Financial Statements

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Department of Employment, Small Business and Training
Statement of Comprehensive Income
for the year ended 30 June 2022

OPERATING RESULT	Notes	2022 Actual $'000	2022 Original Budget $'000	Budget Variance * $'000	2021 Actual $'000
Income from continuing operations					
Appropriation revenue	2	**1 459 156**	1 245 822	213 334	1 271 505
User charges and fees	3	**2 651**	1 705	946	3 248
Grants and contributions		**3 150**	3 700	(550)	4 053
Other revenue	4	**50 146**	17 131	33 015	30 811
Revaluation increment	11	**34 948**	-	34 948	-
Total income from continuing operations		**1 550 051**	1 268 358	281 693	1 309 617
Expenses from continuing operations					
Employee expenses	5	**70 488**	70 508	(20)	66 142
Supplies and services	7	**96 940**	113 925	(16 985)	75 582
Grants and subsidies	8	**1 259 759**	1 010 591	249 168	1 083 123
Depreciation and amortisation		**57 782**	49 108	8 674	54 035
Impairment losses	10	**5 809**	-	5 809	4 086
Finance/borrowing costs		**21 726**	21 726	-	22 130
Revaluation decrement	11	-	-	-	5 357
Other expenses	9	**6 314**	2 500	3 814	4 519
Total expenses from continuing operations		**1 518 818**	1 268 358	250 460	1 314 974
Operating result from continuing operations		**31 233**	-	31 233	(5 357)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to operating result:					
Increase/(decrease) in asset revaluation surplus	11	**162 520**	-	162 520	16 691
Total items that will not be reclassified to operating result		**162 520**	-	162 520	16 691
TOTAL OTHER COMPREHESIVE INCOME		**162 520**	-	**162 520**	**16 691**
TOTAL COMPRHENSIVE INCOME		**193 753**	-	193 753	11 334

*An explanation of major variances is included at Note 20.

The accompanying notes form part of these financial statements.

Department of Employment, Small Business and Training – Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2022

	Training and Skills		Small Business		Employment		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Income from continuing operations								
Appropriation revenue	**1 067 225**	1 013 496	**349 683**	212 561	**42 248**	45 448	**1 459 156**	1 271 505
User charges and fees	**2 650**	3 248	**1**	-	**-**	-	**2 651**	3 248
Grants and contributions	**263**	130	**2 800**	3 916	**87**	7	**3 150**	4 053
Other revenue	**22 703**	30 536	**27 443**	224	**-**	51	**50 146**	30 811
Revaluation increment	**34 948**	-	**-**	-	**-**	-	**34 948**	-
Total income from continuing operations	**1 127 789**	1 047 410	**379 927**	216 701	**42 335**	45 506	**1 550 051**	1 309 617
Expenses from continuing operations								
Employee expenses	**55 828**	51 063	**9 517**	10 129	**5 143**	4 950	**70 488**	66 142
Supplies and services	**75 892**	55 642	**15 548**	15 118	**5 500**	4 822	**96 940**	75 582
Grants and subsidies	**873 381**	856 317	**354 844**	191 084	**31 534**	35 722	**1 259 759**	1 083 123
Depreciation and amortisation	**57 779**	54 030	**2**	4	**1**	1	**57 782**	54 035
Impairment losses	**5 652**	3 889	**9**	197	**148**	-	**5 809**	4 086
Finance/borrowing costs	**21 726**	22 130	**-**	-	**-**	-	**21 726**	22 130
Revaluation decrement	**-**	5 357	**-**	-	**-**	-	**-**	5 357
Other expenses	**6 298**	4 339	**7**	169	**9**	11	**6 314**	4 519
Total expenses from continuing operations	**1 096 556**	1 052 767	**379 927**	216 701	**42 335**	45 506	**1 518 818**	1 314 974
Operating result from continuing operations	**31 233**	(5 357)	**-**	-	**-**	-	**31 233**	(5 357)
Operating result for the year	**31 233**	(5 357)	**-**	-	**-**	-	**31 233**	(5 357)
Other comprehensive income								
Items that will not be reclassified to operating result:								
Increase/(decrease) in asset revaluation surplus	**162 520**	16 691	**-**	-	**-**	-	**162 520**	16 691
Total other comprehensive income	**162 520**	16 691	**-**	-	**-**	-	**162 520**	16 691
Total comprehensive income	**193 753**	11 334	**-**	-	**-**	-	**193 753**	11 334

All corporate overheads have been allocated across respective departmental services based on activity drivers. Corporate services functions include finance and administration, procurement, human resources, payroll, staff training, information technology, records management, legal services, facilities management, policy development and executive services.

Department of Employment, Small Business and Training
Statement of Financial Position
as at 30 June 2022

	Notes	2022 Actual $'000	2022 Original Budget $'000	Budget Variance* $'000	2021 Actual $'000
Current assets					
Cash		**264 377**	155 654	108 723	303 951
Receivables	10	**10 159**	10 320	(161)	15 259
Prepayments		**1 518**	652	866	1 561
Total current assets		**276 054**	166 626	352 623	301 755
Non-current assets					
Property, plant and equipment	11	1 694 366	1 552 092	142 274	**1 528 859**
Intangible assets		468	(246)	714	**636**
Total non-current assets		**1 694 834**	1 551 846	142 988	1 529 495
Total assets		**1 970 888**	1 718 472	252 416	1 850 266
Current liabilities					
Payables	12	**182 178**	95 914	86 264	212 646
Interest-bearing liabilities	13	**4 465**	4 465	-	4 017
Accrued employee benefits		**2 106**	1 917	189	1 917
Provisions	14	**70 198**	76 092	(5 894)	79 808
Unearned revenue		**1 223**	89	1 134	424
Total current liabilities		**260 170**	178 477	81 693	298 812
Non-current liabilities					
Interest-bearing liabilities	13	**197 519**	197 518	1	201 984
Total non-current liabilities		**197 519**	197 518	1	**201 984**
Total liabilities		**457 689**	375 995	81 694	500 796
Net assets		**1 513 199**	1 342 477	170 722	1 349 470
Equity					
Contributed equity		**1 204 016**			**1 234 040**
Accumulated surplus		**(75 054)**			**(106 287)**
Asset revaluation surplus	11	**384 237**			**221 717**
Total equity		**1 513 199**			1 349 470

*An explanation of major variances is included at Note 20.

The accompanying notes form part of these financial statements.

Department of Employment, Small Business and Training – Statement of Assets and Liabilities by Major Departmental Service
as at 30 June 2022

	Training and Skills		Small Business		Employment		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Current assets								
Cash	**260 515**	282 788	**1 169**	17 206	**2 693**	3 957	**264 377**	**303 951**
Receivables	**7 568**	12 788	**2 297**	**1 256**	**294**	1 215	**10 159**	**15 259**
Prepayments	**1 453**	1 363	**39**	**136**	**26**	62	**1 518**	**1 561**
Total current assets	**269 536**	296 939	**3 505**	18 598	**3 013**	5 234	**276 054**	320 771
Non current assets								
Property, plant and equipment	**1 694 366**	1 528 843	-	13	-	3	**1 694 366**	1 528 859
Intangible assets	**468**	636	-	-	-	-	**468**	636
Total non-current assets	**1 694 834**	1 529 479	-	13	-	3	**1 694 834**	1 529 495
Total assets	**1 968 232**	1 826 418	**3 505**	18 611	**3 013**	5 237	**1 970 888**	1 850 266
Current liabilities								
Payables	**177 037**	189 534	**2 284**	18 086	**2 857**	5 026	**182 178**	212 646
Interest-bearing liabilities	**4 465**	4 017	-	-	-	-	**4 465**	4 017
Accrued employee benefits	**1 701**	1 505	**253**	290	**152**	122	**2 106**	1 917
Provisions	**70 198**	79 808	-	-	-	-	**70 198**	79 808
Unearned revenue	**251**	100	**968**	235	**4**	89	**1 223**	424
Total current liabilities	**253 652**	274 964	**2 336**	18 611	**3 013**	5 237	**260 170**	298 812
Non current liabilities								
Interest-bearing liabilities	**197 519**	201 984	-	-	-	-	**197 519**	201 984
Total non current liabilities	**197 519**	201 984	-	-	-	-	**197 519**	201 984
Total liabilities	**451 171**	476 948	**3 505**	18 611	**3 013**	5 237	**457 689**	500 796

* Cash has been attributed across Major Departmental Services and amended for prior financial year. Cash has been allocated to Small Business and Employment to align with Total Liabilities and with the balance of Cash attributed to the Training and Skill service.

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

Department of Employment, Small Business and Training
Statement of Changes in Equity
for the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Contributed equity			
Opening balance		**1 234 040**	1 240 749
Transactions with owners as owners			
Appropriated equity injections	2	**24 242**	47 326
Appropriated equity withdrawals	2	**(54 266)**	(54 035)
Closing Balance		**1 204 016**	1 234 040
Accumulated surplus/ (deficit)			
Opening balance		**(106 287)**	(100 929)
Operating result from continuing operations		**31 233**	(5 357)
Closing Balance		**(75 054)**	(106 287)
Asset revaluation surplus			
Opening balance		**221 717**	205 026
Increase in asset revaluation surplus			
Buildings	11	**162 520**	16 691
Closing balance		**384 237**	221 717
Total Equity		**1 513 199**	1 349 470

The accompanying notes form part of these financial statements.

Accounting policy

Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. Appropriations for equity adjustments is recognised as contributed equity by the department during the reporting and comparative year.

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

Department of Employment, Small Business and Training
Statement of Cash Flows
for the year ended 30 June 2022

	2022 Actual $'000	2022 Original Budget $'000	Budget Variance* $'000	2021 Actual $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Service appropriation receipts	**1 418 410**	1 245 822	172 588	1 295 952
User charges, fees and other revenue	**4 862**	1 705	3 157	30 125
Grants and contributions	**2 797**	3 700	(903)	3 786
GST input tax credits from ATO	**26 722**	-	26 722	31 000
GST collected from customers	**4 729**	-	4 729	4 536
Other	**50 134**	17 131	33 003	-
Outflows:				
Employee expenses	**(70 248)**	(70 508)	260	(67 195)
Supplies and services	**(88 466)**	(113 925)	25 459	(85 260)
Grants and subsidies	**(1 265 015)**	(1 010 591)	(254 424)	(1 062 977)
Finance/borrowing costs	**(21 726)**	(21 726)	-	(22 130)
GST paid to suppliers	**(27 663)**	-	(27 663)	(30 171)
GST remitted to ATO	**(5 360)**	-	(5 360)	(5 001)
Other	**(1 713)**	(2 500)	787	(1 772)
Net cash provided by operating activities	**27 463**	49108	(21 645)	90 893
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Sales of property, plant and equipment	**990**	-	990	6
Outflows:				
Payments for property, plant and equipment	**(33 986)**	(53 808)	19 822	(73 032)
Net cash used in investing activities	**(32 996)**	(53 808)	20 812	(73 026)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows:				
Equity injections	**24 242**	47 825	(23 583)	47 326
Outflows:				
Equity withdrawals	**(54 266)**	(49 108)	(5 158)	(48 412)
Repayments of borrowings/finance liability payments	**(4 017)**	(4 017)	-	(3 613)
Net cash (used in)/provided by financing activities	**(34 041)**	(5 300)	(28 741)	(4 699)
Net increase/(decrease) in cash	**(39 574)**	(10 000)	(29 576)	13 168
Cash - opening balance	**303 951**	165 654	138 297	290 783
Cash - closing balance	**264 377**	155 654	108 722	303 951

*An explanation of major variances is included at Note 20.

The accompanying notes form part of these financial statements.

Accounting policy and disclosure – Cash

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.

On 11 May 2018, an overdraft facility was approved by Queensland Treasury for the department's main bank account. This facility is limited to $40 million and remains in effect permanently. This facility remained fully undrawn at 30 June 2022 and is available for use in the next reporting period. The current overdraft interest rate is 4.85 percent (2021: 3.6%).

NOTES TO THE STATEMENT OF CASH FLOW

Reconciliation of operating result to net cash provided by operating activities

	2022	2021
	$'000	$'000
Operating surplus/(deficit)	**31 233**	(5 357)
Non-cash items included in operating result:		
Depreciation and amortisation expense	**57 781**	54 035
Revaluation (increment)/ decrement	**(34 948)**	5 357
Net Losses on disposal of property, plant and equipment	**4 599**	2 748
Impairment losses	**5 809**	4 086
Change in assets/liabilities:		
(Decrease)/increase in deferred appropriation payable to Consolidation Fund	**(40 746)**	24 447
(Increase)/decrease in GST input tax credits receivable	**(1 572)**	364
(Increase)/decrease in net operating receivables	**863**	(5 301)
(Increase)/decrease in other current assets	**41**	(910)
Increase/(decrease) in other current liabilities	**(8 812)**	4 050
Increase/(decrease) in payables	**13 026**	7 373
Increase/(decrease) in accrued employee benefits	**189**	1
Net cash provided by operating activities	**27 463**	90 893

Change in Liabilities Arising from Financing Activities

Finance liability		
Opening balance	206 000	209 613
Cash Flows:		
Cash Repayment	(4 017)	(3 613)
Closing balance	**201 983**	**206 000**

1 BASIS OF FINANCIAL STATEMENT PREPARATION

THE REPORTING ENTITY

The Department of Employment, Small Business and Training ("the department") is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is 1 William Street, Brisbane QLD 4000.

The Department of Employment, Small Business and Training works with employers, small businesses, and individuals to support their career and business aspirations, delivering programs and developing policy to support employment growth and match skills and training opportunities with industry workforce needs both now and into the future. Through this focus, the department is supporting the vision of skilled Queenslanders and vibrant small businesses growing Queensland's economy.

The department's purpose is to support Queensland's future workforce by connecting Queenslanders to learning opportunities through quality training and employment opportunities, and by helping small businesses to start, grow and thrive.

Contribution to the Government's objectives for the community

- supporting jobs;
- making it for Queensland;
- growing our regions;
- backing small businesses;
- investing in skills;
- building Queensland; and
- backing our frontline services.

The department is funded for the departmental services it delivers principally by parliamentary appropriations.

The financial statements include the value of all income, expenses, assets, liabilities, and equity of the department. The department has elected not to consolidate its investment in the controlled entity, Building Construction Industry Training Fund (Qld) Ltd as the transactions and balances are immaterial to the department. Refer to Note 18.

DEPARTMENTAL SERVICES AND PRINCIPAL ACTIVITIES

Employment

Preparing Queensland's workforce for the demands of current and future industries by increasing employment opportunities for Queenslanders in particular disadvantaged cohorts and unemployed jobseekers.

Small Business

Helping small businesses to start, grow and employ by ensuring small businesses can seamlessly interact with government and are supported.

Training and Skills

Connecting people to quality training and skills by regulating Queensland apprenticeships and traineeships and facilitating access and participation in vocational education and training pathways, enabling Queenslanders to gain employment in current and future industries.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The department has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*. These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2021.

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.

NEW AND REVISED ACCOUNTING STANDARDS

Accounting standards applied for the first time or early adopted

No new accounting standards or interpretations that apply to the department for the first time in 2021-22 have any material impact on the financial statements.

No Australian Accounting Standards have been early adopted for 2021-22.

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

PRESENTATION

Currency and rounding

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

Comparatives

Comparative information reflects the audited 2020-21 financial statements.

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.

BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for Land and buildings assets which are measured at fair value; and Provisions expected to be settled 12 or more months after reporting date which are measured at their present value.

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

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

RELATED PARTY TRANSACTIONS

Transactions with people/entities related to Key Management Personnel

The department had no related party transactions during 2021-2022 with people and entities related to Key Management Personnel. Refer to Note 6 for policy and renumeration information of Key Management Personnel.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue and equity injections (Note 2), both of which are provided in cash via Queensland Treasury. The department has an overdraft facility approved by Queensland Treasury and the key terms and conditions of the facility are outlined in the Accounting policy and disclosure under the Statement of Cashflow.

Grants provided by the department to other State government entities was approximately 36 percent (2020-21: 33%), with the majority paid to TAFE Queensland being for the state contribution grant and delivery of VET programs.

TAXATION

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from all forms of Commonwealth taxation with the exception of Fringe Benefits Tax (FBT), and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised in Note 10.

CLIMATE RISK DISCLOSURE

The department has not identified any material climate related risks relevant to the financial report at the reporting date, however continues to monitor the emergence of such risks under the Queensland Government's Climate Transition Strategy, and Climate Action Plan 2030.

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

EVENTS AFTER THE BALANCE DATE

No events after the balance date have occurred for the department.

2 APPROPRIATION

Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in operating result

	2022	2021
	$'000	$'000
Original budgeted appropriation	**1 245 822**	1 360 279
Supplementary amounts:		
Transfers from/(to) other headings (variation in headings)	**34 364**	(720)
Unforeseen expenditure	**138 224**	-
Lapsed appropriation	**-**	(63 607)
Total appropriation received (cash)	**1 418 410**	1 295 952
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	**103 037**	78 590
Less: Closing balance of deferred appropriation payable to Consolidated Fund	**(62 291)**	(103 037)
Net Appropriation revenue	**1 459 156**	1 271 505
Appropriation revenue recognised In statement of comprehensive income	**1 459 156**	1 271 505
Variance between original budgeted and actual appropriation revenue	**213 334**	(88 774)

Reconciliation of payments from consolidated fund to equity adjustment

Original budgeted equity adjustment appropriation	**(1 283)**	(2 504)
Supplementary amounts:		
Transfers from/(to) other headings - (variation in headings)	**(34 364)**	720
Equity adjustment receipts (payments)	**(35 647)**	(1 784)
Plus: Opening balance of equity adjustment payable	**5 623**	698
Less: Closing balance of equity adjustments payable	**-**	(5 623)
Equity adjustment recognised In contributed equity	**(30 024)**	(6 709)
Variance between original budget and actual equity adjustment appropriation	**28 741**	4 205

Accounting policy

Appropriations provided under the *Appropriation (Parliament) Act 2021* are recognised as revenue when received. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation repayable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity.

3 USER CHARGES AND FEES

Revenue from contracts with customers		
General fees	**17**	17
Other user charges and fees		
Hire of facilities	**458**	1 986
Property income	**2 176**	1 245
Total	**2 651**	3 248

Accounting policy - Hire of facilities/ property income

Hire of facilities and property income is recognised when received as there is no performance obligation by the department other than the maintenance of the facilities.

Disclosure - Hire of facilities/ property income

The department provides TAFE Queensland access to training facilities. The income value of this right of use access has not been accounted for during 2021-22 as a reliable measurement of rent payable is unable to be determined. This is because the ongoing arrangement includes a number of sites, varying utilisation at each site, varying condition of the buildings and facilities, and the costs borne by TAFE Queensland in the management of the facilities.

4 OTHER REVENUE

	2022 $'000	2021 $'000
Contributions to finance liability	**17 292**	17 038
Recoveries from grants programs	**32 854**	13 773
Total	**50 146**	30 811

Accounting policy - Other revenue

Recoveries from grants programs have been reviewed during the financial year 2021-22 and are recognised at the lime that appropriate evidence is available to request the return of funds. At this lime an invoice is raised to recover all or part of the grant from the recipient.

Disclosure - Contributions to finance liability

The department, due to contractual agreements for the right of use access to the Private Provision of Public Infrastructure (PPPI) asset at Southbank Education and Training Precinct (SETP), receives from TAFE Queensland contributions on a monthly basis. These contributions are towards the outflows associated with the precinct. Information regarding the amount of the contribution and conditions for variations are contained in schedules which form part of the agreement, refer to Note 19.

5 EMPLOYEE EXPENSES

Employee benefits		
Wages and salaries	**54 412**	51 268
Annual leave/ levy expenses	**6 421**	6 063
Long service leave levy	**1 439**	1 224
Employer superannuation contributions	**7 365**	7 047
Termination benefits*	**114**	15
Employee related expenses		
Fringe benefits tax	**134**	67
Workers' compensation premium	**188**	177
Staff rental accommodation	**22**	18
Other employee related expenses**	**393**	263
Total	**70 488**	66 142

*Termination benefits relate to post-employment expenses, no redundancy payments were made during financial year 2021-22 or 2020-21.

**Staff training and Staff transfer costs reported in financial year 2020-21 are collectively reported under Other employee related expenses.

	2022 No.	2021 No.
Number of full-time equivalent employees ***	**570**	537

*** Full-Time equivalent employee data as at 30 June 2022 (based upon the fortnight ending 1 July 2022).

Accounting policy – Wages and salaries

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

Accounting policy – Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue into 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.

5 EMPLOYEE EXPENSES (continued)

Accounting policy – Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave Central Scheme (LSLCS) a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed back from the scheme quarterly in arrears.

Accounting policy – Superannuation

Post-employment benefits for superannuation are provided through defined contributions (accumulations) 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.

Accounting policy – Workers' compensation premiums

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

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES

Details of Key Management Personnel (KMP)

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*. The Minister is the Honourable Dianne Farmer MP, Minister for Employment and Small Business and Minister for Training and Skills Development.

The following details for non- Ministerial KMP personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2021-22 and 2020-21. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management. Further information on these positions can be found in the Annual Report under the section titled Our Department.

Remuneration expenses

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

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

Remuneration expenses for those key management personnel 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 the specified position (including any higher duties or allowances earned during that time); and
- non-monetary benefits – consisting of provision of vehicle and car parking 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.

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

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

Remuneration expenses (continued)

1 July 2021 – 30 June 2022

Position (date resigned if applicable)	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	343	3	8	42	-	396
Deputy Director-General, Engagement[1] to 05/10/2021	57	2	1	6	-	66
Deputy Director-General, Engagement[2] from 27/09/2021	206	2	5	19	-	232
Deputy Director-General, Investment[3]	228	3	6	24	-	261
Deputy Director-General, Policy and Performance[4] from 08/11/2021	133	2	4	17	-	156
Deputy Director-General, Strategy	233	3	6	25	-	267
Head of Corporate Services[5] to 05/11/2021	69	1	2	7	-	79

(1) Deputy Director-General Engagement was seconded to Queensland Treasury from 5 October 2021 and was officially appointed to Queensland Treasury on 26 May 2022.

(2) Deputy Director-General Engagement acting in position from 27 September 2021.

(3) Deputy Director-General Investment acted in the position of Director-General for periods less than 4 weeks during the financial year.

(4) Deputy Director-General Policy and Performance position was newly created during financial year 2021-22, commenced 8 November 2021.

(5) Head of Corporate no longer regarded as KMP from commencement of Deputy Director-General Policy and Performance.

1 July 2020 – 30 June 2021

Position (date resigned if applicable)	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[1] from 23/11/2020	246	2	5	25	-	278
Director-General to 22/11/2020	134	2	3	16	-	155
Deputy Director-General, Engagement [3]	232	4	5	27	-	268
Deputy Director-General, Investment [3]	227	4	5	24	-	260
Deputy Director-General, Strategy[2] from 26/11/2020	195	2	3	16	-	216
Deputy Director-General, Strategy to 02/10/2020	83	1	2	7	-	93
Head of Corporate Services [4, 5]	204	4	4	20	-	232

(1) Director-General appointed to role after State Election.

(2) Deputy Director-General, Strategy appointed to role after the State Election.

(3) Deputy Director-General, Engagement and Deputy Director-General, Investment acted in the role of Director-General for periods less than 4 weeks during the financial year.

(4) Acting Head of Corporate Services was officially appointed to the role from 1 June 2021.

(5) Acting Head of Corporate Services was renumerated (Short-term Monetary expenses $0.037 million) for extended responsibilities, including minor administrative duties of Deputy Director-General, Strategy during 3 October 2020 to 25 November 2020.

Performance Payments

Key Management Personnel do not receive performance or bonus payments.

7 SUPPLIES AND SERVICES

	2022 $'000	2021 $'000
Building maintenance	**34 691**	27 682
Consultants and contractors	**18 522**	18 212
Materials and running costs	**15 912**	9 915
Computer costs	**7 875**	6 575
Equipment and building refurbishment	**7 352**	1 362
Office accommodation	**5 630**	5 484
Utilities	**4 184**	3 844
Payments to shared service provider/inter-agency services	**1 701**	1 485
Travel	**547**	452
Motor vehicle - QFleet	**526**	555
Lease expenses	**-**	16
Total	**96 940**	75 582

Accounting policy – Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note 8.

Office accommodation and employee housing

Payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework and residential accommodation properties under the Government Employee Housing (GEH) program arise from non-lease arrangements with the Department of Energy and Public Works, who has substantive substitution rights over the assets used within these schemes. Payments are expensed as incurred and categorised within Office accommodation in Note 7 and Staff rental accommodation in Note 5.

Lease expenses

Lease expenses include lease rentals for short-term leases, leases of low value assets and variable lease payments.

8 GRANTS AND SUBSIDIES

	2022 $'000	2021 $'000
Recurrent		
Training and skills programs	**855 576**	826 869
Small business programs	**354 844**	191 079
Employment programs	**31 533**	35 720
Other grants and allowances to organisations	**21**	37
Capital		
State Government		
Training Centre Grants	**17 785**	29 418
Total	**1 259 759**	1 083 123

Accounting policy – Grants and subsidies

The department administers a number of programs where payments are made without expectation of an equal value in return. For the arrangement to be classified as grants or subsidies, consideration to the classification of the payment is based on the nature of the transaction and if there is any third-party recipient to the payment made. This distinguishes the arrangement from procurement transactions.

Disclosure – Additional grant programs

Additional grant programs have been implemented by the department directly due to COVID-19. Grant payments under the department's key priority of Small Business programs significantly increased in the 2021-22 financial year by $168.54 million (2020-21: $173.46 million).

9 OTHER EXPENSES

	2022 $'000	2021 $'000
Insurance premium – Queensland Government Insurance Fund	**1 457**	1 397
Queensland Audit Office- external audit fees for the audit of the financial statements(1)	**176**	219
Loss on disposal of property plant and equipment	**4 599**	2 747
Special payments: (2)		
Ex-gratia payments	**20**	-
Other expenses	**62**	156
Total	**6 314**	4 519

Audit fees

(1) Total audit fees quoted by the Queensland Audit Office relating to the 2021-22 financial statements are estimated to be $0.204 million (2020-21: $0.199 million).

Special payments

(2) Special payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments during 2021-22 includes a payment over $5,000 in connection with the settlement of termination arrangements for an employment related matter.

10 RECEIVABLES

Current		
Trade debtors	**7 289**	16 436
Less: Loss allowance	**(3 595)**	(5 705)
	3 694	10 731
GST receivable	**3 641**	2 068
Long service leave reimbursements	**422**	329
Annual leave reimbursements	**1 315**	1 239
Sundry receivables	**1 087**	892
Total	**10 159**	15 259

Accounting policy – Receivables

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

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

Sundry receivables generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

Movement in loss allowance for trade debtors

Loss allowances as at 1 July	**5 705**	4 358
Increase/(decrease) in allowance recognised in the operating result	**5 809**	4 086
Amounts written off during the year	**(7 919)**	(2 739)
Loss allowance as at 30 June	**3 595**	5 705

During the 2021-22 financial year all trade debtors were reviewed and where it has been determined that the long-term outstanding debt was unlikely to be collected by the department, it has been written off. This resulted in a decrease in the loss allowance.

Loss allowance for the current year relating to the department's receivables is $3.595 million.

10 RECEIVABLES (continued)

IMPAIRMENT OF RECEIVABLES

Receivables credit risk – ageing analysis

Past due and Impaired	Overdue					
	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2022						
Trade debtors	**59**	**19**	**84**	**27**	**3 636**	**3 825**
2021						
Trade debtors	929	3 318	43	12	9 411	**13 713**

Accounting policy – Impairment of receivables

The loss allowance for trade and other debtors is recognised using the simplified approach to the lifetime expected credit losses. Under AASB9 *Financial Instruments* the department has assessed each debtor individually to calculate loss rates adjusted for forward-looking information.

The department's other receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables on the basis of low credit risk. Refer to Note 15 for the department's credit risk management policies.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 120 days past due and the department has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss. The write-off of the debt does not release the customer from the debt and future action may be taken to recover the debt.

The amount of impairment losses recognised for receivables is $5.809 million (2020-21: $4.086 million).

Disclosures – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. Collateral is held as security for a number of long-term leases of training assets, no other collateral is held as security and there are no other credit enhancements relating to the department's receivables.

The department has reviewed the provision matrix approach for measuring expected credit loss on trade debtors and determined that due to the small number of debtors that is more efficient to assess each debtor individually.

The calculations reflect an expected credit loss based on the outstanding amount, probability of default and percentage of loss given default.

Disclosures - Credit risk management practices

The department considers financial assets that are over 30 days past due to have significantly increased credit risk and measures the loss allowance of such assets at lifetime expected credit losses instead of 12 month expected credit losses. The exception is trade receivables, for which the loss allowance is always measured at lifetime expected credit losses. The department's write off policy is disclosed in above.

All financial assets with counterparties are considered to have low credit risk. This includes receivables from other Queensland Government agencies and Australian Government agencies. The department assumes that credit risk has not increased significantly for these low credit risk assets.

The department typically considers a financial asset to be in default when it becomes 120 days past due. However, a financial asset can be in default before that point if information Indicates that the department is unlikely to receive the outstanding amount in full. The department's assessment of default does not take into account any collateral or other credit enhancements.

11 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

Property, plant, and equipment 30 June 2022	Land $'000	Buildings $'000	Plant and Equipment $'000	Work in Progress $'000	Total $'000
Gross	453 418	2 138 719	302	131 799	2 724 238
Less: Accumulated depreciation	-	(1 029 732)	(140)	-	(1 029 872)
Carrying amount at 30 June 2022	**453 418**	**1 108 987**	**162**	**131 799**	**1 694 366**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2021	419 460	960 331	193	148 875	1 528 859
Acquisitions (including upgrades)	-	-	11	31 230	31 241
Disposals	(990)	(4 599)	-	-	(5 589)
Transfers between classes	-	48 306	-	(48 306)	-
Revaluation increments in asset revaluation surplus	-	162 520	-	-	162 520
Revaluation increments in operating surplus/(deficit)	34 948	-	-	-	34 948
Depreciation expense	-	(57 571)	(42)	-	(57 613)
Carrying amount at 30 June 2022	**453 418**	**1 108 987**	**162**	**131 799**	**1 694 366**

Property, plant and equipment 30 June 2021	Land $'000	Buildings $'000	Plant and Equipment $'000	Work in Progress $'000	Total $'000
Gross	419 460	1 794 534	307	148 875	2 363 176
Less: Accumulated depreciation	-	(834 203)	(114)	-	(834 317)
Carrying amount at 30 June 2021	**419 460**	**960 331**	**193**	**148 875**	**1 528 859**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2020	425 766	942 409	78	136 947	1 505 200
Acquisitions (including upgrades)	-	-	97	68 857	68 954
Disposals	(949)	(1 804)	-	-	(2 753)
Transfers between classes	-	56 860	61	(56 929)	(8)
Net revaluation increments in asset revaluation surplus	-	16 691	-	-	16 691
Revaluation decrements in operating surplus/(deficit)	(5 357)	-	-	-	(5 357)
Depreciation expense	-	(53 825)	(43)	-	(53 868)
Carrying amount at 30 June 2021	**419 460**	**960 331**	**193**	**148 875**	**1 528 859**

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

RECOGNITION AND ACQUISITION

Accounting policy – Recognition

Basis of Capitalisation and Recognition Thresholds

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

Buildings (including land improvements)	$10 000
Land	$1
Other	$ 5 000

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

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of complex assets

The department's complex assets are special purpose TAFE buildings.

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset.

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset. Components whose value exceeds 10 percent of the complex asset's total cost are separately identified as significant value components. Components valued at less than 10 percent of the complex asset's total are separately recorded only where a material difference in depreciation expense would occur.

When a separately identifiable component (or group of components) of significant value is replaced, the existing component is derecognised. The replacement component is capitalised when it is probable that future economic benefits from the significant component will flow to the department in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are separately recorded and valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives, is disclosed under Depreciation expenses.

Accounting policy – Cost of acquisition

Historical cost is used for the initial recording of all non-current physical asset acquisitions. 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 gross carrying amount in the books of the other entity immediately prior to the transfer together with any accumulated depreciation.

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

Accounting policy – Measurement using Historical Costs

Plant and equipment is measured at historical cost in accordance with Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for such plant and equipment are assessed as not materially different from their fair value.

Accounting policy – Measurement using Fair Value

Land and buildings (including land improvements such as sports facilities) are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulation impairment losses where applicable.

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

Fair value for land is determined by establishing its market value by reference to observable prices in an active market or recent market transactions. The fair value of buildings is determined by calculating the current replacement cost of the asset.

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

RECOGNITION AND ACQUISITION (continued)

Accounting policy – Measurement using Fair Value (continued)

Use of specific appraisals

Land and buildings assets are revalued by management each year to ensure that they are reported at fair value. Management's valuations incorporate the results from the independent revaluation program, and the indexation of the assets not subject to independent revaluation each year.

For the purposes of revaluation, the department for 30 June 2022 comprehensively revalued materially all land and building assets. A new program of revaluations has been implemented and includes the yearly revaluation of significant land and building assets.

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.

Use of indices

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 these indices results in a valid estimation of the asset's fair value at reporting date. The State Valuation Service (SVS) supplies the indices used for various types of assets.

These indices are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

Fair Value Measure

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 characteristics of the assets/liabilities being valued. Significant unobservable data takes account of the characteristics of the department assets/liabilities and includes 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 in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Measurement Hierarchy

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categorised with 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 in 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.

Accounting for changes in fair value

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Land

The effective date of the last specific appraisal of the department's land was 30 June 2022, conducted by State Valuation Services and a market-based assessment approach was used.

In accordance with AASB13 *Fair Value Measurement*, the department's land assets are categorised at level 2.

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

Accounting policy – Measurement using Fair Value (continued)

Accounting for changes in fair value (continued)

Land (continued)

Determining the fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with Industry standards.

Approximately 78 percent of the department's land was independently valued. In determining the values, adjustments were made to the sales data to consider the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Overall, the adjustments averaged an increase of 7 percent to land values.

The remaining land assets have been indexed to ensure that values reflect fair value as at reporting date. State Valuation Service provided indices for each of these sites based on recent market transactions for local land sales. An average indexation 11 percent has been applied to land parcels.

Buildings

The department's buildings were last revalued based on specific appraisal by State Valuation Services as at 30 June 2022. The fair value of building assets was based on All purpose–built facilities are valued at current replacement cost, as there is no active market for these facilities.

In accordance with AASB13 *Fair Value Measurement*, the department's building assets are categorised at Level 3.

State Valuation Services conducted physical inspections and applied construction costs based on recent tenders for typical specialised buildings supported by specialised Quantity Surveyor information.

Approximately 77 percent of the department's buildings were independently valued. The current replacement cost was based on standard training facilities and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of each facility.

The remaining buildings were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2021 to June 2022) was a 6 percent increase. State Valuation Service have certified that the Building Price Index is the most appropriate measure for reflecting price changes in the department's buildings in the years when an independent valuation is not undertaken. Management is of the opinion that the continuing investment in general and specific priority maintenance would prevent any abnormal deterioration in asset values in the period between independent valuations.

DEPRECIATION EXPENSE

Accounting policy

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

In light of the nature and condition of sculptures, the valuers recommend these assets should not continue to be depreciated, Hence the replacement cost equates to fair value and this class of assets is not depreciated going forward.

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

Key judgement: The estimated useful lives of the assets are reviewed annually and, where necessary, are adjusted to better reflect the pattern of consumption and future service potential of the asset. In reviewing the useful life of each asset, factors such as asset usage and the rate of technical and commercial obsolescence are considered.

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.

It has been determined that the department controls buildings that by their nature require componentisation and the assignment of separate useful lives to their component parts. The three components of these buildings are: a) Shell; b) Fit-out; and c) Plant. The useful lives for these assets are disclosed in the table below.

Where assets have separately identifiable components that are subject to regular replacement, these are depreciated according to useful lives of each component.

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

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

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

11 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION (continued)

DEPRECIATION EXPENSE (continued)

Depreciation rates

Key estimates: For each class of depreciable asset the depreciation rates are based on the following useful lives:

Class	Current useful life (years)	Class	Current useful life (years)
Building - Complex		**Building - Infrastructure**	
Building – Shell	18 – 80	Hard Infrastructure	31 – 81
Building – Fit Out	10 – 43	Soft Infrastructure	15 – 40
Building - Plant	11 – 44	Invisible Infrastructure	25 - 78
Building – Non-Complex	15 - 58	**Plant and Equipment**	
		Computer equipment	5
		Office equipment	5 - 10

IMPAIRMENT

Accounting policy

All non-current physical 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 under AASB 136 *Impairment of Assets*.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and the asset's value in use.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

12 PAYABLES

	2022	2021
	$'000	$'000
Current		
Trade creditors	**17 078**	2 942
Capital creditors	**48 553**	51 298
Fringe benefit tax and other taxes	**31**	20
Grants and subsidies payable	**54 225**	49 726
Deferred appropriation payable to Consolidated Fund	**62 291**	103 037
Equity payable to Consolidated Fund	-	5 623
Total	**182 178**	212 646

Accounting policy - Payables

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.

13 INTEREST BEARING LIABILITIES

	2022	2021
	$'000	$'000
Current:		
Finance liability - SETP	4 465	4 017
Total	**4 465**	4 017

Non-Current:		
Finance liability - SETP	**197 519**	201 984
Total	**197 519**	201 984

FINANCE LIABILITY

Finance terms and conditions

The finance liability of the department relates to the PPPI Arrangement - SETP for a term of 34 years. The nature of the PPPI Arrangement has been reassessed under AASB 16 *Leases* and it has been concluded this arrangement is not a lease arrangement, but more in the nature of financing to construct and maintain the SETP. There have been no defaults or breaches of the liability agreement during the 2021-22 or 2020-21 financial years. Refer to Note 19 for details of the agreement.

Interest rates

Interest on finance liabilities are recognised as an expense as it accrues on the outstanding liability. No interest has been capitalised during the current or comparative reporting period.

The fixed implicit interest rate for the finance liability is 10.64 percent (2020-21: 10.64%).

Security

No security is held over the finance liability, however contractual agreement sets out risk and impacts to the department in event of default. Refer to Note 19 for details.

Accounting policy – Finance liabilities

Finance liabilities are initially recognised at fair value, plus any transaction costs directly attributable to the liability, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability to the amortised cost of the liability.

The fair value of finance liability is subsequently measured at amortised cost.

Any finance liability costs are added to the carrying amount of the finance liability to the extent they are not settled in the period in which they arise. Finance liabilities are split between current and non-current liabilities using the principles set out in the foreword and preparation information section of this financial report.

The department does not enter into transactions for speculative purposes, nor for hedging. No financial liabilities are measured at fair value through profit or loss.

DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 1 per cent from the year-end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase/(decrease) of $2.644 million (2020-21: $3.040 million).

FAIR VALUE DISCLOSURES FOR FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Finance liabilities relate to the Southbank Education and Training Precinct (refer to Note 19) and the fair value of the liability is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below:

	2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Finance liabilities at amortised cost:				
Finance liability	**201 984**	**134 332**	206 001	171 842
Total	**201 984**	**134 332**	206 001	171 842

14 PROVISIONS

	2022	2021
	$'000	$'000
Current:		
Training Services	**70 198**	79 808
Total	**70 198**	79 808

Accounting policy – Provisions

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

Key estimates and judgements – Provisions

The department enters into contractual arrangements with registered training organisations (RTOs) of Skills Assure Supplier status. This status allows access to subsidised funding for the delivery of training and assessment for eligible students under approved Vocational and Education and Training (VET) programs in Queensland. As part of the contractual arrangements, RTOs can claim a 50 percent payment when a student was engaged in some learning activities but was subsequently withdrawn from a competency. The department recognises a training services provision for these RTOs' claims.

The department uses the VET activity data submitted by RTOs and applies historical trends to determine the withdrawal rates and other non-payable outcomes. This withdrawal rate in 2021-22 ranged from 31.96 percent to 35.28 percent across the programs (2020-21: 26.23% to 33.1%). The decrease of $9.61 million in the current year was mainly due to an increase in the withdrawal rate, in conjunction with a reduction in the number of students being reported as resulted.

15 FINANCIAL RISK DISCLOSURES

FINANCIAL INSTRUMENT CATEGORIES

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

Category	Note		
Financial assets			
Cash		**264 377**	303 951
Financial assets at amortised cost:			
Receivables	10	**10 159**	15 259
Total financial assets		**274 536**	319 210
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	12	**182 178**	212 646
Finance liability	13	**201 984**	206 001
Total financial liabilities at amortised cost		**384 162**	418 647

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

15 FINANCIAL RISK DISCLOSURES (continued)

FINANCIAL RISK MANAGEMENT

Risk Exposure

Financial risk management is implemented pursuant to Government policy and seeks to minimise potential adverse effects on the financial performance of the department.

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

Risk Exposure	Definition	Exposure
Credit Risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The maximum exposure to credit risk is in respect of its receivables (Note 10).
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 payables (Note 12) and finance liability (Note 13).
Market Risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance liability (Note 13).

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

Liquidity Risk	**2022**	**Contractual Maturity**		
	Total	**<1 year**	**1 - 5 years**	**> 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Financial Liabilities				
Payables	**182 178**	**182 178**	**-**	**-**
Finance liability	**481 392**	**28 317**	**113 269**	**339 806**
Total	**663 570**	**210 495**	**113 269**	**339 806**

	2021	Contractual Maturity		
	Total	<1 year	1 - 5 years	> 5 years
	$'000	$'000	$'000	$'000
Financial Liabilities				
Payables	212 646	212 646	-	-
Finance liability	509 709	28 317	113 269	368 123
Total	722 355	240 963	113 269	368 123

Risk Measurement and Management Strategies

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

Risk Exposure	Measurement Method	Risk Management Strategies
Credit Risk	Ageing analysis	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.
Liquidity Risk	Sensitivity analysis	The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has minimum but sufficient funds available to meet employee and supplier obligations as they fall due.
Market Risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy articulated in the department's Financial Management Practices Manual.

16 CONTINGENCIES

Litigation in Progress

At 30 June 2022, there were no cases filed in the courts naming the State of Queensland acting through the Department of Employment, Small Business and Training as defendant.

The maximum exposure of the department under policies held with the Queensland Government Insurance Fund is $10 000 for each insurable event.

There are currently no cases of general liability and WorkCover common law claims being managed by the department.

Financial Guarantees and Associated Credit Risks

The department paid a total of $10.65 million to the Construction Industry Skills Centre Pty Ltd (CISC) between 1994 -1998. The amount is only recoverable in circumstances contingent upon the winding up of CISC and the related trust. The department and the Queensland Training Construction Fund (QTCF) (a trust) are equal shareholders ($1 share each) in CISC and founders of the fund.

Native Title Claims over Departmental Land

Native title claims may have the potential to impact upon properties of the department. A number of departmental properties are occupied under a "reserve" tenure, validly created prior to 23 December 1996, and therefore any development undertaken in accordance with gazetted purposes should minimise the potential of native title claims.

At 30 June 2022, two native title claims have been received in respect of departmental land covering a total area of approximately 40 hectares in the Sunshine Coast and Wide Bay regions. Together the land has a carrying amount of $3.03 million. At reporting date, it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

17 COMMITMENTS

	2022 $'000	2021 $'000
Capital expenditure commitments		
Buildings		
No later than one year	**31 002**	39 912
Later than one and not later than five years	-	3 950
Total Capital expenditure commitments - Buildings	**31 002**	43 862
Grant commitments		
No later than one year	**74 450**	34 840
Later than one and not later than five years	**6 373**	21 901
Total Grant commitments	**80 823**	56 741
Other commitments (Public Private Partnership, Priority Purchasing Program and other) *		
No later than one year	**61 228**	38 863
Later than one and not later than five years	**181 335**	96 389
Less than five years	**427 929**	367 198
Total Other commitments	**670492**	502 450

*Fixed operating costs for Public Provision of Private Infrastructure for Southbank Education and Training Precinct – Axiom, have been included in the estimates of "Other commitments" (refer also to Note 19).

18 CONTROLLED ENTITY

Building Construction Industry Training Fund (Qld) Limited

The BCITF (Qld) Limited ('the Company') was established on 1 January 1999 to assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. The Company is established as a public company, limited by guarantee, and the Minister is the sole shareholder. The Company is 100 percent controlled by the department and is audited by the Auditor-General of Queensland.

The Company does not conduct business and therefore has no assets, liabilities, revenues and expenses to be consolidated in these financial statements.

The Company is the sole trustee of the Building and Construction Industry Training Fund ('the Trust'). The Trust is established to advance the education and skills of persons and organisations involved in the building and construction industry and is audited by the Auditor-General of Queensland. The Trust is not controlled by the department.

19 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT

Private Provision of Public Infrastructure (PPPI) Agreement

The PPPI within the table below is a social infrastructure arrangement whereby the department pays for the third-party use of the infrastructure asset through regular service payments to respective partners over the life of the contract.

The land and buildings are owned by the department and are recognised as Property Plant and Equipment (PPE). The Southbank Education and Training Precinct (SETP) buildings are depreciated in accordance with the department's policy for the PPE Buildings' asset class, refer Note 11.

The department recognises the future payments for the construction of the buildings as a financial liability. The monthly service payments are split between the capital component to affect the systematic write down of the liability over the term of the agreement, and the financing component which will be recognised as an expense when incurred. Other components such as facilities management, maintenance, and insurance will be expensed when incurred and are reflected in Note 17 as a commitment.

PPPI Arrangement	Southbank Education and Training Precinct (SETP) – Axiom – Public Private Partnership
Entered Into Contract	April 2005
Partner	Axiom Education Queensland Pty Ltd
Agreement Type	Design, construct, maintain, and finance SETP
Agreement Period	34 years
Financing	Finance during the design and construction phases was provided by JEM (Southbank) Pty Ltd.
Arrangement	The department will pay abatable and undissected service payments to Axiom for the operation, maintenance, and provision of the precinct. Axiom is granted the right to enter and operate on the site and is required to maintain the facilities to a high standard.
Construction Period	July 2005 to 31 October 2008
Risks during the Concession Period	Axiom has accepted site risks for existing structures. DESBT bears the risks associated with performance specifications and changes to current and future requirements of the specifications including operating and maintenance risks. DESBT is also exposed to risks associated with early termination, market value, sponsor and financial requirements, and rehabilitation of the site.

Accounting policy

The private provisions of public infrastructure arrangement between the department and Axiom Education Queensland Pty Ltd does not fall within scope of AASB 1059 *Service Concession Arrangements: Grantors* as the management of public services delivered remain the responsibility of the department. Disclosures are included in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's financial reporting requirements under FRR 5D – *Service Concession Arrangements and Other Public-Private Partnerships.*

Private Provision of Public Infrastructure – Cash Flow

The below estimated cash flow is in respect of the specified income and payments required under the contractual agreement for Southbank Education and Training Precinct - Axiom.

	2022 $'000	2021 $'000
Inflows		
No later than 1 year	**16 809**	16 762
Later than 1 year but not later than 5 years	**65 611**	68 902
Later than 5 years but not later than 10 years	**79 922**	92 156
Later than 10 years	**105 057**	159 709
Net cash flow	**267 399**	337 529
Outflows		
No later than 1 year	**(50 177)**	(43 058)
Later than 1 year but not later than 5 years	**(180 571)**	(185 525)
Later than 5 years but not later than 10 years	**(207 617)**	(238 951)
Later than 10 years	**(220 312)**	(349 363)
Net cash flow	**(658 677)**	(816 897)
Total Net Cashflow	**(391 278)**	**(479 368)**

Disclosure about Private Provision of Public Infrastructure Arrangement Cash Flows

Southbank Education and Training Precinct PPP have no variable costs associated with the contractual agreement.

Fixed costs are based on a risk-free rate of 3.77 percent (2020-21: 1.52%).

20 BUDGETARY REPORTING

This section contains explanations of major variances between the department's actual 2021-22 financial result and the original budget presented to Parliament.

SIGNIFICANT FINANCIAL IMPACTS – COVID-19 PANDEMIC

The following significant transactions were recognised by the department during 2021-22 financial year in the response to the COVID-19 pandemic.

Operating Statement	2022 $'000	2021 $'000
Significant expense transactions arising from COVID-19		
COVID-19 Business Support Grants	**340 770**	-
National Partnership Job Trainer and Infection control funds	**53 343**	12 662
Workers Assistance Package Skilling for Recovery including delivery and impact assessment and Hardship payments	**3 107**	3 867
Queensland Small Business Commissioner	**2 320**	1 703
Chamber of Commerce and Industry Qld	**360**	840
Small Business Adaption grants package	**227**	189 699
Queensland COVID-19 Cleaning Rebate	**221**	-
Small Business COVID-19 assistance package	**75**	17
Jobs Finder online portal and Training	**15**	1 473
Total	**400 438**	210 261
Additional revenue transactions arising from COVID19		
Additional revenue received to fund COVID-19 initiatives	**400438**	210 261

Balance Sheet	2022 $'000	2021 $'000
Significant liabilities arising from COVID19		
COVID-19 Business Support Grants	**477**	-
Queensland COVID-19 Cleaning Rebate	**279**	-
Chamber of Commerce and Industry Queensland	**74**	360
Small Business COVID-19 assistance package	**59**	133
Jobs Finder online portal and Training	**45**	9 595
National Partnership Job Trainer and Infection Control Fund	**44**	15 379
Queensland Small Business Commissioner	-	147
Small Business Adaption grants package	-	2 310
Workers Assistance package impact assessment	-	20 078
Total	**978**	48 002

20 BUDGETARY REPORTING (continued)

EXPLANATION OF MAJOR VARIANCES – STATEMENT OF COMPREHENSIVE INCOME

Appropriation revenue	The increased Appropriation revenue is predominately explained by the Grants and subsides variance explanation below, partially offset by a decrease in the Supplies and Services noting the variance explanation below.
Other revenue	The increase in Other revenue mainly relates to $27.4 million of funds returned from Queensland Rural and Industry Development for the Small Business Adaption grants and COVID-19 Business support grants programs as well as higher than anticipated grant expenditure recoveries mainly in the Skilling Queenslanders for Work and Certificate 3 Guarantee programs as a result of compliance audits and final grant acquittals.
Revaluation increment	The variance arises from an unanticipated and unbudgeted revaluation increment during the year for the departments land assets. The movement is predominately due to increases across most of the TAFE sites with $14 million at the South Bank campus, $3.5 million at Grovely and $3 million at Bracken Ridge.
Supplies and services	The decrease in Supplies and services is mainly due to revised delivery schedules and milestone payments due to delays experienced across various programs including Vocational and Education and Training ICT systems projects and support programs, Future Skills Fund initiatives, Small Business Package initiatives and the Queensland Business Launch Pad.
Grants and subsidies	The increased grants expenditure is mainly due to the Australian and State Government funded COVID-19 Business support grants program ($341M as per previous page) this is partially offset due to revised grant program scheduling as a result of delays experienced which impacts the timing of opening grant rounds and the flow on of assessing applications and confirming payments for various initiatives including Back to Work, Skilling Queenslanders for Work and the Australian Government Job Trainer and Infection Control Training Funds.
Depreciation and amortisation	The increase is due to the effect of the 2020-21 revaluation program and the department capitalising buildings throughout the year, with asset values increasing and adjustments to useful lives impacting on annual depreciation expenses.
Impairment losses	The variance arises from an unbudgeted impairment of receivables mainly due to the uncertainty around grant recoveries from Registered Training Organisations and other grant recipients for various programs including Certificate 3 Guarantee, Skilling Queenslanders for Work and the Back to Work grants program.
Other expenses	The increase is mainly due to losses on disposals of buildings as a result of building demolitions undertaken as part the department's ongoing renewal and revitalisation of training infrastructure across the state.

EXPLANATION OF MAJOR VARIANCES – STATEMENT OF FINANCIAL POSITION

Cash	The variance of $108.7 million is mainly attributable to a higher than forecast cash opening balance, compared to what was estimated in the budget $135.1 million. The remainder of the variance (-26.4 million) is substantially due to factors outlined in the explanations of major variances in the Statement of Cashflows.
Property, plant and equipment	The increase is mainly due to the effect of the annual revaluation program with higher asset revaluations than anticipated due to significant increases in construction costs and shortage of supply of trade skilled workers as well as investment in the Training and Skills capital program adjusted for annual depreciation.
Payables	The increase is mainly due to the year-end payable to the Consolidated Fund for various limited life programs ($62M) due to delays experienced across the initiatives and grants payable to registered training providers for Vocational Education and Training programs such as User Choice, Higher Level Skills and Certificate 3 Guarantee due to the timing of claims being submitted and actual payments being made.
Unearned revenue	The increase is mainly due to a contribution from the Queensland Mental Health Commission towards the Business Wellness Coaches program to be delivered over future years.

EXPLANATION OF MAJOR VARIANCES – STATEMENT OF CASH FLOW

Appropriation receipts	Increased Appropriation receipts is primarily due to increased Australian and State Government funding for COVID-19 Business support grants and revised depreciation estimates, partly offset by timing adjustments for a number of programs, including the Australian Government's JobTrainer and Infection Control Training Fund and State-funded programs including Skilling Queenslanders for Work and the Future Skills Fund.
User charges and fees	The increase is mainly due to additional rental/hire of facilities income received than anticipated.
Sales of property, plant and equipment	The decreased Payments for property, plant and equipment is mainly due to revised schedules for the capital works program due to delays experienced from supply issues in the building construction industry.
Equity injections	The decrease in Equity injections is mainly due to revised schedules for the capital works program due to delays experienced from supply issues in the building construction industry.
Equity withdrawals	The increase relates to increased depreciation and as a result an increase in equity withdrawals to the consolidated fund.

Department of Employment, Small Business and Training
Management Certificate
for the year ended 30 June 2022

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

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the financial statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Employment, Small Business and Training for the financial year ended 30 June 2022, and of the financial position of the department at the end of that year; and

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

Stephen Blatchford CPA
A/Chief Finance Officer
Department of Employment, Small Business and Training

Date: 2-9-2022

Warwick Agnew
Director-General
Department of Employment, Small Business and Training

Date: 2-9-2022

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Employment, Small Business and Training

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Employment, Small Business and Training.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2022, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

Valuation of buildings ($1.1 billion as at 30 June 2022)

Refer to note 11 in the financial report

Key audit matter	How my audit addressed the key audit matter

The Department of Employment, Small Business and Training (the department) specialised buildings were measured at fair value at balance date using the current replacement cost method.
 	
The department performed a comprehensive revaluation of approximately three-quarters of its buildings using independent valuers with remaining assets being revalued using indexation. It is the department's policy to conduct revaluations on this basis annually. This is consistent with the department's intention to implement a rolling revaluation program.
 	
The current replacement cost method comprises:
• gross replacement cost, less
• accumulated depreciation.
 	
For comprehensively revalued buildings, the department applied unit rates provided by an independent quantity surveyor to derive gross replacement cost. These unit rates require significant judgement in relation to:
• identifying the components of buildings with separately identifiable replacement costs
• specifying the unit rate categories based on building and component types with similar characteristics
• assessing the current replacement cost for each unit rate category having consideration for more contemporary design/ construction approaches.
 	
For buildings not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.
 	
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures for buildings comprehensively revalued included, but were not limited to:
	• assessing the adequacy of management's review of the valuation process
	• obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice
	• assessing the competence, capability and objectivity of the experts used by the department
	• on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including:
	  - modern substitute (including locality factors and on-costs)
	  - adjustment for excess quality or obsolescence.
	
	For buildings indexed, my procedures included, but were not limited to:
	• evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices
	• reviewing the appropriate application of these indices to the remaining assets of the portfolio.
	
	All building's useful life estimates were reviewed for reasonableness by:
	• reviewing management's annual assessment of useful lives
	• ensuring that no component still in use has reached or exceeded its useful life
	• reviewing formal asset management plans, and enquired of management about whether these plans remain current
	• where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence
	• ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified.

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Report on other legal and regulatory requirements

Statement

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2022:

a) I received all the information and explanations I required.

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

Prescribed requirements scope

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

5 September 2022

Bhavik Deoji
as delegate of the Auditor-General

Queensland Audit Office
Brisbane