contribution (control is generally obtained at the time of receipt).

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

8. Other revenue

Insurance compensation – loss of property	40	48
Reversal of impairment loss	41	10
Recognition of prior period assets	-	96
Miscellaneous revenue	5,460	1,863
Total	5,541	2,017

9. Employee expenses

Employee benefits

Wages and salaries	203,971	201,870
Annual leave levy	20,763	20,339
Employer superannuation contributions	27,143	26,507
Long service leave levy	4,145	4,496
Termination benefits	850	1,878
Total employee benefits	256,872	255,090

Employee-related expenses

Workers' compensation premium	624	630
Payroll tax	1,854	1,851
Other employee-related expenses	1,862	3,092
Total employee-related expenses	4,340	5,573
Total	261,212	260,663

The number of employees as at 30 June 2017, including both full-time employees and part-time employees, measured on a full-time equivalent basis is 2,574 (2016: 2,644). Key management personnel and remuneration disclosures are detailed in note 22.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

9. Employee expenses (continued)

Accounting policy

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual leave and long service leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Under the Queensland Government's Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

Superannuation

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

Defined contribution plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined benefit plan – The liability for defined benefits is held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period.

The department's obligations are limited to those contributions paid.

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

	2017	2016
	\$'000	\$'000
10. Supplies and services		
Accommodation and property-related expenses	51,793	51,595
Contractors and consultants	44,845	29,351
Information, communication and technology expenses	169,245	171,010
Travel	1,158	1,275
Bank fees and charges	484	473
Other	14,387	2,644
Total	281,912	256,348

Accounting policy

For a transaction to be classified as supplies and services, the value of goods and services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant, refer to note 11.

11. Grants and subsidies

Science and innovation	46,047	37,642
Information, communication and technology	5,096	3,984
Donations/gifts	124	44
Total	51,267	41,670

Notes to the financial statements for the year ended 30 June 2017

12. Other expenses	2017 \$'000	2016 \$'000
Insurance premiums – Queensland Government Insurance Fund (QGIF)	377	408
Insurance premiums – other	304	298
Losses from disposal of non-current assets	22	6
Queensland Audit Office – external audit fees*	1,588	1,158
Special payments – ex gratia payments to former Core Agreement employees	-	48
Special payments – other ex-gratia payments**	16	-
Deferred appropriation payable to consolidated fund	-	17,407
Sponsorships	414	304
Other	68	53
Total	2,789	19,682

* Total audit fees quoted by the Queensland Audit Office relating to the 2016–17 financial statements are \$440,000 (2016: \$495,000). Other audit services relate to the audit of the report on service provider controls (2017: \$860,000, 2016: \$870,000).

** Two former employees received ex-gratia payments which totalled \$16,339. The payments were made in connection with the settlement of termination arrangements of an employment related matter.

Accounting policy

Special payments include ex-gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the Financial and Performance Management Standard 2009, the department maintains a register setting out the details of all special payments greater than \$5,000. The total of all special payments (including those of \$5,000 or less) is disclosed separately within other expenses. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

13. Cash and cash equivalents

Imprest accounts	8	9
Cash at bank	41,849	41,681
Total	41,857	41,690

The department, through the CITEC commercialised business unit, earned interest of \$0.115 million (2016: \$0.162 million) on deposits with the Commonwealth Bank. Interest earned on cash held with the Commonwealth Bank earned between 0.73% to 0.96% during 2016–17 (1.14% to 1.34% during 2015–16).

All other departmental bank accounts are grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation (QTC) and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the consolidated fund.

Accounting policy

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
14. Receivables		
Trade debtors	28,521	31,399
Less: Allowance for impairment loss*	(45)	(53)
Net trade debtors	28,476	31,346
GST input tax credits receivable	4,707	3,815
GST payable	(3,062)	(2,310)
Net GST	1,645	1,505
Advances	48	104
Less: Allowance for impairment loss*	(6)	(34)
Net advances	42	70
Annual leave reimbursements	4,085	3,719
Long service leave reimbursements	1,056	1,145
Appropriation revenue receivable	1,397	5,203
Departmental equity injection receivable	2,056	1,813
Accrued revenue	8,277	8,384
Interest receivable	30	37
Other	846	2,426
Total	47,910	55,648

* Refer to note 27(c) Financial instruments (Credit risk exposure) for an analysis of movements in the allowance for impairment loss.

Accounting policy

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

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. All known bad debts were written off as at 30 June. Note 27(c) details the accounting policies for impairment of receivables, including the loss events giving rise to impairment and the movements in the allowance for impairment loss. All receivables within terms and expected to be fully collectible are considered of good credit quality based upon recent collection history. Credit risk management strategies are also detailed in note 27(c).

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Settlement of these amounts is generally required within 30 days from invoice date. No interest is charged and no security is obtained.

15. Other current and non-current assets

Current

Prepayments	18,812	13,506
Lease incentives	24	-
Total	18,836	13,506

Non-current

Prepayments	162	738
Lease incentives	1,033	-
Total	1,195	738

Notes to the financial statements for the year ended 30 June 2017

16. Intangible assets

Reconciliations of the carrying amount for each class of intangible assets are set out below.

	Software purchased		Software internally generated		Intangible assets under development		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Carrying amount at 1 July	394	780	28,509	32,022	1,867	733	30,770	33,535
Acquisitions	388	-	11	428	11,818	5,548	12,217	5,976
Disposals	(8)	(1)	-	-	-	-	(8)	(1)
Transfers between classes	-	-	3,170	4,414	(3,170)	(4,414)	-	-
Amortisation	(229)	(385)	(7,136)	(7,824)	-	-	(7,365)	(8,209)
Impairment loss recognised in operating surplus	-	-	-	(531)	-	-	-	(531)
Total carrying amount at 30 June	545	394	24,554	28,509	10,515	1,867	35,614	30,770
Gross	36,667	38,203	197,553	193,742	10,515	1,867	244,736	233,812
Less: Accumulated amortisation	(36,122)	(37,809)	(123,322)	(115,556)	-	-	(159,445)	(153,365)
Less: Accumulated impairment	-	-	(49,677)	(49,677)	-	-	(49,677)	(49,677)
Total carrying amount at 30 June	545	394	24,554	28,509	10,515	1,867	35,614	30,770

Refer to note 34(h) to (r) for the department's intangible assets accounting policies.

17. Property, plant and equipment

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below.

	Land		Building		Leased assets		Heritage and cultural assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Carrying amount at 1 July	2,320	2,520	7,122	7,067	122,165	71,226	37	37
Acquisitions	-	-	-	-	6,026	59,513	-	-
Disposals	(13)	-	-	-	-	-	-	-
Revaluation increments/(decrements) in asset revaluation reserve	-	(200)	-	518	-	-	-	-
Transfers between classes	-	-	217	19	-	-	-	-
Depreciation	-	-	(588)	(482)	(10,261)	(8,574)	-	-
Total carrying amount at 30 June	2,307	2,320	6,751	7,122	117,930	122,165	37	37
Gross	2,307	2,320	18,902	18,685	140,435	134,408	37	37
Less: Accumulated depreciation	-	-	(12,151)	(11,563)	(22,505)	(12,243)	-	-
Less: Accumulated impairment losses	-	-	-	-	-	-	-	-
Total carrying amount at 30 June	2,307	2,320	6,751	7,122	117,930	122,165	37	37
Opening balance of asset revaluation surplus by class	39,043	39,243	6,815	6,297	-	-	64	64
Revaluation increment/(decrement)	-	(200)	-	518	-	-	-	-
Closing balance of asset revaluation surplus by class	39,043	39,043	6,815	6,815	-	-	64	64

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

17. Property, plant and equipment (continued)

	Infrastructure		Plant and equipment		Capital works in progress		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Carrying value at 1 July	10,148	9,729	47,068	52,367	217	485	189,078	143,431
Acquisitions	-	-	8,590	4,840	770	457	15,386	64,810
Disposals	-	-	(118)	(5)	-	-	(131)	(5)
Revaluation increments/(decrements) in asset revaluation reserve	-	741	-	-	-	-	-	1,059
Transfers between classes	-	-	234	706	(451)	(725)	-	-
Depreciation	(342)	(322)	(10,059)	(10,881)	-	-	(21,251)	(20,258)
Other	-	-	-	41	-	-	-	41
Total carrying amount at 30 June	9,806	10,148	45,715	47,068	536	217	183,082	189,078
Gross	15,987	15,986	138,304	139,519	536	217	316,508	311,173
Less: Accumulated depreciation	(6,181)	(5,838)	(92,575)	(92,437)	-	-	(133,412)	(122,081)
Less: Accumulated impairment losses	-	-	(14)	(14)	-	-	(14)	(14)
Total carrying amount at 30 June	9,806	10,148	45,715	47,068	536	217	183,082	189,078
Opening balance of asset revaluation surplus by class	1,771	1,030	-	-	-	-	47,693	46,634
Revaluation increment/(decrement)	-	741	-	-	-	-	-	1,059
Closing balance of asset revaluation surplus by class	1,771	1,771	-	-	-	-	47,693	47,693

Refer to note 34(h) to (r) for the department's property, plant and equipment accounting policies.

Basis of fair values

Categorisation of fair values	Level 2 \$'000		Level 3 \$'000		Total carrying amount \$'000	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land	2,307	2,320	-	-	2,307	2,320
Buildings	-	-	6,751	7,122	6,751	7,122
Heritage and cultural assets	-	-	37	37	37	37
Infrastructure	-	-	9,806	10,148	9,806	10,148

There were no movements between levels during the 2016–17 financial year. Refer note 34(o).

Land

Science controls land at Deagon and at Deception Bay with a total fair value as at 30 June 2017 of \$2.3 million.

This land was subject to an independent desktop valuation by State Valuation Services (SVS) as at the effective date of 30 June 2017. The fair value of the land was based on publicly available data on sales of similar land in nearby localities. In determining the values, adjustment was made to the sales data to take into account the location of the land, its size, street/road frontage and access, the nature of the buildings on the land, development potential and any significant restrictions.

For the valuation of the land at Deagon, SVS had included in its calculations a market participant's anticipation of the effect on the whole of the land of the transferred 887m² portion to the Department of Transport and Main Roads (DTMR) and the pending transfer of a further 2,434m² portion to the Brisbane City Council (BCC) for the Gateway Upgrade North project. Consideration of \$0.010 million was received for the value of the land transferred to DTMR during 2016–17. The value of the component of land pending transfer to BCC is valued at \$0.036 million and subject to further negotiations, is expected to be disposed during 2017–18 financial year.

The fair value of the land at Deception Bay, which is considerably smaller in size, remained unchanged.

Notes to the financial statements for the year ended 30 June 2017

17. Property, plant and equipment (continued)*Buildings*

Science controls buildings situated at Deagon and at the Brisbane Herbarium, Mt Coot-tha Road, Toowong. The effective date of the last specific appraisal of these assets was 30 June 2014, by SVS. The fair value was determined using a depreciated replacement cost approach (due to no active market for such facilities).

The inputs (key estimates) to the valuations were internal records of the original cost of the specialised fit out, adjusted for more contemporary design/construction approaches, and published construction rates for various standard components of the buildings. Significant judgement is also used to assess the remaining service potential of the facility, given local climatic and environmental conditions and records of the current condition of the facility.

Subsequent to 30 June 2014, the department has assessed the need to revalue these assets each year using relevant market-based indices provided by SVS and derived from the data consistent with the last specific appraisal.

During the 2015–16 financial year, the fair values of the building assets were updated using the indexation provided by SVS for the cumulative material change in the indices between 30 June 2014 and 30 June 2016 (an increase of 7.87% in the building price index).

The Building Price Index (BPI) is a market based index, compiled and reviewed to reflect current construction trends. Sourced through analysis of recent tender results, the BPI enables moderation of estimates to account for market trends. The BPI takes into consideration publically available industry data from sources such as the Reserve Bank of Australia, Australian Bureau of Statistics and other notable financial and building publications.

The SVS provided building price index recorded an increase of 4.38% between 30 June 2016 and 30 June 2017. The department assessed that the increase was not material for the fair values of the assets to be updated as at 30 June 2017, hence no subsequent change in value has been recognised during the 2016–17 financial year.

Infrastructure

Infrastructure assets in this asset class are controlled by Science and largely comprise the State of Queensland's proportionate share (25%) of the Tweed River Entrance Sand Bypassing Project (TRESBP) infrastructure assets.

These assets were subject to a specific appraisal in 2014 (effective date of 30 June 2014) by New South Wales Public Works for the Crown Lands Division of NSW Trade and Investment.

Subsequent to 30 June 2014, the department has assessed the need to revalue these assets each year using relevant market-based indices provided by SVS and derived from the data consistent with the last specific appraisal.

During the 2015–16 financial year, the fair values of the infrastructure assets were updated using the indexation provided by SVS for the cumulative material change in the indices between 30 June 2014 and 30 June 2016 (an increase of 7.87% in the building price index). The SVS provided building price index recorded an increase of 4.38% between 30 June 2016 and 30 June 2017. The department assessed that the increase was not material for the fair values of the assets to be updated at 30 June 2017.

In June 2017, Gray Robinson & Cottrell Quantity Surveyors (GRC) were engaged by the State of New South Wales to undertake a comprehensive revaluation of the TRESBP infrastructure asset as at 30 June 2017. GRC applied a cost approach method (i.e. depreciated replacement cost) in determining the fair value of the asset (due to no active market for such facilities). As per the valuation, the assessed fair value of the TRESBP infrastructure asset did not materially differ from the carrying value of the asset as at 30 June 2017, hence no subsequent change in value has been recognised during the 2016–17 financial year.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

17. Property, plant and equipment (continued)

The inputs (key estimates) to the valuations were internal records of the original cost of the infrastructure, adjusted for contemporary technology and construction approaches. Significant judgement is also used to assess the remaining service potential of the facility, given local climatic and environmental conditions and records of the current condition of the facility.

Heritage and cultural assets

Heritage and cultural assets include works of art controlled by Science.

The effective date of the last specific appraisal of the heritage and cultural assets was 30 June 2015 by MacAulay Partners. There was no significant change to the valuation of the heritage and cultural assets.

The valuation was based on sales prices achieved for artworks of similar quality by the artist, or where there are no recent sales for a particular artist, by an artist of equivalent stature.

Subsequent to 30 June 2015, the heritage and cultural assets have not been subject to an official revaluation or indexation, as the asset values are considered to be immaterial.

Leased assets

The State of Queensland (through the department) entered into a service agreement with a telecommunication service provider in September 2013 to have provisioned, operated and maintained a digital radio network known as the Government Wireless Network (GWN). Under the agreement, the State gained progressive control over infrastructure and equipment during various roll-out stages of the GWN that were undertaken between June 2014 and finalised in December 2015. As each roll-out stage was commercially accepted, the State gained control over the GWN equipment acquired, through the State's exclusive 'right to use' over the equipment provisioned under the GWN agreement.

The State gained control over an additional \$4.405 million in exclusive 'right to use' assets during 2016–17, representing additional infrastructure and equipment acquired to support the GWN facility. The gross carrying value of the leased assets was determined using valuation techniques, specifically the present value of future payments under the service agreement attributable to these assets. A comparison was made to the fair value of the assets in reference to representations made by the telecommunication service provider in April 2017, (refer to note 19).

In relation to additional 'right to use' assets acquired during 2016–17, the department gained a 'right to receive' replacement equipment over the life of the agreement.

This 'right to receive' replacement of exclusive assets has been recognised as a leased asset. The value of the assets acquired during 2016–17 of \$1.059 million was determined using a valuation technique, specifically the present value of all future payments under the service agreement attributable to the 'right to receive' replacement assets.

Change in useful lives

The approximate increase/(decrease) in depreciation and amortisation expense as a result of the re-assessment of the useful lives of depreciable assets during the reporting period was:

	2017 \$'000	2016 \$'000
Intangible assets	(403)	(330)
Property, plant and equipment	(469)	699

Notes to the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
18. Payables		
Trade creditors and accruals	47,462	32,679
Equity withdrawal	-	2,403
Deferred appropriation payable to consolidated fund	-	17,407
Payroll tax	164	136
Other	23	55
Total	47,649	52,680

Accounting policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 days' terms or as otherwise agreed with the vendor.

19. Interest-bearing liabilities*Current*

Finance lease liability	9,106	8,302
QTC borrowings	-	580
Total	9,106	8,882

Non-Current

Finance lease liability	112,967	116,296
Total	112,967	116,296

Commitments under finance leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	14,542	13,798
Later than one year and not later than five years	72,493	69,475
Later than five years	75,637	85,753
Minimum payments	162,672	169,026
Less: Anticipated input tax credits	(14,788)	(15,366)
Less: Future finance charges	(25,811)	(29,062)
Total present value of minimum lease payments	122,073	124,598

Finance Lease

The department has entered into a finance lease with a telecommunication service provider as a means of funding the acquisition and replacement of information and communications equipment, in support of the establishment of the GWN. Lease payments are fixed. The department has options to purchase this equipment at the expiry of the lease period, at an agreed cost determined in reference to a reasonable written down value of the equipment at termination date. Capitalised leased assets are depreciated over the estimated useful life of the asset which equates to the original lease terms between 12 and 14 years.

The department has used valuation techniques, based on data provided by the telecommunication service provider, to disaggregate total payments made to the telecommunication service provider between those payments attributable to repayment of the finance lease and those payments relating to operational services which are expensed. Interest on the finance lease is recognised as an expense as it accrues on the outstanding lease liability using an implicit interest rate of between 3.006% and 3.343% (2016: 3.173% and 3.343%).

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The finance lease does not have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

19. Interest-bearing liabilities (continued)

Borrowings

All borrowings are in \$A denominated amounts and no interest has been capitalised during the current or comparative reporting period. The final repayment date of QTC borrowings was 22 December 2016. The interest rate on QTC borrowings during the year was 6.84% (2016: 6.96%). There were no defaults or breaches of the loan agreement during the 2016 or 2017 financial years. No assets have been pledged as security for any borrowings.

CITEC has an overdraft facility with QTC with an approved credit limit of \$5 million. The facility remains undrawn as at 30 June 2017 and is available for use in the next reporting period. The current overdraft interest rate is 1.80% (2016: 2.05%).

Finance/borrowing costs incurred in respect to the interest-bearing liabilities are as follows:

	2017 \$'000	2016 \$'000
Interest on borrowings	13	75
Finance lease charges	4,330	3,940
Administration charges	-	1
Total	4,343	4,016

Accounting policy

Finance costs are recognised as an expense in the period in which they are incurred. Finance costs include interest on bank overdrafts and short-term and long-term borrowings; finance lease charges and ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

20. Accrued employee benefits

Annual leave levy payable	5,599	5,535
Long service leave levy payable	1,165	1,150
Salaries, wages and other related expenses outstanding	4,381	3,541
Other	1	8
Total	11,146	10,234

Accounting policy

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

21. Other current and non-current liabilities

Current

Unearned revenue	3,637	1,382
Lease incentives	529	-
Prepaid deposits	629	647
Total	4,795	2,029

Non-Current

Unearned revenue	98	230
Lease incentives	3,144	-
Total	3,242	230

Notes to the financial statements for the year ended 30 June 2017

22. Key management personnel and remuneration expenses

a) Key management personnel (KMP)

As from 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 Minister for Innovation, Science and the Digital Economy and Minister for Small Business.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2016–17 and 2015–16. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position responsibilities
Director-General	Overall efficient, effective and economic administration of the department.
Queensland Government Chief Information Officer	Provides unbiased, independent quality advice to the Director-General and Minister for Innovation, Science and the Digital Economy and Minister for Small Business on ICT issues from a whole-of-Government perspective.
Queensland Chief Scientist	Provides strategic advice to government on harnessing science and innovation to support the government's objectives and activities.
Assistant Director-General, Digital Productivity and Services	Leads the Digital Productivity and Services Division to revitalise Queensland Government services, increase Queensland's digital capability, preserve and improve access to Queensland's record-related information, and enhance the customer experience with the Queensland Government. The division contributes to the Queensland Government's objectives for the community, and supports Advance Queensland to deliver quality frontline services, job creation and a diverse economy.
Assistant Director-General, Queensland Shared Services	Ensuring high quality, integrated service delivery for a range of corporate transactional and advisory services across 24 Queensland Government departments and agencies. The role is also responsible for managing the key financial and human resource management/payroll technology solutions that support agencies and underpins its service delivery.
Assistant Director-General, Science	Leads the Science Division in providing scientific and technical advice and services to government agencies across the natural resources and environmental spectrum that underpin their decision-making and legislative responsibilities. The division, in close collaboration with the Queensland Chief Scientist, also provides strategic leadership for the government's investment in science and research, and develops Queensland Government science policy.
Deputy Director-General, Strategy and Innovation	Leading the innovation agenda for the department and at a whole-of-Government level, with a primary focus on driving economic growth and job creation in Queensland through innovation. The role leads the implementation of the Queensland Government's Advance Queensland agenda.
Assistant Director-General, Strategic ICT	Leads the Strategic ICT Division to support, deliver, guide and advise on whole-of-Government ICT initiatives that enable modern, responsive and integrated frontline services for Queenslanders.
Chief Change and Operations Officer, Change and Operations	Strategic leadership of the department's corporate services including finance, procurement, information management and technology, communications and engagement, strategic planning, human resources, and legal and integrity services.
Chief Finance Officer	Provides overall stewardship of the department's finances and assuring tight financial integration and accountability to enable the department to meet corporate governance and statutory compliance requirements.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

b) Remuneration policies

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

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

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses which include:

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

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

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

Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

c) Remuneration expenses

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

1 July 2016 to 30 June 2017	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
	Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director-General	357	8	7	46	-	418
Queensland Government Chief Information Officer	331	7	7	37	-	382
Queensland Chief Scientist (to 16 December 2016)	162	-	3	17	-	182
Queensland Chief Scientist (from 12 December 2016)	152	2	3	16	-	173
Assistant Director-General, Digital Productivity and Services	252	7	5	27	-	291

Notes to the financial statements for the year ended 30 June 2017

c) Remuneration expenses (continued)

1 July 2016 to 30 June 2017	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Assistant Director-General, Queensland Shared Services	243	11	5	25	-	284
Assistant Director-General, Science	186	8	3	24	-	221
Deputy Director-General, Strategic and Innovation	238	8	5	27	-	278
Chief Finance Officer	180	8	3	19	-	210
Assistant Director-General, Strategic ICT	236	7	5	25	-	273
Chief Change and Operations Officer, Change and Operations	224	7	4	26	-	261
Total remuneration	2,561	73	50	289	-	2,973

1 July 2015 to 30 June 2016	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director-General (from 29 March 2016)	340	7	6	38	-	391
Director-General (to 26 March 2016)	330	-	5	31	161	527
Queensland Government Chief Information Officer	320	7	7	37	-	371
Queensland Chief Scientist	312	-	5	35	-	352
Deputy Director-General, Digital Productivity and Services	241	7	5	26	-	279
Assistant Director-General, Queensland Shared Services	239	7	4	21	-	271
Assistant Director-General, Science	211	7	4	22	-	244
Deputy Director-General, Strategy and Innovation (from 7 December 2015)	160	5	3	13	-	181
Deputy Director-General, Strategy and Innovation - Acting (from 30 July 2015 to 30 November 2015)	83	2	1	7	-	93

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

c) Remuneration expenses (continued)

1 July 2015 to 30 June 2016	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Chief Strategic Policy and Innovation Officer, Strategic Policy and Innovation - Acting (to 29 July 2015)	25	1	-	3	-	29
Chief Finance Officer	184	7	4	20	-	215
Assistant Director-General, Strategic ICT	214	7	4	23	-	248
Chief Change and Operations Officer, Change and Operations	226	7	5	25	-	263
Total remuneration	2,885	64	53	301	161	3,464

d) Performance payments

No KMP remuneration packages provide for performance or bonus payments.

Accounting policy

KMP and remuneration disclosures are made in accordance with section 3 of the Financial Reporting Requirements for Queensland Government agencies issued by Queensland Treasury. In respect to the department's controlled entity, no executives are employed under the Public Service Act 2008.

23. Related party transactions

(a) Transactions with people/entities related to KMP

There were no transactions identified between the department and related parties of the department's KMP.

(b) Transactions with the department's controlled entity – BPA

Transactions with the department's controlled entity BPA, for the period ended 16 June 2017 are detailed below.

Transaction	2016–17 \$'000	2015–16 \$'000	Nature of transaction
Return of unexpended grant funding	653	-	Grant funding provided by Queensland Government to support BPA business operations, unexpended at 16 June 2017 has been returned to the department.
Novation of grant program	500	-	Responsibility of the Biopharmaceutical Development Fund has been transferred to the department under a deed of novation, unexpended funds under this program held by BPA have been returned to the department.

There are no other obligations transferred to the department as a result of BPA ceasing operations, refer note 4.

(c) Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Queensland Government for its services are appropriation revenue and equity injections, both of which are provided in cash via Queensland Treasury, refer note 5. The majority of user charges earned by the department's CBU and SSP are generated from the sale of services to Queensland Government departments, refer note 6.

Notes to the financial statements for the year ended 30 June 2017

24. Reconciliation of operating result to net cash provided by operating activities

	2017 \$'000	2016 \$'000
Operating result from continuing operations after income tax	4,544	(2,208)
<i>Non-cash items included in operating result:</i>		
Depreciation and amortisation expense	28,616	28,468
Donated assets and services expensed	(696)	-
Doubtful debts written off or provided for	(47)	90
Amortisation of lease incentive liability	(154)	-
Loss on sale or disposal of non-current assets	22	6
Gains on sale or disposal of non-current assets	(4)	(5)
Assets transferred to expense	-	16
Assets prior period recognised	-	(96)
Impairment loss reversal	(41)	(10)
Impairment losses	-	531
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in net receivables	8,575	(10,236)
(Increase)/decrease in interest receivable	7	4
(Increase)/decrease in prepayments	(4,729)	(769)
(Increase)/decrease in other assets	-	8
Increase/(decrease) in unearned revenue	2,124	575
Increase/(decrease) in accrued employee benefits	911	1,630
Increase/(decrease) in payables	(2,691)	3,167
Increase/(decrease) in other liabilities	(19)	41
Increase/(decrease) in deferred tax liabilities	(620)	(7)
Increase/(decrease) in interest payable	(2)	-
(Increase)/decrease in GST input tax credits receivable	(1,344)	99
Increase/(decrease) in GST payable	455	(67)
Net cash from operating activities	34,907	21,237

25. Operating lease and capital commitments

a) Non-cancellable operating lease commitments

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

Not later than one year	51,866	57,656
Later than one year and not later than five years	51,510	51,926
Later than five years	20,024	1,454
Total	123,400	111,036

Operating leases are entered into primarily as a means of acquiring access to office accommodation and storage facilities and extend over terms between five and ten years. Most leases contain renewal clauses, but no purchase options exist in relation to operating leases and no leases contain restrictions on financing, or other leasing activities. Where such renewal options exist, they are all exercisable at market prices. No leases have escalation clauses other than in the event of payment default.

Operating lease rental expenses comprise the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with annual inflation escalation clauses upon which future year rentals are determined.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

b) Non-cancellable operating lease commitments as sub-lessor

	2017 \$'000	2016 \$'000
Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are receivable:		
Not later than one year	922	-
Later than one year and not later than five years	4,308	-
Later than five years	1,474	-
Total	6,704	-

The department leases property from a private landlord and sub-lets this property to various tenants. The leases have terms ranging from one to seven years.

c) Capital expenditure commitments

Material classes of capital expenditure commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

Plant and equipment

Payable:

Not later than one year	459	323
Total	459	323

Software purchased

Payable:

Not later than one year	-	1,166
Total	-	1,166

26. Contingencies

a) Financial guarantees

CITEC has arranged bank guarantees in relation to business opportunities pursued as follows:

Australian Securities and Investment Commission	550	550
State of Victoria	600	600
State of New South Wales	330	291
State of Western Australia	300	300
Insolvency and Trustee Service Australia	127	127
Total	1,907	1,868

The State of Queensland, acting through the department, has provided a guarantee to Translational Research Institute Pty Ltd with respect to the performance of the tenant, Patheon Biologics (formerly DSM Biologics (Australia) Pty Ltd), under the sublease of the Translational Research Institute Research Facility (formerly known as the Biopharmaceutical Australia Research Facility).

The maximum liability under this guarantee is \$10.485 million over the remaining 11 year term of the sublease. The liability is mitigated by the guarantee that the parent company of Patheon Biologics, DPx Holdings B.V (formerly Koninklijke N.V.), has provided to the State of Queensland, guaranteeing the performance of Patheon Biologics as tenant of the facility. No defaults have occurred and the department does not expect that the guarantee will be called upon. The guarantee is not recognised on the Statement of Financial Position, as the probability of default is remote.

As financial guarantee contracts are measured in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, the department has disclosed the details of the guarantee in this note, in addition to note 27(c) for full transparency purposes.

Notes to the financial statements for the year ended 30 June 2017

b) Litigation in progress

As at 30 June 2017 no claims against the department have been filed in the courts.

Effective 1 July 2012, the department joined the Queensland Government Insurance Fund (QGIF). Under the QGIF, the department would be able to claim back, less a \$10,000 deductible, the amount paid to successful litigants. This includes any cases that existed as at 1 July 2012 and cases that have arisen since that date.

CITEC has separate insurance arrangements. Under these arrangements, the department would be able to claim back, less a \$5,000 deductible, the amount paid to successful litigants up to \$50 million.

c) Contingent assets

A Deed of Funding commenced in 2014 whereby \$6 million was held in trust with an information, communication and technology service provider for the Queensland Government (through the department) to purchase telecommunication products up until 28 February 2018. As at 30 June 2017, the Queensland Government has claimed \$4.458 million against this facility.

As the remaining funds of \$1.542 million are held in trust by the provider, the department has no control over the assets, and as such, the assets have not been recognised in the financial statements as the assets do not meet the asset recognition criteria.

27. Financial instruments

a) Categorisation of financial instruments

The department has the following categories of financial assets and financial liabilities:

	Notes	2017 \$'000	2016 \$'000
Financial assets			
Cash and cash equivalents	13	41,857	41,690
Receivables at amortised cost	14	47,910	55,648
Total		89,767	97,338
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	18	47,649	52,680
Interest bearing liabilities - finance lease liability	19	122,073	124,598
Interest bearing liabilities - QTC borrowings	19	-	580
Total		169,722	177,858

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

b) Financial risk management

The department's activities expose it to a variety of financial risks - credit risk, liquidity risk and market risk.

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. Financial risk is managed by the Finance, Procurement and Business Services unit and the Risk and Resilience unit of the department under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas.

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

<u>Risk exposure</u>	<u>Measurement method</u>
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

c) Credit risk exposure

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date is the gross carrying amount of receivables, inclusive of any allowance for impairment loss. The maximum exposure to credit risk in relation to guarantees is disclosed in note 26(a).

No collateral is held as security and no credit enhancements relate to receivables held by the department. The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis by assessing the collectability of receivables within terms and past due.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department, according to the due date (normally terms of 30 days). Economic changes impacting the department's debtors, and relevant industry data, also form part of the department's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If the department determines that an amount owing by such a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables. No receivables have had their terms re-negotiated so as to prevent them from being past due, or impaired, and are stated at the carrying amounts as indicated.

Impairment loss

In February 2017, the department recognised an impairment loss of \$2.282 million following resolution of disputed service charges and subsequent write-off of outstanding debt in relation to the Public Safety Business Agency and the Queensland Police Service.

Ageing of past due but not impaired, as well as impaired financial assets, are disclosed in the following tables:

Ageing of past due but not impaired receivables	2017	2016
	\$'000	\$'000
Overdue		
Less than 30 days	6,598	2,658
30–60 days	1,938	675
61–90 days	2	479
More than 90 days	3	8,244
Total	8,541	12,056

Notes to the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
c) Credit risk exposure (continued)		
Individually impaired receivables position (Aged)		
Receivables (gross)		
Less than 30 days	1	32
Less: Allowance for impairment	(1)	(32)
Carrying amount	-	-
30 to 60 days	1	-
Less: Allowance for impairment	(1)	-
Carrying amount	-	-
60 to 90 days	15	-
Less: Allowance for impairment	(15)	-
Carrying amount	-	-
More than 90 days	33	55
Less: Allowance for impairment	(33)	(55)
Carrying amount	-	-
Total carrying amount	-	-
Movements in allowance for impairment loss for impaired receivables		
Balance at 1 July	(88)	(27)
Amounts written-off during the year in respect of bad debts	21	2
Amounts recovered during the year	41	10
(Increase)/decrease in allowance recognised in operating result	(24)	(73)
Balance at 30 June	(50)	(88)

Financial liabilities

The guarantees given by the department, referred to in note 26 meet the definition of a financial guarantee contract under AASB 139 *Financial Instruments: Recognition and Measurement*. The maximum credit risk exposure to the department, in relation to these guarantees, is \$12.392 million (2016: \$13.628 million).

The department assesses, on an annual basis, the fair value of the financial guarantees as at 30 June. It has been determined that the fair value is nil at 30 June 2017, due to the probability of default being remote with respect to the financial guarantees held by the department. Accordingly, the fair value of the guarantees has not been recognised on the Statement of Financial Position.

d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash, or another financial asset. The department is exposed to liquidity risk in respect of its payables and borrowings from QTC, in relation to departmental service delivery. The borrowings are based on the Queensland Government's gazetted floating rate.

The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring that the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts, so as to match the expected duration of the various employee and supplier liabilities.

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

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

d) Liquidity risk (continued)

Financial Liabilities	Notes	2017 \$'000	2016 \$'000
Payables	18		
Less than 1 year		47,649	52,680
Total		47,649	52,680
QTC borrowings	19		
Less than 1 year		-	580
Total		-	580
Lease liability	19		
Less than 1 year		14,542	13,798
1 to 5 years		72,493	69,475
Later than 5 years		75,637	85,753
Total		162,672	169,026
Total financial liabilities			
Less than 1 year		62,191	67,058
1 to 5 years		72,493	69,475
Later than 5 years		75,637	85,753
Total		210,321	222,286

e) Market risk

The department is exposed to market risk specifically through interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The department is exposed to interest rate risk through cash deposited in interest-bearing accounts. The department does not undertake any hedging in relation to interest rate risk and manages its risk as per its liquidity management strategies.

f) Fair value

With the exception of QTC borrowings, the carrying amount of financial liabilities are measured at amortised cost which approximately equals their fair value at reporting date.

Accounting policy

Recognition

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.

Classification

Financial instruments are classified and measured as follows:

Cash and cash equivalents – held at fair value through profit or loss

Receivables – held at amortised cost

Payables – held at amortised cost

Borrowings – held at amortised cost

Finance leases – held at fair value

The department does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the department holds no financial assets classified at fair value through profit or loss.

Notes to the financial statements for the year ended 30 June 2017

28. Taxation equivalents

Information in respect of income tax equivalent expense incurred by those activities of CITEC, subject to the substantive model of the Tax Equivalents Regime:

	2017 \$'000	2016 \$'000
--	----------------	----------------

Balance sheet approach**Major components of income tax equivalent expense for the period ended 30 June 2017.****Income tax expense**

Deferred income tax

(Decrease)/increase in deferred tax liability

(620)	(6)
-------	-----

Income tax equivalent expense/(revenue) reported in the Statement of Comprehensive Income

(620)	(6)
--------------	------------

Reconciliation of income tax equivalent expense to prima facie tax payable for the year ended 30 June 2017 is as follows:

Operating result from continuing operations before income tax of CITEC subject to Tax Equivalents Regime.

(2,207)	(4,324)
---------	---------

Indicative tax equivalent expense/(revenue) at 30%

(662)	(1,297)
--------------	----------------

Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:

Previously unrecognised temporary differences now recognised

(62)	(48)
------	------

Effect of unused tax losses and deductible temporary differences not recognised

104	1,339
-----	-------

Income tax equivalent expense/(revenue) reported in the Statement of Comprehensive Income

(620)	(6)
--------------	------------

Deferred tax liabilities

The balance comprises temporary differences attributable to amounts recognised in the Statement of Comprehensive Income:

Interest receivable

9	11
---	----

Assets and other

896	1,515
-----	-------

Deferred tax liabilities taken to account

905	1,526
------------	--------------

Deferred tax assets not recognised

Income tax losses

46	1,277
----	-------

Accrued employee benefits & payables

58	62
----	----

Total

104	1,339
------------	--------------

A review of CITEC's budget estimates for the future years indicate that sufficient taxable profit will not be available, following the reversal of both the existing taxable temporary differences for the current year tax, and deductible temporary differences to be utilised in future periods. Accordingly, the current year tax loss and the deductible temporary differences (tax effect totalling \$103,842) have not been recognised as deferred tax assets.

The unrecognised income tax losses will be brought to account when it is probable that further tax profits will arise to enable these tax losses to be utilised.

Accounting policy

The department is a State body as defined under the Income Tax Assessment Act 1936 and is exempt from all forms of Commonwealth taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to, the Australian Taxation Office are recognised and accrued (refer to note 14).

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

28. Taxation equivalents (continued)

Accounting policy

Agreements have been reached with Queensland Treasury for CITEC to pay an income tax equivalent, in accordance with the requirements of the Tax Equivalents Regime. The income tax equivalent expense for CITEC is calculated based on the Balance Sheet approach under which temporary differences are identified for each asset and liability. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Statement of Financial Position as a tax asset or a tax liability. Tax assets are not brought to account unless realisation of the asset is probable. Tax assets relating to CITEC's tax losses are only brought to account to the extent that future profits are probable. Recovery of deferred tax assets is primarily based on projected operational results outlined in the forecasting budgets provided to Queensland Treasury. The controlled entity of the department is exempt from income tax under section 50 of the Income Tax Assessment Act 1997.

29. Budgetary reporting disclosures

Explanations of major variances

Statement of Comprehensive Income

Appropriation revenue/user charges/supplies and services

The variance for supplies and services is largely due to costs incurred to deliver new initiatives including ICT contract management (\$15.4 million) on behalf of various government departments, an extension of the One-Stop Shop program (\$5.3 million) and the transfer of responsibility to deliver the Human Resource Information System (HRIS) payroll related program from another government department (\$8.4 million). In addition, the department's CBU (CITEC) incurred additional costs in support of higher customer demand for information brokerage services (\$7.0 million). These costs were fully funded through higher appropriation revenue and user charges.

Grants and subsidies

The variance for grants and subsidies is mainly due to funding deferred for the Mobile Black Spot Program (\$9.1 million), science related initiatives (\$7.7 million) and Advance Queensland (\$3.9 million) in line with the deferral of contractual commitments to 2017-18.

Impairment losses

The variance for impairment losses is due to the write-off of outstanding debt (\$2.3 million) associated with disputed service charges between the department, the Queensland Police Service and the Public Safety Business Agency, refer note 27(c).

Operating result

The variance for the operating result from continuing operations after income tax is mainly due to the better than forecast financial performance of CITEC and the department's SSP (Queensland Shared Services) as a result of an increase in customer demand for ICT, information brokerage, transactional and finance/payroll system services delivered by these business units (\$12.3 million). In addition, the department received funding which has yet to be expended following the return of grant funding from BPA (\$1.2 million), refer note 23(b).

Statement of Financial Position

Cash and cash equivalents

The variance for cash and cash equivalents is mainly due to better than forecast financial performance of CITEC and Queensland Shared Services and the resulting improvement in cash reserves for these business units (\$7.3 million and \$6.5 million respectively).

Current and non-current interest-bearing liabilities

The variance in current interest-bearing liabilities is mainly due to the reporting of budgeted finance lease liabilities associated with the GWN as non-current interest bearing liabilities. Overall, the variance for current and non-current interest bearing liabilities is due to additional equipment acquired and provisioned under the GWN, funded through a finance lease (\$5.4 million), refer note 17.

Total equity

The variance in total equity is mainly due to an improvement in operating results compared to the budget of CITEC and Queensland Shared Services referred to above (\$12.3 million) and the difference between budgeted and actual retained earnings from the prior year (\$6.3 million).

Notes to the financial statements for the year ended 30 June 2017

29. Budgetary reporting disclosures (continued)

Statement of cash flows

Payments for intangibles

The increase in cash outflows from investing activities is due to the acquisition of intangible software assets supporting the One-Stop Shop program (\$2 million) and Queensland Shared Services Finance Futures and Aurion Upgrade programs (\$0.8 million).

Equity injections and equity withdrawals

The increase in equity injections and equity withdrawals is mainly due to the timing of budgeted equity funding transactions relating to prior year capital purchases (\$2.2 million).

30. Schedule of administered items

	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance* \$'000	2016 Actual \$'000
Administered income				
Appropriation revenue**	69,309	73,945	(4,636)	72,406
Contributions	9,181	-	9,181	12,433
Total administered income	78,490	73,945	4,545	84,839
Administered expenses				
Supplies and services	6,663	3,186	3,477	2,694
Grants and subsidies	65,875	70,759	(4,884)	68,330
Other expenses	-	-	-	1,996
Total administered expenses	72,538	73,945	(1,407)	73,020
Operating surplus	5,952	-	5,952	11,819
Administered current assets				
Cash and cash equivalents	914	1,246	(332)	3,400
Loans and receivables	901	-	901	2,098
Prepayments	4,101	-	4,101	3,229
Total administered current assets	5,916	1,246	4,670	8,727
Administered non-current assets				
Prepayments	13,670	-	13,670	9,771
Total administered non-current assets	13,670	-	13,670	9,771
Total administered assets	19,586	1,246	18,340	18,498
Administered current liabilities				
Payables	569	-	569	2,888
Revenue payable to government	-	-	-	1,996
Total administered current liabilities	569	-	569	4,884
Net administered assets	19,017	1,246	17,771	13,614
Total administered equity	19,017			13,614

* An explanation of major variances is included at note 32.

** This appropriation revenue is provided in cash via Queensland Treasury and funds activities/expenses that the department administers on behalf of the government, refer note 31.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

30. Schedule of administered items (continued)

	2017 \$'000	2016 \$'000
Administered grants and subsidies		
State Library of Queensland	62,676	62,689
Queensland Shared Services	3,199	5,641
Total	65,875	68,330

Accounting Policy

The department administers, but does not control, certain activities on behalf of the government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's overall objectives. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position. Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

31. Administered appropriation receipts

Reconciliation of payments from consolidated fund to administered appropriation revenue

Budgeted administered appropriation	73,945	80,117
Lapsed administered appropriation	(6,632)	(7,959)
Total administered appropriation receipts (cash)	67,313	72,158
Plus: Opening balance of deferred administered appropriation payable	1,996	248
Less: Closing balance of deferred administered appropriation payable	-	(1,996)
Net administered appropriation revenue	69,309	70,410
Plus: Deferred administered appropriation payable to consolidated fund (expense)	-	1,996
Administered appropriation revenue recognised in note 30	69,309	72,406

Reconciliation of payments from consolidated fund to administered equity adjustment

Budgeted administered equity adjustment appropriation	(3,627)	(8,492)
Lapsed administered appropriation	(332)	(5,784)
Total administered appropriation receipts (cash)	(3,959)	(14,276)
Plus: Opening balance of administered equity adjustment payable	523	191
Less: Closing balance of administered equity adjustment payable	(569)	(523)
Equity adjustment recognised in administered equity	(4,005)	(14,608)

32. Administered budget to actual comparison and variance analysis

Explanations of major variances

Contributions

The variance in contributions of \$9.2 million reflects the contribution from Queensland Treasury to fund the ICT arrangements for the 1 William Street (1WS) building.

Operating surplus:

The variance of \$6.0 million is due to the timing difference between the recognition of contribution revenue received to fund the ICT arrangements for the 1WS building and recognition of expense associated with service payments made to an ICT provider over a five year contract term.

Notes to the financial statements for the year ended 30 June 2017

32. Administered budget to actual comparison and variance analysis (continued)

Prepayments (current and non-current)

The variance in prepayments is due to an upfront payment of \$17.8 million (\$4.1 million classified as current and \$13.7 million classified as non-current) made for ICT services to be delivered over a five year contract term associated with the ICT arrangements for the 1WS building.

33. Agency transactions and balances

The department, through the Smart Service Queensland business unit, acts as an agent for collection and payment processing services, and undertakes certain transactions on behalf of Queensland Government agencies and its clients.

	2017 \$'000	2016 \$'000
Agency cash assets		
Balance at 1 July	471	352
Collections during the period	77,504	88,586
Distributions according to clients' instructions during the period	(77,538)	(88,467)
Balance at 30 June	437	471

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

All agency transactions and balances are subject to audit by the Queensland Audit Office.

Accounting policy

The transactions and balances related to these agency arrangements are not included in these financial statements, because the department acts only in a custodial role but are disclosed in these notes for the information of users.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies

a) Leases

A distinction is made in the financial statements between finance leases, which effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Leases of non-current assets where the department, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

b) Insurance

With the exception of non-current physical assets held by CITEC, which are commercially insured, the department's non-current physical assets and other risks, including those relating to business interruption following natural disasters, are insured through the Queensland Government Insurance Fund. Premiums are paid on a risk assessment basis. In addition, the department pays premiums to Workcover Queensland in respect of its obligations for employee compensation.

c) Contributed equity

Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities specifies the principles for recognising contributed equity by the department. Appropriations and non-appropriated equity adjustments (refer to Statement of Changes in Equity) have been recognised as contributed equity by the department during the reporting and comparative years.

d) Issuance of financial statements

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

e) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions with the most significant effect are outlined in the following financial statement notes:

- Valuation of property, plant and equipment – note 17
- Financial instruments – note 27
- Finance leases – note 19
- Contingencies – note 26
- Receivables – note 14

Further, the matters covered in each of those notes (except for depreciation and amortisation) necessarily involve estimation uncertainty, with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

f) Currency, rounding and comparatives

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

Effective 1 July 2016, the department has re-aligned its activities under a revised service reporting structure, being Services for Queenslanders, Services for Government and Advance Queensland through Innovation.

Comparative information reflects the audited 2015–16 financial statements except where comparatives have been re-stated consistent with revised reporting structure disclosures in the Statement of Comprehensive Income and Statement of Assets and Liabilities by Major Departmental Services, CBUs and SSPs or as result of changes in accounting policy and other prior period adjustments, refer note 35.

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

g) Current/non-current classification

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

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

h) Donated/transferred assets

Assets donated or transferred to the department are recognised as revenues (refer note 7).

i) Capital work in progress, including intangible assets under development

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment and intangible assets constructed in-house are recorded as work in progress until completion of the project using all direct costs and, where applicable, reliable attributed indirect costs. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor. The department does not capitalise finance and borrowing costs.

j) Acquisition of assets

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

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

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

k) Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as property, plant and equipment in the following classes:

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

Items with a lesser value are expensed in the year of acquisition. Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance that merely restores original service potential (lost through ordinary wear and tear) is expensed. Land improvements undertaken by the department are included with buildings.

l) Measurement of non-current physical assets using fair value

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. Leased assets are measured at fair value in accordance with AASB 117 Leases.

These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable.

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

m) Measurement of non-current physical and intangible assets using historical cost

Plant and equipment is measured at historical cost in accordance with the Non-Current Asset Policies. The carrying amounts for such plant and equipment is not materially different from their fair value.

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

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they will be measured at fair value).

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

n) Revaluation of non-current physical and intangible assets measured at fair value

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by specific appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by a team in the department's Finance, Procurement and Business Services unit, which determines the specific revaluation practices and procedures. The department undertakes annual reviews of the revaluation practices (after each year's revaluation process), and reports to the department's Audit and Risk Management Committee (of which the department's Chief Finance Officer is an invitee) regarding the outcomes of, and recommendations arising from, each annual review.

Revaluations using an independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. This is arranged by the department's Finance, Procurement and Business Services unit after consultation with the department's Finance and Procurement sub-Committee.

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case, revaluation is warranted).

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

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up to date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (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.

Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, the department assesses and confirms the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

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

For assets revalued using a cost valuation approach (e.g. depreciated replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'.

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

o) Fair value measurement

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

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use.

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

o) Fair value measurement

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

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

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

More specific fair value information about the department's property, plant and equipment is outlined in note 17. Details of individual assets and liabilities measured under each category of fair value are set out in the tables at note 27.

p) Intangible assets

Intangible assets with a historical cost or other value greater than or equal to \$100,000, are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the department. The residual value is zero for all the department's intangible assets.

There is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost, less accumulated amortisation and accumulated impairment losses. No intangible assets have been classified as held for sale, or form part of a disposal group held for sale.

Purchased software

The purchase cost of software has been capitalised and is amortised on a straight-line basis over the period of the expected benefit to the department, generally five years. However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

Internally generated software

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of the expected benefit to the department, generally five years. However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

g) Amortisation and depreciation of intangible assets and property, plant and equipment

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

All intangible assets of the department have finite useful lives and are amortised on a straight-line basis over their estimated useful life to the department.

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

All heritage and cultural assets of the department are not depreciated as the service potential of the assets are not expected to diminish over time.

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

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

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

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

g) Amortisation and depreciation of intangible assets and property, plant and equipment

The depreciable amount of improvements to or on leasehold land, is allocated progressively over the estimated useful lives of the improvements, or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

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

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

Items comprising the department's technical library are expensed on acquisition.

For each class of depreciable assets, the following depreciation and amortisation rates are used:

<u>Class</u>	<u>Rates</u>	<u>Class</u>	<u>Rates</u>
Buildings	2% to 10%	Leasehold improvements	2.5% to 20%
Infrastructure	2% to 12.5%	Computer equipment	4% to 55%
Financed leased assets	7% to 20%	Scientific equipment	4% to 33%
Other equipment	4% to 33%	Software internally generated	6% to 24%
Software purchased	4% to 26%		

Where appropriate, the depreciation and amortisation rates applied to assets are determined on an individual basis.

r) Impairment of non-current assets

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

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell, depreciated replacement cost, or net cash inflows generated through use of the asset.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

When an asset is revalued using a market valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

The department's annual asset impairment assessment process is conducted in accordance with the department's asset impairment assessment guide that forms part of the department's asset management handbook, maintained by Finance, Procurement and Business Services. Within this guide, the department maintains a schedule of impairment indicators for each individual asset class, which are reviewed and updated annually.

The assessment of and outcomes from the department's asset impairment assessment process is reported to and endorsed by the department's Audit and Risk Management Committee annually.

s) New and revised accounting standards

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

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

As from the department's financial statements for 2017–18, this standard will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cashflows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cashflows.

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

s) New and revised accounting standards

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

These standards will first apply to the department from its financial statements for 2019–20.

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 received to construct non-financial assets controlled by the department will be recognised as a liability, and subsequently recognised progressively as revenue as the department satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Under the new standards, other 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. The department is yet to evaluate the existing grant arrangements as to whether revenue from those grants could be deferred under the new requirements.

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 - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 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 performance 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 and the impact, if any, on revenue recognition has not yet been determined.

A range of new disclosures will also be required by the new standards in respect of the department's revenue.

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

These standards will first apply to the department from its financial statements for 2018–19. 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 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 the new standard 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 required to be measured at fair value (instead of the measurement classifications presently used in note 27). 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.

Another impact of AASB 9 relates to calculating impairment losses for the department's receivables. Assuming no substantial change in the nature of the department's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the department will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

34. Summary of other accounting policies (continued)

s) New and revised accounting standards

The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018–19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018–19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment, and investments in unquoted equity instruments measured at fair value through other comprehensive income and de-recognition of these items.

AASB 16 Leases

This standard will first apply to the department from its financial statements for 2019–20. 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 for the department. The impact on the reported assets and liabilities would be largely in proportion to the scale of the department's leasing activities.

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.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the department's activities, or have an immaterial impact on the department.

t) First-year application of new accounting standards or changes in accounting policy

The department did not voluntarily change any of its accounting policies during 2016–17, other than for the policy change referred to in note 35.

No Australian Accounting Standards have been early adopted for 2016–17.

Accounting standards applied for the first time

The only Australian Accounting Standard that became effective for the first time in 2016–17 is AASB 124 Related Party Disclosures. This standard requires note disclosures about relationships between a parent entity and its controlled entities, key management personnel (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, AASB 124 itself had minimal impact on the department's KMP disclosures compared to 2015–16 (refer to note 22). However, the standard has resulted in the department's responsible Minister being identified as part of the department's KMP as from 2016–17. Material related party transactions for 2016–17 are disclosed in note 23. No comparative information about related party transactions is required in respect of 2015–16. The relationship between the department and its controlled entity is already outlined in note 4.

Notes to the financial statements for the year ended 30 June 2017

35. Change in accounting policy and prior period adjustments

During 2016–17 the department applied an accounting policy where lease incentive liabilities are recognised only if taking up the lease incentive results in a timing mismatch between lease expenses and cash payments. Lease incentive liabilities, recognised during 2015–16 in respect of lease incentives consumed through reduction in monthly lease payments spread proportionately over the term of the lease (where no timing mismatch occurs) have been adjusted to nil. An adjustment has been made to the 2015–16 comparatives to retrospectively reflect the change in accounting policy, reducing lease incentive assets and liabilities, equally by \$14.778 million. There was no impact upon net assets, equity balances or income and expenses as a result of this change. There was also no impact upon balances prior to 1 July 2015.

As at 30 June 2016, the department recognised an administered prepayment of \$13.000 million in respect of ICT services to be delivered over a five year contract. During 2016–17, the balance of this administered prepayment between current and non-current assets was re-classified to reflect that component of the carrying value which is expected to be realised within 12 months. The balance of the administered prepayment as at 30 June 2016 was adjusted to retrospectively reflect the reclassification between current and non-current balances.

Comparative numbers reported in the 2015–16 financial statements and restated amounts for those line items affected are as follows:

2015–16 comparative adjustments	Notes	Published financial statements \$ '000	Restated comparatives \$ '000
<u>Statement of Financial Position</u>			
Other current assets	15	15,180	13,506
<i>Total current assets</i>		112,518	110,844
Other non-current assets	15	13,842	738
<i>Total non-current assets</i>		233,690	220,586
<i>Total assets</i>		346,208	331,430
Other current liabilities	21	3,703	2,029
<i>Total current liabilities</i>		75,499	73,825
Other non-current liabilities	21	13,334	230
<i>Total non-current liabilities</i>		131,156	118,052
<i>Total liabilities</i>		206,655	191,877
<u>Schedule of administered items</u>			
Administered prepayments (current)		13,000	3,229
<i>Total administered current assets</i>		18,498	8,727
Administered prepayments (non-current)		-	9,771
<i>Total administered non-current assets</i>		-	9,771

The department has adjusted comparative information reported in note 22 related to remuneration expenses for KMP. Total short-term employee expenses (non-monetary benefits) has been reduced from \$0.090 million to \$0.064 million, with total expenses reducing from \$3.490 million to \$3.464 million. This restatement is due to an adjustment in FBT and motor vehicle notional benefits attributed to KMP during 2015–16.

PART B

Department of Science, Information Technology and Innovation

Notes to the financial statements for the year ended 30 June 2017

36. Events occurring after balance date

There were no material events subsequent to the reporting date but prior to the signing of these accounts of which management was aware.

Department of Science, Information Technology and Innovation

Management Certificate

for the year ended 30 June 2017

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; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Science, Information Technology and Innovation 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 upon an appropriate system of internal controls and risk management processes being effective, in all material aspects, with respect to financial reporting throughout the reporting period.

Scott Walker
B Comm CPA
Acting Chief Finance Officer



24 August 2017

Jamie Merrick
Director-General



24 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Science, Information Technology and Innovation

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Science, Information Technology and Innovation.

In my opinion, the financial report:

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

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental services, CBUs and SSPs as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services, CBUs and SSPs for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

I have determined that there are no key audit matters to communicate in my report.

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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.



John Welsh
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

