Financial statements: 30 June 2018

DEPARTMENT OF AGRICULTURE AND FISHERIES

Financial Statements

for the year ended 30 June 2018

Contents

General Information

These financial statements cover the Department of Agriculture and Fisheries (DAF).

DAF is a Queensland Government department established under the *Public Service Act 2008.*

The department is controlled by the State of Queensland, which is the ultimate parent entity.

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

Level 35
1 William Street
BRISBANE QLD 4000

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

For information in relation to the department's financial statements please call Larisa Villis, Director, Planning and Performance on 07 3087 8569 or by email to larisa.villis@daf.qld.gov.au, or visit the department Internet site www.daf.qld.gov.au.

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 Actual $'000	2018 Original Budget $'000	Budget Variance* $'000	2017 Actual $'000
Income from Continuing Operations					
Appropriation revenue	3	277,997	287,832	(9,835)	292,495
User charges and fees	4	129,758	101,408	28,350	117,625
Grants and other contributions	5	31,567	8,302	23,265	16,972
Royalties and land rents	6	29,487	26,585	2,902	27,611
Other revenue	7	2,383	520	1,863	864
Total Revenue		471,192	424,647	46,545	455,567
Gains on disposal/revaluation of assets	8	1,446	95	1,351	1,790
Total Income from Continuing Operations		**472,638**	**424,742**	**47,896**	**457,357**
Expenses from Continuing Operations					
Employee expenses	9	207,682	210,747	(3,065)	198,927
Supplies and services	10	215,951	181,954	33,997	211,871
Grants and subsidies	11	21,554	8,529	13,025	16,083
Depreciation and amortisation	12	21,572	21,926	(354)	21,141
Impairment losses		132	-	132	790
Other expenses	13	2,630	1,586	1,044	9,521
Total Expenses from Continuing Operations		**469,521**	**424,742**	**44,779**	**458,332**
Operating Result for the Year		**3,117**	-	**3,117**	**(975)**
Other Comprehensive Income					
Items that will not be reclassified to Operating Result:					
Increase/(decrease) in asset revaluation surplus	22	(11,416)	-	(11,416)	1,091
Total Comprehensive Income		**(8,299)**	**-**	**(8,299)**	**116**

**An explanation of major variances is included at Note 29*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2018

	Agriculture		Fisheries and Forestry		Biosecurity Queensland	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Income from Continuing Operations (1)						
Appropriation revenue	147,083	143,078	36,957	30,725	83,207	107,781
User charges and fees	53,526	51,999	11,827	10,655	25,386	16,412
Grants and other contributions	3,532	343	500	43	27,503	16,556
Royalties and land rents	4,168	4,731	25,319	22,880	-	-
Other revenue	1,315	751	390	69	676	41
Total Revenue	**209,624**	**200,902**	**74,992**	**64,372**	**136,772**	**140,790**
Gains on disposal/revaluation of assets	1,222	1,580	28	42	197	169
Total Income from Continuing Operations	**210,846**	**202,482**	**75,020**	**64,413**	**136,968**	**140,959**
Expenses from Continuing Operations (1)						
Employee expenses	92,146	89,583	34,643	31,954	57,933	55,677
Supplies and services	91,084	87,124	33,157	30,559	70,519	73,715
Grants and subsidies	13,818	10,324	3,322	238	4,381	5,521
Depreciation and amortisation	13,021	13,257	1,725	1,741	2,810	2,827
Impairment losses	50	682	56	81	26	25
Other expenses	632	3,132	1,069	164	898	3,842
Total Expenses from Continuing Operations	**210,751**	**204,103**	**73,972**	**64,736**	**136,568**	**141,607**
Operating Result for the Year	**96**	**(1,621)**	**1,047**	**(323)**	**400**	**(648)**
Other Comprehensive Income						
Items that will not be reclassified to Operating Result:						
Increase/(decrease) in asset revaluation surplus	(12,337)	(116)	(142)	(222)	1,165	1,138
Total Comprehensive Income	**(12,241)**	**(1,737)**	**905**	**(545)**	**1,565**	**490**

	Corporate Partnership(2)		Total	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Income from Continuing Operations (1)				
Appropriation revenue	10,751	10,911	277,997	292,495
User charges and fees	39,020	38,559	129,758	117,625
Grants and other contributions	32	30	31,567	16,972
Royalties and land rents	-	-	29,487	27,611
Other revenue	1	4	2,383	864
Total Revenue	**49,803**	**49,503**	**471,192**	**455,567**
Gains on disposal/revaluation of assets	1	-	1,446	1,790
Total Income from Continuing Operations	**49,804**	**49,503**	**472,638**	**457,357**
Expenses from Continuing Operations (1)				
Employee expenses	22,960	21,713	207,682	198,927
Supplies and services	21,190	20,473	215,951	211,871
Grants and subsidies	34	-	21,554	16,083
Depreciation and amortisation	4,015	3,316	21,572	21,141
Impairment losses	-	1	132	790
Other expenses	31	2,383	2,630	9,521
Total Expenses from Continuing Operations	**48,230**	**47,886**	**469,521**	**458,332**
Operating Result for the Year	**1,574**	**1,618**	**3,117**	**(975)**
Other Comprehensive Income				
Items that will not be reclassified to Operating Result:				
Increase/(decrease) in asset revaluation surplus	(102)	291	(11,416)	1,091
Total Comprehensive Income	**1,472**	**1,909**	**(8,299)**	**116**

(1) Corporate services income and expenses relating to DAF provided through the Business Corporate Partnership (BCP) arrangements have been allocated to respective departmental services.

(2) Income and expenses attributed to other agencies through BCP activities are shown separately and not allocated across departmental services.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Comprehensive Income by Major Departmental Services (continued)
for the year ended 30 June 2018

Major departmental services of the department

DAF has three main areas:

Agriculture

This service area:

- undertakes industry analysis to ensure the policy and regulatory frameworks underpin the long term productivity growth, export potential and sustainability of Queensland's food and fibre sector
- works with producers, industry and all levels of government to capitalise on rural opportunities, improve supply chains and create long term jobs for the benefit of Queensland's food and fibre sector
- works with rural communities to identify regional economic priorities, improve the competitiveness of rural business and increase the number of jobs in rural communities
- undertakes research, development and extension and delivers services to assist producers to advance Queensland agriculture and bring the best quality food and fibre products to market
- provides industry and university scientists with access to the department's world-class research facilities
- leads initiatives aimed at improving the delivery of services to customers.

Biosecurity Queensland

Biosecurity Queensland works closely with national and local governments, industry bodies, producers and the community to maintain a strong biosecurity system. Biosecurity Queensland's main areas of focus are:

- invasive plants and animals, such as weeds and pest animals
- biosecurity diagnostics and other laboratory services
- animal welfare and ethics, including exhibited animals
- agvet chemical use and contaminant risk
- biosecurity incident responses, such as exotic tramp ants and Panama disease tropical race 4 in bananas.

Fisheries and Forestry

Fisheries and Forestry ensures sustainable and productive fisheries and the responsible allocation and use of State-owned forests and related resources. It does this by:

- managing access to, and the sustainable use of, Queensland fisheries resources
- providing education and enforcing fishing regulations to promote equitable access to fisheries resources by commercial, recreational and traditional fishers
- responsibly managing the allocation and use of State-owned forests and related resources
- supporting the growth and development of the Queensland forest and timber industry
- overseeing the Plantation Licence issued to HQPlantations Pty Ltd and related agreements.

In addition to the corporate services provided to DAF, the department also participates in the BCP arrangement whereby some agencies host a number of strategic and operational corporate services provided to a number of other recipient departments. This arrangement was developed with a focus on ensuring economies of scale, service integration, scalability and responsiveness.

The host agency of each corporate service function receives the appropriation of funds and reports Full Time Equivalent positions in the respective agency. The model is multi-layered for different corporate services functions.

As the host agency, DAF provided defined services to the following agencies for the period 1 July 2017 to 31 December 2017:

- Department of National Parks, Sport and Racing (DNPSR) : Information Management; Fleet Management; Telecommunications.
- Department of Natural Resources and Mines (DNRM): Information Management; Fleet Management; Telecommunications; Human Resources reporting
- Department of Energy and Water Supply (DEWS): Information Management; Fleet Management; Telecommunications; Human Resources.
- Department of Environment and Heritage Protection (DEHP): Information Management; Fleet Management; Telecommunications.
- Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB): Finance; Human Resources; Corporate Communications; Governance Oversight; Planning and Performance Management; Information Management; Fleet Management; Telecommunications.

Due to Machinery of Government (MoG) changes dated 12 December 2017, DAF's role as host agency changed. Effective from 1 January 2018, DAF provides defined services to the following agencies:

- Department of Natural Resources, Mines and Energy (DNRME): Information Management; Fleet Management; Telecommunications; Human Resources reporting
- Department of Environment and Science (DES): Information Management; Fleet Management; Telecommunications.
- Department of Innovation, Tourism, Industry Development and Commonwealth Games (DITID): Finance; Information Management; Fleet Management; Telecommunications.

Corporate Services income and expenses attributable solely to DAF are apportioned across the major departmental services while corporate services income and expenses attributable under the corporate partnership arrangements are outlined in the Statement of Comprehensive Income by Major Departmental Services.

Functions (and allocation of revenue and expenses) hosted by other agencies in the corporate partnership are disclosed in the relevant department's financial statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Financial Position
as at 30 June 2018

	Notes	2018 Actual $'000	2018 Original Budget $'000	Budget Variance* $'000	2017 Actual $000
Current Assets					
Cash and cash equivalents	14	40,798	40,488	310	52,904
Receivables	15	48,746	30,363	18,383	38,856
Inventories		1,160	1,502	(342)	980
Other current assets		7,494	6,302	1,192	6,137
Total Current Assets		**98,199**	**78,655**	**19,544**	**98,877**
Non-Current Assets					
Intangible assets	16	997	1,481	(484)	1,665
Property, plant and equipment	17	351,341	367,620	(16,279)	366,195
Other non-current assets		11,757	13,545	(1,788)	12,409
Total Non-Current Assets		**364,094**	**382,646**	**(18,552)**	**380,268**
Biological Assets					
Biological assets		3,758	2,089	1,669	3,395
Total Biological Assets		**3,758**	**2,089**	**1,669**	**3,395**
Total Assets		**466,050**	**463,390**	**2,660**	**482,540**
Current Liabilities					
Payables	18	16,982	10,160	(6,822)	17,945
Accrued employee benefits	19	9,016	4,734	(4,282)	8,263
Unearned revenue	20	27,952	19,285	(8,667)	28,628
Security deposits		324	-	(324)	462
Total Current Liabilities		**54,275**	**34,179**	**(20,096)**	**55,296**
Non-Current Liabilities					
Unearned revenue	20	16,611	17,995	1,384	18,031
Total Non-Current Liabilities		**16,611**	**17,995**	**1,384**	**18,031**
Total Liabilities		**70,886**	**52,174**	**(18,712)**	**73,327**
Net Assets		**395,165**	**411,216**	**(16,052)**	**409,213**
Equity					
Contributed equity		377,506	-	-	383,357
Accumulated surplus/deficit		(8,790)	-	-	(12,010)
Asset revaluation surplus	22	26,449	-	-	37,866
Total Equity		**395,165**	**-**	**-**	**409,213**

**An explanation of major variances is included at Note 29*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2018

	Agriculture		Fisheries and Forestry		Biosecurity Queensland	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current Assets						
Cash and cash equivalents	17,840	22,120	6,778	7,558	12,064	13,798
Receivables	11,713	15,696	5,168	5,664	28,003	14,184
Inventories	102	100	492	476	567	404
Other current assets	2,317	2,035	584	350	864	659
Total Current Assets	**31,972**	**39,951**	**13,021**	**14,048**	**41,497**	**29,046**
Non-Current Assets						
Intangible assets	114	201	122	226	203	440
Property, plant and equipment	253,577	273,737	23,261	22,860	63,473	61,009
Other non-current assets	10,717	11,435	66	67	118	123
Total Non-Current Assets	**264,409**	**285,373**	**23,450**	**23,154**	**63,794**	**61,571**
Biological Assets						
Biological assets	3,480	3,083	-	-	278	312
Total Biological Assets	**3,480**	**3,083**	**-**	**-**	278	**312**
Total Assets[(1)]	**299,861**	**328,407**	**36,471**	**37,202**	**105,568**	**90,929**
Current Liabilities						
Payables	4,231	8,171	2,595	1,532	6,849	6,265
Accrued employee benefits	4,046	3,742	1,459	1,262	2,516	2,334
Unearned revenue	21,991	23,818	703	3,094	5,258	1,715
Security deposits	-	-	324	462	-	-
Total Current Liabilities	**30,268**	**35,732**	**5,080**	**6,350**	**14,623**	**10,314**
Non-Current Liabilities						
Unearned revenue	16,611	18,031	-	-	-	-
Total Non-Current Liabilities	**16,611**	**18,031**	**-**	**-**	**-**	**-**
Total Liabilities[(1)]	**46,879**	**53,763**	**5,080**	**6,350**	**14,623**	**10,314**

	Corporate Partnership[(2)]		Total	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current Assets				
Cash and cash equivalents	4,117	9,428	40,798	52,904
Receivables	3,863	3,309	48,746	38,856
Inventories	-	-	1,160	980
Other current assets	3,729	3,093	7,494	6,137
Total Current Assets	**11,709**	**15,831**	**98,199**	**98,877**
Non-Current Assets				
Intangible assets	558	798	997	1,665
Property, plant and equipment	11,029	8,589	351,341	366,195
Other non-current assets	855	783	11,757	12,409
Total Non-Current Assets	**12,442**	**10,169**	**364,094**	**380,268**
Biological Assets				
Biological assets	-	-	3,758	3,395
Total Biological Assets	**-**	-	3,758	3,395
Total Assets[(1)]	**24,151**	**26,000**	**466,050**	**482,540**
Current Liabilities				
Payables	3,308	1,977	16,982	17,945
Accrued employee benefits	996	924	9,017	8,263
Unearned revenue	-	-	27,952	28,628
Security deposits	-	-	324	462
Total Current Liabilities	**4,304**	**2,902**	**54,275**	**55,296**
Non-Current Liabilities				
Unearned revenue	-	-	16,611	18,031
Total Non-Current Liabilities	**-**	-	**16,611**	**18,031**
Total Liabilities [(1)]	**4,304**	**2,902**	**70,886**	**73,327**

(1) Corporate services assets and liabilities relating to DAF provided through the Business Corporate Partnership (BCP) arrangements have been allocated to respective departmental services. In 2017-18 the department has allocated items previously shown as General - Not Attributed across the departmental services. This methodology has also been applied to the comparatives.

(2) Assets and liabilities attributed to other agencies through BCP activities are shown below separately and not allocated across departmental services.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Accumulated Surplus/Deficit $'000	Asset Revaluation Surplus $'000	Contributed Equity $'000	TOTAL $'000
Balance as at 1 July 2016		**(11,035)**	**36,775**	**391,208**	**416,948**
Operating Result					
Operating result from continuing operations		**(975)**	-	-	**(975)**
Other Comprehensive Income					
- Increase/(Decrease) in asset revaluation surplus	22	-	1,091	-	**1,091**
Total Comprehensive Income for the Year		**(975)**	**1,091**	**-**	**116**
Transactions with Owners as Owners:					
- Appropriated equity withdrawals		-	-	(6,189)	**(6,189)**
- Net transfers in/(out) from other Queensland Government entities		-	-	488	**488**
- Non appropriated equity withdrawal		**-**	**-**	(2,150)	**(2,150)**
Net Transactions with Owners as Owners		**-**	**-**	**(7,851)**	**(7,851)**
Balance at 30 June 2017		**(12,010)**	**37,866**	**383,357**	**409,213**
Operating Result					
Operating result from continuing operations		**3,117**	**-**	**-**	**3,117**
Other Comprehensive Income					
- Increase/(Decrease) in asset revaluation surplus	22	-	(11,314)	-	**(11,314)**
- Transfers between reserves and accumulated surplus		102	(102)		**-**
Total Comprehensive Income for the Year		**3,219**	**(11,416)**	**-**	**(8,197)**
Transactions with Owners as Owners:					
- Appropriated equity injections		-	-	2,150	**2,150**
- Appropriated equity withdrawal		-	-	(5,851)	**(5,851)**
- Non appropriated equity withdrawal		-	-	(2,150)	**(2,150)**
Net Transactions with Owners as Owners		**-**	**-**	**(5,851)**	**(5,851)**
Balance at 30 June 2018		**(8,790)**	**26,449**	**377,506**	**395,165**

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 Actual $'000	2018 Original Budget $'000	Budget Variance* $'000	2017 Actual $'000
Cash flows from operating activities					
Inflows:					
Service appropriation receipts		273,625	287,832	(14,207)	288,045
User charges and fees		122,548	101,950	20,598	110,441
Grants and other contributions		24,559	8,302	16,257	10,827
Royalties and land rents		29,487	26,585	2,902	27,611
GST input tax credits received from ATO		9,119	13,181	(4,062)	10,039
GST collected from customers		13,023	-	13,023	12,907
Other inflows		2,716	1,120	1,596	1,244
Outflows:				-	
Employee expenses		(207,365)	(210,997)	3,632	(199,177)
Supplies and services		(211,931)	(183,517)	(28,414)	(205,569)
Grants and subsidies		(21,554)	(8,529)	(13,025)	(16,083)
GST paid to suppliers		(23,037)	(13,131)	(9,906)	(22,394)
GST remitted to ATO		(93)	-	(93)	-
Other outflows		(2,526)	(2,186)	(340)	(2,403)
Net cash provided by operating activities		**8,571**	**20,610**	**(12,039)**	**15,488**
Cash flows from investing activities					
Inflows:					
Sales of property, plant and equipment		1,953	1,480	473	3,084
Outflows:					
Payments for property, plant and equipment		(16,656)	(17,327)	671	(15,772)
Payments for intangibles		(123)	(800)	677	(816)
Net cash used in investing activities		**(14,826)**	**(16,647)**	**1,821**	**(13,503)**
Cash flows from financing activities					
Inflows:					
Equity injections		2,150	-	2,150	-
Outflows:					
Equity withdrawals		(8,001)	(4,138)	(3,863)	(8,339)
Net cash provided by financing activities		**(5,851)**	**(4,138)**	**(1,713)**	**(8,339)**
Net increase (decrease) in cash and cash equivalents		(12,106)	(175)	(11,931)	(6,354)
Cash and Cash Equivalents - opening balance		52,904	40,663	12,241	59,259
Cash and Cash Equivalents - closing balance	14	**40,798**	**40,488**	**310**	**52,904**

**An explanation of major variances is included at Note 29*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Statement of Cash Flows
for the year ended 30 June 2018

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2018	2017
	$'000	$'000
Operating surplus/(deficit)	3,117	(975)
Non-cash items:		
Depreciation and amortisation expense	21,572	21,141
Gains on sale or disposal of property, plant and equipment	(328)	(175)
Loss on sale or disposal of property, plant and equipment	236	1,542
Impairment losses	132	790
Impairment loss reversals	(40)	(219)
Donations	-	231
Assets received below fair value[1]	(2,446)	-
Other non cash items	-	1
Change in assets and liabilities:		
(Increase)/decrease in receivables	(9,027)	(15,208)
(Increase)/decrease in GST input tax credits receivable	(1,126)	552
(Increase)/decrease in appropriation services revenue receivable	434	(616)
Increase/(decrease) in GST payable	138	-
(Increase)/decrease in annual leave reimbursements	(183)	(673)
(Increase)/decrease in long service leave reimbursements	(256)	(134)
(Increase)/decrease in other receivables	38	3,184
(Increase)/decrease in inventories	(180)	152
(Increase)/decrease in prepayments	(705)	911
(Increase)/decrease in biological assets	(362)	(345)
Increase/(decrease) in payables	(962)	4,975
Increase/(decrease) in accrued employee benefits	754	559
Increase/(decrease) in unearned revenue	(2,095)	(667)
Increase/(decrease) in security deposits	(138)	462
Net cash from operating activities	**8,571**	**15,488**

[1] This includes $2.385 million of leasehold improvements for 41 George Street transferred from the Department of Housing and Public Works.

DEPARTMENT OF AGRICULTURE AND FISHERIES

Basis of Financial Statement Preparation for the year ended 30 June 2018

Statement of compliance

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

DAF 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 accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 2(k).

The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of DAF.

Basis of measurement

Historical cost is used as the measurement basis in this financial report except for the following:

- Land, buildings and infrastructure which are measured at fair value.
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value; and
- Inventories which are measured at the lower of cost and net realisable value.

Historical cost

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.

Fair value

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 or whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities, such as business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current/depreciated replacement cost methodology.
- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Present value

Present value represents the present discounted value of he 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.

Net realisable value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling as asset in an orderly disposal.

Accounting estimates and judgements

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

Estimates and assumptions that have a potential significant effect are outlined in the following financial statements notes:

- Impairment of Trade Receivables – Note 15.
- Valuation of Property, Plant and Equipment – Note 17.
- Contingencies – Note 24.

Further, the matters covered in each of those notes necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period.

Other presentation matters

Currency and Rounding - Amounts included in the financial statements are in Australian dollars and have been 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 2016-17 financial statements. The comparatives in the Statement of Assets and Liabilities by Major Departmental Services have been restated for the separate disclosure of Corporate Partnership assets and liabilities and the allocation of the remaining assets and liabilities across departmental services. The department has corrected prior period balances to reflect mapping changes across and within account categories.

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.

Authorisation of financial statements for issue

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

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DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

1. Objectives and principal activities of the department

DAF works to achieve the vision of a productive and profitable agriculture, fisheries and forestry sector. The department promotes a sustainable and innovative sector, helping to realise its value to the economy and the community.

Agriculture is a high risk business, affected by rainfall, price variability and susceptibility to pest and disease threats. Biosecurity leadership and delivery of drought assistance, and extension services are crucial to improve risk preparedness and resilience. These services contribute to the Government's objectives to deliver quality frontline services and to build safe, caring and connected communities. The department's management of fisheries and forestry resources and programs for best practice land management strives to balance commercial interests with the ongoing economic, environmental and social value of the community's resources. The department's efforts and those of the sector contribute to the Government's objective to protect the environment and address water quality issues in the Great Barrier Reef catchments.

Our strategic objectives reflect this context and focus on:

- creating the conditions for successful agribusinesses and supply chains which encourage innovation and productivity
- assisting people in agri and rural businesses to respond to challenges and protect environmental values
- ensuring the sustainable management of natural resources to underpin productivity and protect the environment.

Key investment areas for 2017-18 include:

- Growing Queensland's Food Exports program to support fruit and vegetable producers
- Invest and investigate new opportunities to advance economic activity and employment in Queensland
- Investment to maximise the impact of white spot disease on aquaculture and commercial fishing, Panama disease tropical race 4 in bananas, and red witchweed on the sugar industry and stakeholders, leading to more responsive decision making
- Deliver a more responsive and consultative approach to fisheries management as outlined in the Sustainable Fisheries Strategy
- Deliver a comprehensive Great Barrier Reef Water Quality Program to support the continuation of programs to assist in working towards the achievement of water quality targets, including Best Practice Management programs, provision of economic support and decision making tools for agricultural producers, the Paddock to Reef program and the Natural Resources Management Program for Reef Water Quality
- Progress the Commercialisation Technology Fund and the Agricultural and Food Research, Development and Extension Ten Year Roadmap and Action Plan, which highlight the ongoing commitment to international leadership in tropical and sub-tropical agricultural research and development through innovation, world-class facilities, partnerships and collaboration.

2. Summary of significant accounting policies

(a) Allocation of Revenues and Expenses from Ordinary Activities to Corporate Services

The department discloses revenues and expenses attributable to corporate services provided to DAF through the BCP arrangements in the Statement of Comprehensive Income by Major Departmental Services. The income and expenses of the department's corporate services are allocated to the department's services on the basis of employee full time equivalent numbers.

(b) Assets Under Construction (Capital Works in Progress)

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

(c) Biological Assets

Under *AASB 141 Agriculture* such assets are defined as living animals and plants. They are distinguished from other assets by the fact that they have the natural capacity to grow and/or procreate. These include livestock, which are accounted for in the department's accounts. The department measures biological assets at the end of each reporting period at the assets fair value less costs to sell. Fair Value is the amount that could be expected to be received from the disposal of an asset in an active and liquid market.

Under the provision of the *Forestry Act 1959*, the department is required to oversee the harvesting of log timber from certain State-owned native forests, which are not controlled by the department. Under the guidelines of *AASB 141 Agriculture* the department considers that it does not meet the criteria of managing an agricultural activity, which would have required the valuation of available log timber as biological assets. Consequently, the value of native forest products has not been recognised in the Statement of Financial Position. This assessment will be reviewed should circumstances change.

(d) Contributed Equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(e) Financing/Borrowing costs

Finance costs are recognised as an expense in the period in which they are incurred.

Finance costs include:

- Finance lease charges;
- Ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

(f) Insurance

The department’s non-current physical assets and other risks are insured through the Queensland Government Insurance Fund (QGIF), premiums being paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(g) Inventories

Inventories held for sale are valued at the lower of cost and net realisable value, except for sundry crops and saleable vaccine, which are measured at the lower of fair value less estimated point of sale costs and net realisable value.

Cost is assigned on the first-in-first-out method. These costs include expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Net realisable value is determined on the basis of the department's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

Inventories not held for sale can include materials and stores to be consumed in the operations of the department and items held for distribution for no or nominal consideration.

(h) Leases

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

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

(i) Services Received Free of Charge or for Nominal Value

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

DAF received defined services from the following agencies:

- DNRME (formerly DNRM): Accommodation Services; Legal Services
- DES (formerly DEHP): Privacy and Ethics; Internal Audit; Procurement; Right to Information

The revenue and expense related to these contributions of services have not been recognised in the financial statements as these values cannot be measured reliably.

(j) Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised (refer to Note 15).

(k) First year application of new accounting standards, early adoption of accounting standards or change in accounting policy

Changes in Accounting Policy

In 2017-18 financial statements, DAF was required to adopt *AASB2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit-Entities* effective from 1 July 2017. This amendment requires accumulated impairment on land and buildings reported as at 1 July 2017 to be restated as revaluation decrements to represent the fair value of assets.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2017-18 financial year.

Accounting Standards Applied for the First Time

In 2017-18 financial statements, DAF was required to adopt *AASB2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB107* effective from 1 July 2017. This amendment requires additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the statement of cash flows. DAF does not currently have any liabilities arising from financing activities.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(l) Future impact of accounting standards not yet effective

At the date of authorisation of the financial report, the potential impacts of new or amended Australian Accounting Standards with future commencement dates are set out below.

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

These standards will first apply to the department from its financial statements for 2019-20. Potential future impacts identifiable at the date of this reports are as follows:

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

• Other grants are currently recognised as revenue based on the terms of the performance obligations if they are sufficiently specific and enforceable, with a liability recognised where appropriate for unperformed obligations. These include national cost sharing arrangements with the Commonwealth and other state governments.

• Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The department receives several grants for which there are no sufficiently specific performance obligations - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements. The total of these grants in the 2017-18 were $6.002 million and are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

• It is not expected that the new requirements of AASB 15 will result in a change in the timing of recognising fee for service revenue, as currently a liability is recognised upfront and progressively recognised as revenue as the department satisfies its performance obligations under the contract. The contracts in place have clear performance obligations, are enforceable, sufficiently specific and contain refund clauses.

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

These standards will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with the department's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. In the case of the current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Another potential impact of AASB 9 relates to calculating impairment losses for the department's receivables. Assuming no substantial change in the nature of the department's receivables, the impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the department will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised. The department does not expect a material change in the reported values.

AASB 16 Leases

This standard will become effective for reporting beginning on or after 1 January 2019. Lessees will be required to recognise a right-of-use asset (representing the right to use the underlying leased asset) and a liability (representing the obligation to make future lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value. The majority of operating leases will be reported in the Statement of Financial Position, potentially resulting in a significant increase in assets and liabilities.

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

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

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The department is currently analysing its existing operating lease commitments at Note 23(a) by type of lessor and type of lease to estimate the expected impacts on transition based on information available at 30 June 2018.

The total lease commitments in Note 23(a) is $392.016 million as at 30 June 2018. Approximately 99% of the department’s operating lease commitments comprise arrangements with other Queensland Government agencies as lessor (i.e. internal-to-Government leases). Less than 1% of operating lease commitments are with lessors external to Government.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(l) Future impact of accounting standards not yet effective (continued)

Internal-to-Government leases

The department's leases with internal-to-Government lessors are primarily for land, building, laboratories, office accommodation and storage facilities through the Queensland Government Accommodation Office (DHPW) and Queensland Health (QH) as the two main providers of accommodation. Employee housing is also provided under the Government Employee Housing program.

At 30 June 2018, the department has operating lease commitments of $392.016 million and annual lease payments of $22.935 million (disclosed within Note 10 - Supplies and services operating lease rentals) per year for building, laboratories, office accommodation and storage facilities. Commitments are not currently recognised for employee housing under the Government Employee Housing program as they are cancellable arrangements.

Considering their operation and impact across the whole-of-Government, the Department is currently awaiting formal guidance from Queensland Treasury as to whether these arrangements should be accounted for on-balance sheet under AASB 16.

In the event these arrangements are to be accounted for on-balance sheet, the department estimates a right-of-use asset and lease liability on transition of approximately no more than $392.016 million based on the undiscounted amount disclosed for current operating lease commitments greater than 1 year (estimate based on balances at 1 July 2019), as the department is still to determine an appropriate discount rate and adjust for any lease options that are reasonably certain. The accommodation leases for Ecosciences and Coopers Plains Precincts may have a material impact in the Financial Statements with the introduction of the new lease standard.

The Department also has a number of cancellable motor vehicle leases with QFleet that are not presently included as part of the operating lease commitments note as they do not constitute a lease under AASB 117 and Accounting Interpretation 4. The department is also awaiting confirmation from Queensland Treasury that QFleet arrangements will continue to fall outside the requirements of AASB 16 for on-balance sheet accounting.

External-to-Government leases

For leases with external lessors, these comprise arrangements for the right-of-use of commercial property for land, building, laboratories, office accommodation, storage facilities including rural and remote regions. The department is still assessing these leases and not able to estimate a transitional value for the right-of-use-asset and lease liability, however given the value of the lease commitments and the short lease terms for these arrangements it is not expected to have a material impact on the balance sheet.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
3. Reconciliation of payments from consolidated fund to appropriation revenue recognised in statement of comprehensive income		
Budgeted appropriation revenue	287,832	304,818
Lapsed appropriation revenue	(14,207)	(16,773)
Total appropriation receipts (cash)	**273,625**	**288,045**
Less: Opening balance of appropriation revenue receivable	(616)	-
Plus: Closing balance of appropriation revenue receivable	182	616
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	4,806	3,834
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(61)	(4,806)
Net appropriation revenue	**277,936**	**287,689**
Plus: Deferred appropriation payable to Consolidated Fund (expense)	61	4,806
Appropriation revenue recognised in statement of comprehensive income	**277,997**	**292,495**

Accounting Policy - Appropriation Revenue

Appropriations provided under the *Appropriation Act 2017* are recognised as revenue when received or when appropriation revenue receivable is recognised after approval from Queensland Treasury.

4. User Charges and Fees

	2018 $'000	2017 $'000
Fee for service [1]	110,603	99,184
Sale of goods	4,390	3,332
Fees and fines	7,698	8,443
Property rental	7,066	6,666
Total User Charges and Fees	**129,758**	**117,625**

[1] Increase due to additional funding for National Red Imported Fire Ants Eradication Program (NRIFAEP) following finalisation of National Cost Sharing (NCS) funding arrangements for the ten year eradication program.

Accounting Policy - User Charges and Fees

User charges and fees controlled by the department are recognised when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. User charges and fees collected, but not controlled, by the department are reported as administered revenue. Refer Note 30.

5. Grants and Other Contributions

	2018 $'000	2017 $'000
Commonwealth grants [1]	20,482	10,494
Local government contributions	6,002	5,876
State contributions	2,175	210
Industry contributions	149	110
Goods and services received below fair value	2,759	282
Total Grants and other contributions	**31,567**	**16,972**

[1] The increase is largely due to additional revenue from the Australian Government for the NRIFAEP following finalisation of NCS funding arrangements for the ten year eradication program.

Accounting Policy - Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding arrangements.

Contributed physical assets are recognised at their fair value. The accounting treatment for contributed equity is explained in Note 1(d).

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
6. Royalties and Land Rents		
Royalties and land rents	29,487	27,611
Total Royalties and Land Rents	**29,487**	**27,611**

Accounting Policy - Royalties and other territorial revenue
The department under the provisions of the *Forestry Act 1959* has issued sales permits regarding the supply of forest products (including native forest log timber and quarry material) from lands relevant to the *Forestry Act 1959.* The department recognises the revenue for forest products based on the returns provided by the permit holders.

	2018 $'000	2017 $'000
7. Other Revenue		
Sale of portable and attractive items	11	9
Bad debts recovered	8	8
Insurance recoveries	479	65
Impairment loss reversal - receivables	40	218
Sundry revenue	1,846	563
Total Other Revenue	**2,383**	**864**

	2018 $'000	2017 $'000
8. Gains on disposal/revaluation of assets		
Net gains on disposal of property, plant and equipment	328	175
Net increment in valuation of biological assets	1,118	1,616
Total Gains on disposal/revaluation of assets	**1,446**	**1,790**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

9. Employee Expenses

Employee Benefits		
Wages and salaries	160,934	154,398
Termination benefits	254	204
Employer superannuation contributions	21,593	20,693
Annual leave levy	17,095	16,024
Long service leave levy	3,268	3,238
Other employee benefits	2,195	1,828
Employee Related Expenses		
Workers compensation premium	1,122	1,263
Other employee related expenses	1,221	1,277
Total Employee Expenses (1)	**207,682**	**198,927**

(1) The number of employees at 30 June 2018, including both full-time and part-time employees, measured on a full-time basis as provided to the Public Service Commission (PSC) and utilised in the preparation of the Minimum Obligatory Human Resource Information (MOHRI) is:

	2018	2017
Number of employees	2,047	1,968

BCP employee expenses aligned to DAF and providing services to other departments are included in the above figure. The number of full time and part time employees measured on a full time equivalent basis providing services to other departments at balance date is set out below.

	2018	2017
Number of employees:		
Department of Agriculture and Fisheries	1,831	1,759
Business and Corporate Partnership Agreement (providing services to other departments)	216	209
Total number of employees	**2,047**	**1,968**

Accounting Policy - Employee expenses

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

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

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

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

Long Service Leave and Annual Leave

Under the Queensland Government's Long Service Leave Scheme (LSL) and Annual Leave Central Scheme (ALCS), levies are payable by the department to cover the cost of employees' long service leave and annual leave (including leave loading and on-costs). Hence, no provision for long service leave and annual leave will be recognised in the department's financial statements. Instead, the provision for these schemes are reported on a whole of government basis pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting* .

These levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave and annual leave are claimed from the scheme quarterly in arrears.

Superannuation

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

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant Enterprise Bargaining Agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan - The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amounts 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 specific rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
10. Supplies and services		
Consultants and contractors	69,972	65,877
Operating lease rentals	29,251	28,063
Building Services	7,276	6,941
Repairs and maintenance	10,293	9,384
Transport	7,483	4,937
Travel	5,852	6,051
Computer/information technology	16,406	15,679
Telecommunications and electricity	6,727	7,005
Shared services provider fee	5,635	5,726
Materials	14,791	16,660
Portable and attractive items	3,326	2,252
Service delivery costs and service level agreement charges	8,682	9,338
Outsourced service delivery	23,172	27,297
Other	7,084	6,662
Total Supplies and Services	**215,951**	**211,871**

Accounting Policy - Distinction between Grants and Procurement
For a transaction to be classified as supplies and services, the value of goods and services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note 11.

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

Disclosure - Operating Leases
Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease terms extend over a period of 5 to 30 years. The department has no option to purchase the leased item at the conclusion of the lease although the lease provides for a right of renewal at which time the lease terms are renegotiated.

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

	2018 $'000	2017 $'000
11. Grants and Subsidies		
Queensland and local government	6,590	3,557
Industry	1,518	4,848
Charities/community groups	-	100
Subsidies	9,802	7,160
Commonwealth	88	88
Capital[1]	3,257	329
Goods and services provided below fair value	298	-
Total Grants and Subsidies	**21,554**	**16,083**

[1] This includes grants to the RSPCA for $1.757 million and the Grains Research and Development Corporation (GRDC) for $1.000 million.

Accounting Policy - Grants and Subsidies
A non-reciprocal grant is a payment or contribution made to an organisation or person which is not to be repaid or reciprocated, but which must be spent by the recipient for a specific purpose. Accordingly, non reciprocated grant payments are expensed when payment is made. Where the grant payment is reciprocal in nature, an asset (prepayment) is recognised when payment is made. This prepayment is expensed as the grant recipient satisfies the performance obligation under the funding agreement.

A subsidy payment is a payment or contribution made to an organisation or person which is not repaid or reciprocated. Gifts and donations are disclosed in Note 13 - Other expenses.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	$'000	$'000
12. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Buildings	5,149	5,040
Infrastructure	414	379
Plant and equipment	15,217	14,933
Software purchased	486	483
Software internally generated	305	305
Total Depreciation and amortisation	**21,572**	**21,141**

Accounting Policy - Depreciation and amortisation

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

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

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

Separately identifiable components of complex assets are depreciated according to the useful lives of each component, as doing so results in a material impact on the depreciation expense reported.

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.

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

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

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

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

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

Depreciation Rates

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

Asset class	**Category**	**Rate %**
Buildings	Buildings and improvements	1.25–5%
	Access roads	1.25–4%
	Land improvements	1.67–5%
Infrastructure	Wild dog barrier fence	2%
Plant and equipment	Computer equipment	12.5–33.33%
	Motor vehicles	5–20%
	Boats and boating equipment	5–25%
	Heavy plant	5–20%
	Scientific equipment	5–12.5%
	Office equipment	5–20%
	Leasehold improvements	10%
	Other plant and equipment	12.5%
Intangible assets	Software purchased	20-25%
	Software internally generated	10%

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
13. Other expenses		
Deferred appropriation payable to Consolidated Fund	61	4,806
External audit fees - QAO[(1)]	197	257
Other audit services performed	3	33
Insurance premiums - QGIF	727	707
Insurance premiums - Other	170	128
Loss on disposal of property, plant and equipment	236	1,542
Losses - Public property	-	1
Sponsorships	323	282
Donations and gifts	4	233
License fees and permits	235	252
Patent, copyright & trademark acquisition	416	293
Royalties paid	-	146
Special payments [(2)]		
Ex-gratia payments	103	702
Compensation payments	11	-
Other	144	138
Total Other Expenses	**2,630**	**9,521**

(1) Total audit fees payable to the Queensland Audit Office relating to the 2017-18 financial year are based upon their estimated fee of $235,750 (2017: $230,000). There are no non-audit services included in this amount.

(2) Special payments include ex gratia expenditure and other expenditure that the department is not contractually or legally obliged to make to other parties. Special Payments during 2017-18 include the following payments over $5,000:

- Payments associated with the Red Witch Weed Eradication program.
- Payments associated with White Spot disease outbreak.

The department's non-current physical assets and other risks are insured through the QGIF, premiums being paid on a risk assessment basis.

	2018 $'000	2017 $'000
14. Cash and cash equivalents		
Cash at bank	40,770	52,875
Imprest accounts	29	30
Total Cash and Cash Equivalents	**40,798**	**52,904**

Accounting Policy - Cash and cash equivalents

For the purposes of the Statement of financial position and the Statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June.

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	$'000	**$'000**
15. Receivables		
Current		
Trade debtors	41,970	33,051
Less: allowance for impairment loss[1]	(193)	(210)
	41,777	32,842
GST input tax credits receivable	2,577	1,451
GST payable	(138)	-
	2,439	1,451
Appropriation revenue receivable	182	616
Annual leave reimbursements	3,180	2,997
Long service leave reimbursements	1,119	863
Other	49	88
	4,530	4,563
Total Current Receivables	**48,746**	**38,856**

[1] Disclosure – Individually Impaired Receivables Position (Aged)

Accounting Policy - Receivables

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

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

The collectability of receivables is assessed periodically with allowance being made for impairment. All known bad debts are written-off as at 30 June.

Credit risk exposure

Collateral is held as security for Forestry receivables however no credit enhancements relate to financial assets held by the department.

Receivables fall into one of the following categories when assessing collectability:

- within terms and expected to be fully collectible
- within terms but impaired
- past due but not impaired
- past due and impaired

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history.

Aging of receivables

	2018			2017		
	Gross Receivables	**Allowance for Impairment**	**Carrying Amount**	**Gross Receivables**	**Allowance for Impairment**	**Carrying Amount**
Overdue	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Less than 30 days[1]	33,588	-	33,588	16,371	-	16,371
30 to 60 days	266	-	266	585	-	585
60 to 90 days	96	-	96	1,333	-	1,333
Greater than 90 days[2]	1,695	193	1,502	583	210	373
Total Overdue	**35,645**	**193**	**35,452**	**18,872**	**210**	**18,662**

[1] Increase due to additional funding for NRIFAEP following finalisation of NCS funding arrangements for the ten year eradication program.

[2] All receivables greater than 90 days are considered past due and individually assessed for impairment.

Disclosure – Movement in Allowance for Impairment for Impaired Receivables

	2018	2017
	$'000	**$'000**
Balance at 1 July	210	389
Increase/decrease in allowance recognised in operating result	5	322
Amounts written-off during the year in respect of bad debts	(22)	(501)
Total Overdue	**193**	**210**

DEPARTMENT OF AGRICULTURE AND FISHERIES

Notes to the Financial Statements for the year ended 30 June 2018

15. Receivables (continued)

Impairment of Receivables

Accounting Policy - Impairment of Receivables

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

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If DAF determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

Impairment loss expense for the current year regarding the department's receivables is $0.108 million. This is a decrease of $0.485 million from 2017 due to one external client having gone into liquidation in 2016-17.

	2018 $'000	2017 $'000
16. Intangible assets		
Software Purchased: At Cost		
Gross	1,388	2,324
Less: Accumulated amortisation	(596)	(1,168)
Total Software Purchased	**792**	**1,156**
Software Internally Generated: At Cost		
Gross	4,916	5,883
Less: Accumulated amortisation	(4,711)	(5,373)
Total Software Internally Generated	**205**	**510**
Total Intangible Assets	**997**	**1,665**

Intangibles Reconciliation

	Software Purchased: At Cost		Software Internally Generated: At Cost		Total	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $'000	2017 $'000
Carrying amount at 1 July	1,156	823	510	815	1,665	1,638
Acquisitions	123	816	-	-	123	816
Amortisation	(486)	(483)	(305)	(305)	(791)	(788)
Carrying amount at 30 June	**792**	**1,156**	**205**	**510**	**997**	**1,665**

Accounting Policy

Intangible assets of the department comprise purchased software and internally developed software. Intangible assets with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed.

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

Purchased software has been capitalised and is being amortised on a straight-line basis over the period of expected benefit to the department.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the department.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
17. Property, plant and equipment	**$'000**	**$'000**
Land		
Gross	110,323	122,935
Less: accumulated impairment losses	(2,587)	(2,587)
Total Land	**107,736**	**120,348**
Buildings		
Gross	266,595	272,374
Less: accumulated depreciation	(139,407)	(141,167)
Less: accumulated impairment losses	(10,105)	(10,650)
Total Buildings	**117,083**	**120,557**
Infrastructure		
Gross	40,956	39,832
Less: accumulated depreciation	(19,882)	(19,467)
Total Infrastructure	**21,074**	**20,364**
Plant and Equipment: At cost		
Gross	214,889	211,086
Less: accumulated depreciation	(113,938)	(107,679)
Less: accumulated impairment	(236)	(238)
Total Plant and Equipment	**100,714**	**103,169**
Capital Work in Progress: At cost		
At cost	4,734	1,756
Total Capital Work in Progress	**4,734**	**1,756**
Total Property, Plant and Equipment	**351,341**	**366,195**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

17. Property, plant and equipment (continued)

Property, Plant and Equipment Reconciliation

	Land	Buildings	Infrastructure	Plant and Equipment	Capital Works in Progress	Heritage & Cultural	Total
	2018	2018	2018	2018	2018	2018	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2017	120,348	120,557	20,364	103,169	1,756	-	366,195
Acquisitions (including upgrades)	-	15		8,012	11,014	-	19,041
Transfer in from other Qld Government entities	61	-	-	-	-	-	61
Disposals	(1,392)	(285)	-	(184)	-	-	(1,860)
Transfers between asset classes	-	1,979	1,124	4,934	(8,036)	-	-
Net Revaluation increments/(decrements) in asset revaluation surplus[1]	(11,280)	(34)	-	-	-	-	(11,314)
Depreciation	-	(5,149)	(414)	(15,217)	-	-	(20,780)
Carrying amount at 30 June 2018	**107,736**	**117,083**	**21,074**	**100,714**	**4,734**	**-**	**351,341**

(1) The decrement is mainly due to the revaluation of the Redlands Poultry Station prior to sale of $11.691 million. The sale value was determined by arriving at a suitable discount rate for the restrictions on reserve land. There was also an increment of $1.110 million due to indexation as at 31 March 2018.

	Land	Buildings	Infrastructure	Plant and Equipment	Capital Works in Progress	Heritage & Cultural	Total
	2017	2017	2017	2017	2017	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2016	124,108	118,940	19,117	109,042	2,993	252	374,452
Acquisitions (including upgrades)	29	16	-	4,683	10,358	-	15,086
Transfer in from other Qld Government entities	238	239	-	2	-	-	479
Disposals	(1,029)	(398)	-	(565)	-	-	(1,992)
Donations	-		-	-	-	(225)	(225)
Assets reclassified as held for sale	(1,180)	(1,109)	-	(11)	-	-	(2,300)
Transfers between asset classes	611	5,173	843	4,995	(11,595)	(27)	-
Net Revaluation increments/(decrements) in asset revaluation surplus	(868)	4,464	783	-	-		4,379
Impairment losses recognised in the asset revaluation surplus	(1,793)	(2,214)	-	-	-	-	(4,007)
Impairment losses recognised in operating surplus/(deficit)	-	-	-	(43)	-	-	(43)
Impairment losses recognised in asset revaluation surplus	233	486	-	-	-	-	719
Depreciation	-	(5,040)	(379)	(14,933)	-	-	(20,352)
Carrying amount at 30 June 2017	**120,348**	**120,557**	**20,364**	**103,169**	**1,756**	**-**	**366,195**

DEPARTMENT OF AGRICULTURE AND FISHERIES

Notes to the Financial Statements for the year ended 30 June 2018

17. Property, plant and equipment (continued)

Accounting Policy - Property, plant and equipment

Recognition thresholds for property, plant and equipment

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

Buildings	$10,000
Infrastructure	$10,000
Land	$1
Capital Works in Progress	N/A
Plant and equipment	$5,000

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

Land improvements undertaken by the department are included with buildings or infrastructure based on the proximity of the asset to which they relate. Items comprising the department's technical library are expensed on acquisition.

Under the provision of *Forestry Act 1959* , the department also oversees the extraction of quarry materials from certain State-owned native forests, which are not controlled by the department. Under the guidelines of *AASB 116 Property, Plant and Equipment* the department considers that the quarries and all materials contained within them satisfy the definition of Land. However due to the impracticalities associated with valuing this land and quarry materials prior to extraction, the department has not recognised a value for quarry materials in the Statement of Financial Position. This assessment will be reviewed should circumstances change.

Acquisition of Assets

Historic cost is used for the initial recording of all non-current physical and intangible 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 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 transferor immediately prior to the transfer together with any accumulated depreciation.

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

Measurement of property plant and equipment using fair value

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

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

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

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

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

Fair Value Measurement Hierarchy

Details of individual assets and liabilities measured under each category of fair value are set out in the following table.

The Department does not recognise any financial assets or financial liabilities at fair value.

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

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

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy.

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

17. Property, plant and equipment (continued)

Categorisation of assets measured at fair value

	Land		Buildings		Infrastructure		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair Value Level 1	-	-	-	-	-	-	-	-
Fair Value Level 2	48,690	48,427	45,643	39,362	-	-	94,333	87,790
Fair Value Level 3	59,046	71,921	71,440	81,195	21,074	20,364	151,560	173,480
Carrying amount at 30 June	**107,736**	**120,348**	**117,083**	**120,557**	**21,074**	**20,364**	**245,893**	**261,270**

Level 3 Fair value measurement reconciliation

	Land		Buildings		Infrastructure		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	71,921	71,789	81,195	79,799	20,364	19,117	173,480	170,705
Acquisitions	61	626	857	3,986	1,124	843	2,042	5,455
Disposals	(1,142)	-	(412)	(49)	-	-	(1,554)	(49)
Revaluation increments/(decrements)	(11,793)	(718)	(51)	3,073	-	-	(11,844)	2,355
Impairment (losses)/reversals	-	223	5	(2,214)	-	783	5	(1,208)
Reclassification of Fair Value Levels	-	-	(6,930)	-	-	-	(6,930)	-
Depreciation and amortisation	-	-	(3,225)	(3,400)	(414)	(379)	(3,640)	(3,779)
Carrying amount at 30 June	**59,046**	**71,921**	**71,440**	**81,195**	**21,074**	**20,364**	**151,560**	**173,480**

Measurement of property plant and equipment using cost

Plant and equipment, (that is not classified as major plant and equipment) is measured at cost in accordance with the NCAP. The carrying amounts for such plant and equipment at cost is not materially different from their fair value.

The department does not classify any Plant and Equipment as Major Plant and Equipment.

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

Revaluation of property plant and equipment measured at fair value

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment,* AASB13 *Fair Value Measurement* and Queensland Treasury's NCAP 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 impairment losses where applicable (refer also to an explanation later in this note regarding the impact of different methods of accounting for accumulated depreciation and accumulated impairment losses in conjunction with revaluations).

In respect of these asset classes, the cost of items acquired during the financial year has been judged by the management of DAF to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at cost in accordance with the NCAP. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

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

Non-current physical assets measured at fair value are revalued on an annual basis by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. Revaluations based on an independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a class of asset experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class of asset may have changed by 20% or more from one reporting period to the next), the department will arrange for the fair values concerned to be reviewed and revised accordingly.

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

Where indices have been used, they have been supplied by State Valuation Service (SVS) who provide assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets and comparing results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. At year end, management assess the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

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

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.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

17. Property, plant and equipment (continued)

On revaluation:

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

In previous years, NCAP mandated the gross method of revaluation for all revaluations. However, from 1 July 2014, the NCAP now require either the gross or net method be used, according to the valuation approach adopted for individual assets (as explained above). This means a reported asset class may contain assets for which revaluations are accounted for using either method. Currently, DAF do not have any assets revalued under the net method.

Impairment of non-current assets
All non-current assets, including work in progress assets, must be assessed for indicators of impairment so that they are not carried at more than their recoverable amount in accordance with AASB 136 *Impairment of Assets*. Assets held at either cost or fair value are subject to the requirements of this Standard. The impairment loss is the amount by which the assets carrying amount exceeds its recoverable amount being the higher of the asset's fair value less cost of sale, (or net fair value), and its value-in-use.

The requirements of AASB 136 apply subject to the provisions contained in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. In determining materiality, where assets are tested for impairment and the total change in the written down value for the class of assets or the total impact on depreciation for the class of assets is material, then the impairment loss must be brought to account.

A review of whether there are any indications that an asset may be impaired is undertaken annually.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, this increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is usually recognised as income, except if the asset has been revalued, in which case the adjustment is treated as a revaluation increase.

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

Valuation of property plant and equipment including key estimates and judgements

Land
SVS provides an individual factor change per property derived from the review of market transactions (Observable Market Data). These market movements are determined having regard to the review of land values undertaken for each local government area issued by the Valuer-General Department of Natural Resources and Mines. SVS undertakes investigation and research into each factor provided for the interim land asset indexation.

All Local Government property market movements are reviewed annually by market surveys to determine any material changes in values. For local government areas where the Valuer-General has issued land values, an index will be provided. Ongoing market investigations undertaken by SVS assists in providing an accurate assessment of the prevailing market conditions and detail the specific market movement that are applicable to each property. The department's land was comprehensively revalued as at 30 June 2016 and indexed as at 30 June 2018.

In the comprehensive revaluation of land by SVS, significant judgement was used in arriving at suitable discount rates for the restrictions on reserve land. The fair value of reserve land was derived by discounting the market value of similar land that had no restrictions, and then estimating the discount a willing market participant would make taking into account the restrictions on use.

Buildings
SVS provided the valuation for Buildings and improvements which are indexed using the most appropriate method of indexation and determined by the type of asset to which the index is be applied. Improvements such as specialised Government assets were indexed with a Building Price Index (BPI) which is based on recent tenders for typical specialised buildings (Observable Market Data) and is the most appropriate index to apply for specialised government assets. General non-residential construction was indexed using the Queensland Treasury's OESR Implicit Price Deflator as the recommended and is the most appropriate index to use for these particular assets. Residential assets were indexed by the Cordell Housing Price Index which is specific to Queensland house price movements (Observable Market Data) and is the most appropriate index to use for residential housing specific to Queensland properties. The department's Buildings and Improvements were comprehensively revalued as at 30 June 2016 and indexed as at 30 June 2018.

In the comprehensive revaluation process the gross replacement cost of buildings at balance date is derived using unit prices that required significant judgements. These include identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so, estimating the adjustment to the unit rate required to reflect this difference.Where buildings are not specifically appraised in the current year, indexing unit rates for increases in input costs are applied.

Infrastructure
SVS provided the valuation for Infrastructure which is indexed using the most appropriate method of indexation and determined by the type of asset to which the index is be applied. Improvements such as specialised Government assets were indexed with a Building Price Index (BPI) which is based on recent tenders for typical specialised buildings (Observable Market Data) and is the most appropriate index to apply for specialised government assets. The department's infrastructure was comprehensively revalued as at 30 June 2016 and indexed as at 30 June 2018.

Work in Progress
The department is carrying the capital works in progress as per the Queensland Treasury's policies.

Restricted Assets
The department has included a number of assets in the accounts, which are classified as restricted assets. These are assets, the uses of which are wholly or partly restricted by legislation or other externally imposed requirements. The total value of restricted assets for 30 June 2018 is $0.703 million (2017: $0.777 million).

Certain Plant and Equipment assets valued at $0.627 million (2017: $0.685 million) and certain Building assets valued at $0.076 million (2017: $0.092 million) are restricted by contractual obligations preventing their sale.

DEPARTMENT OF AGRICULTURE AND FISHERIES

Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
18. Payables		
Current		
Trade creditors	9,809	6,117
Deferred appropriation refundable to Consolidated Fund	61	4,806
Taxes, fees and fines payable	66	76
Accrued expenses	6,930	6,745
Royalties payable	116	201
Total Current Payables	**16,982**	**17,945**

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 and are generally settled on 7, 14, or 30 day terms.

	2018 $'000	2017 $'000
19. Accrued employee benefits		
Current		
Salaries and wages outstanding	3,578	3,353
Annual leave levy payable	4,508	4,018
Long service leave levy payable	931	885
Severance payments payable	-	7
Total Current Accrued Employee Benefits	**9,016**	**8,263**

Accounting Policy - Accrued employee benefits

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

	2018 $'000	2017 $'000
20. Unearned revenue		
Current		
Unearned revenue[1]	27,952	28,628
Total	**27,952**	**28,628**
Non-Current		
Unearned revenue - rental revenue	16,611	18,031
Total	**16,611**	**18,031**

[1] This includes unearned revenue for research and development contracts and rental revenue.

	2018 $'000	2017 $'000
21. Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	(4,138)	(5,613)
Lapsed equity adjustment	-	(576)
Unforeseen expenditure	437	-
Equity adjustment recognised in contributed equity	**(3,701)**	**(6,189)**

Accounting Policy - Contributed Equity

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

22. Asset revaluation surplus by class

	Land	Buildings	Infrastructure	Heritage & Cultural	Total
	$'000	$'000	$'000	$'000	$'000
Balance 1 July 2017	17,097	16,396	4,271	102	**37,866**
Revaluation surplus	(11,280)	(34)	-	-	**(11,314)**
Transfers to Accumulated Surplus	-	-	-	(102)	**(102)**
Balance 30 June 2018	5,816	16,362	4,271	-	**26,449**

	Land	Buildings	Infrastructure	Heritage & Cultural	Total
	$'000	$'000	$'000	$'000	$'000
Balance 1 July 2016	19,525	13,660	3,488	102	**36,775**
Revaluation surplus	(2,428)	2,736	783	-	**1,091**
Balance 30 June 2017	17,097	16,396	4,271	102	**37,866**

23. Commitments for Expenditure

(a) Operating Leases

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

	2018 $'000	2017 $'000
· Not later than 1 year	21,531	21,545
· Later than 1 year and not later than 5 years	72,612	81,692
· Later than 5 years	297,873	313,569
Total operating lease commitments	**392,016**	**416,806**

The department has operating leases predominately relating to land, building, laboratories, office accommodation, storage facilities and motor vehicles. Lease payments are generally fixed and reported at present value, but with inflation escalation clauses on which contingent rentals are determined. QFleet lease commitments have been removed from the comparatives as they are considered cancellable and maintenance agreements associated with the Ecosciences precinct and Health and Food Sciences precinct have been transferred to other expenditure commitments. The department is currently analysing its existing operating lease commitments at Note 23(a) by type of lessor and type of lease to estimate the expected impacts on transition to AASB 16 Leases.

(b) Capital Expenditure Commitments

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

	2018 $'000	2017 $'000
Capital Works in Progress	1,314	1,102
Plant and equipment	411	72
	1,725	**1,174**
Payable:		
· Not later than 1 year	1,725	1,174
Total capital expenditure commitments	**1,725**	**1,174**

(c) Grants and Subsidies Commitments

Grants and subsidies commitments (inclusive of non-recoverable GST input tax credits), committed to be provided at the reporting date, but not recognised in the accounts are payable as follows:

	2018 $'000	2017 $'000
Payable:		
· Not later than 1 year	10,164	8,444
· Later than 1 year and not later than 5 years	18,909	18,041
Total grants and subsidies expenditure commitments	**29,073**	**26,485**

(d) Other Expenditure Commitments

Other expenditure commitments (inclusive of non-recoverable GST input tax credits), committed to provide at reporting date but not recognised in the accounts are payable as follows:

	2018 $'000	2017 $'000
Payable:		
· Not later than one year	49,145	24,677
· Later than one year and not later than five years	26,850	11,168
· Later than five years	60,928	49,669
Total other expenditure commitments	**136,924**	**85,515**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

24. Contingencies

(a) Litigation in progress

As at 30 June 2018, the following cases were filed in the courts naming the State of Queensland through DAF or DAF, as defendant:

	2018	2017
Supreme Court	-	1
District Court	3	2
Magistrates Court	16	6
Planning and Environment Court	4	1
Queensland Civil and Administrative Tribunal (QCAT)	1	1
Queensland Industrial Relations Commission (QIRC)	2	-
Anti-Discrimination Commission Queensland (ADCQ)	-	1
Administrative Appeals Tribunal (AAT)	1	-
Total number of litigation in progress	**27**	**12**

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. The department has also received notification of one other case that is not yet subject to court action. This may or may not result in subsequent litigation. Depending on the outcome of the litigation process, indemnity for the department may be sought in respect of some of the above matters through the Queensland Government Insurance Fund.

(b) Contaminated land sites

Assets of the former Forestry Plantations Queensland (FPQ) were transferred to HQPlantations Pty Ltd (HQPlantations) or the State respectively in 2010. This included the transfer of potentially contaminated land and assets to the State including: underground (fuel) storage tanks, above-ground (fuel) storage tanks and herbicide disposal pits. Responsibility for the potentially contaminated land assets now rest with DAF. In 2011, an independent state-wide review of around 3,000 potentially contaminated sites prioritised 99 sites for further investigation. An internal review in 2014 further reduced this to 78 sites requiring action. DAF has a contaminated lands asset plan, which identified 23 abandoned fuel tanks and 55 herbicide pits for further assessment and remediation if needed.

Of the 23 abandoned fuel tanks located on sites across Queensland (ex FPQ plantations), all were excavated and removed in the period May – July 2016 with any contaminated soils found during excavation then stockpiled for further remediation.
The cost to remove the 23 tanks was $270,000. Contaminated soil at six sites was stockpiled for remediation by an environmental consultant prior to retesting of the stockpile soil in 2017. The remediation of the stockpiles at five locations has been successfully completed by end 2017 and only one stockpile remains that needs further remediation effort.
Once this last stockpile has completed remediation measures by late 2018, this will complete the DAF abandoned fuel tanks project and remove any future environmental risks or liabilities to the State.

In 2018-19, DAF will progress the long term resolution of the 55 former herbicide pits located at various sites across Queensland (ex FPQ plantations in various state forest locations). All herbicide pits are long out of use and have been buried. Pits have warning signs and fencing as a precaution to prevent entry.

(c) Long-Term Sales Permits

The department, under the provisions of the *Forestry Act 1959,* has issued the following long-term sales permits to various sawmilling business regarding the supply of log timber from State-owned native forests.

- 14 sales permits, which expire 31 December 2024, and 1 sales permit, which expires 31 December 2019, for the supply of native forest hardwood sawlogs from State-owned native forests in south-east Queensland;
- 2 sales permits, which expire 31 December 2033, for the supply of native forest hardwood sawlogs from State-owned native forests in western Queensland; and
- 14 sales permits, which expire 31 December 2037, for the supply of native forest cypress sawlogs from State-owned native forests in southern Queensland.

These sales permits provide for the payment of compensation by the department to the holder to the extent that the specified quantity of log timber is not harvested from the particular State-owned forests. At this stage the department does not foresee the need to pay compensation in relation to any of these long-term sales permits.

DEPARTMENT OF AGRICULTURE AND FISHERIES

Notes to the Financial Statements for the year ended 30 June 2018

25. Financial Instruments

(a) Categorisation of Financial Instruments

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

	Note	2018 $'000	2017 $'000
<u>Category</u>			
Financial Assets			
Cash and cash equivalents	14	40,798	52,904
Receivables	15	48,746	38,856
Total Financial Assets		**89,545**	**91,760**
Financial Liabilities			
Payables	18	16,982	17,945
Total Financial Liabilities		**16,982**	**17,945**

(b) Financial Risk Management

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

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

All financial risk is managed by the Finance and Asset Management Division under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas. The department measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit Risk Exposure

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

The 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.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

(d) Liquidity Risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The department is exposed to liquidity risk in respect of its payables only.

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 sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The liquidity risk of financial liabilities held by the department is disclosed in Note 15. The department only has financial liabilities which are payable within no more than 12 months and hence the liquidity risk is based on the undiscounted cash flows relating to the liabilities at reporting date.

(e) Market Risk

DAF does not trade in foreign currency. The department does not undertake any hedging in relation to interest risk and manages its risk as per the department's liquidity risk management strategy articulated in the department's Financial Management Practice Manual.

(f) Interest Rate Sensitivity Analysis

Departmental funds are not held in interest bearing accounts so the department is not exposed to interest rate risk. The department does not have any borrowings.

(g) Fair Value

DAF does not recognise any financial assets or financial liabilities at fair value. The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Accounting Policy - Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents.
- Receivables – held at amortised cost.
- Payables – held at amortised cost.

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

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

26. Key management personnel (KMP) disclosures

a) Details of key management personnel

As from 2016-17, the department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in AASB 124 Related Party Disclosures. That Minister is the Minister for Agricultural Industry Development and Fisheries.

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

Position	Position Responsibility
Director-General	The Director-General is responsible for the efficient, effective and economic administration of the department overseeing Agriculture, Fisheries and Forestry and Biosecurity Queensland.
Deputy Director-General, Corporate	The Deputy Director-General is responsible for the efficient, effective and economic administration of the Human Resource, ICT, Strategy, Performance, Business Services, Finance, Media, Communications and Corporate Partnership functions of the department.
Deputy Director-General, Agriculture Queensland	The Deputy Director-General is responsible for the efficient, effective and economic administration of Queensland Agriculture and Fisheries, Food, Forestry and Regional Services and functions of the department.
Deputy Director-General, Fisheries and Forestry	The Deputy Director-General is responsible for the efficient, effective and economic administration of Queensland Fisheries and Forestry activities and responsibilities.
Chief Biosecurity Officer, Biosecurity Queensland	The Chief Biosecurity Officer is responsible for the efficient, effective and economic administration of Queensland's Biosecurity functions and responsibilities of the department.

b) KMP remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlement being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government Consolidated Financial Statements as from 2017-18, which are published as part of Queensland Treasury's Report on State Finances.

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

Remuneration expenses for those KMP comprise the following components:

- Short term employee expenses, including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person.
  - non-monetary benefits - consisting of provision of vehicle 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 entitlements) payable on termination of employments or acceptance of an offer of termination of employment.

26. Key management personnel (KMP) disclosures (continued)

c) Remuneration Expenses

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

1 July 2017 – 30 June 2018

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Total Expenses[1]
	Monetary Benefits $ '000	Non-Monetary Benefits $ '000	$ '000	$ '000	$ '000
Director-General	325	-	7	26	**358**
Director-General (Acting) 19/09/2017 - 15/10/2017, 10/11/2017 -16/11/2017 and 23/06/2018 - 30/06/2018	45	-	1	3	**49**
Deputy Director-General, Corporate [2] 01/07/2017 - 09/01/2018	110	-	2	14	**126**
Deputy Director-General, Corporate (Acting) 05/02/2018 - 30/06/2018	78	-	2	9	**89**
Deputy Director-General, Agriculture Queensland 01/07/2017 - 13/10/2017	57	-	1	6	**64**
Deputy Director-General, Agriculture Queensland (Acting) 16/10/2017 - 22/6/2018	166	-	3	18	**187**
Deputy Director-General, Fisheries and Forestry	216	-	4	25	**245**
Chief Biosecurity Officer 01/07/2017 - 01/09/2017	65	-	1	7	**73**
Chief Biosecurity Officer (Acting) 16/10/2017 - 30/06/2018	171	-	4	19	**194**
Total	**1,233**	**-**	**25**	**127**	**1,385**

[1] The key management personnel and remuneration expenses above for the year ended 30 June 2018 do not include any termination benefits.

[2] This position was previously shared with the former Department of Tourism, Small Business, Major Events and the Commonwealth Games (DTESB) until the MoG changes in December 2017. The new DITID has established a standalone corporate function.

1 July 2016 – 30 June 2017

	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Total Expenses[1]
	Monetary Benefits $ '000	Non-Monetary Benefits $ '000	$ '000	$ '000	$ '000
Director-General	308	-	6	33	**347**
Deputy Director-General, Corporate [2] (Acting) 1/7/2016 - 30/6/2017	229	-	4	21	**255**
Deputy Director-General, Agriculture Queensland	240	-	5	26	**271**
Deputy Director-General, Fisheries and Forestry	236	-	5	25	**266**
Chief Biosecurity Officer	243	-	5	26	**274**
Chief Finance Officer & Executive Director [2] [3] (Acting) 1/7/2016 - 30/6/2017	226	-	4	20	**250**
Executive Director, Rural Economic Development [3]	227	-	4	23	**255**
Executive Director, Agri-Science Queensland [3]	219	-	4	24	**246**
Total	**1,928**	**-**	**37**	**199**	**2,164**

[1] The key management personnel and remuneration expenses above for 2016-17 do not include any termination benefits.

[2] These positions were shared with the DTESB and were fully funded by DAF to 30 June 2017 as per the BCP arrangement.

[3] The Board of Management (BOM) included these positions in 2016-17. Under new governance arrangements that commenced on 1 July 2017, these positions were no longer a part of BOM.

d) Performance payments

No KMP remuneration packages provide for performance or bonus payments.

27. Related Party Transactions

a) Transactions with people/entities related to KMP

A review has been undertaken for the 2017-18 financial year, to 30 June 2018, of the department's KMP related party transactions (RPT) disclosures and no transactions have been identified between the department and its KMPs' related parties.

b) Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note 3) and equity injections (Note 21), both of which are provided in cash via Queensland Treasury.

The department received defined services from the following agencies:

- DNRME (formerly DNRM): Accommodation Services; Legal Services; Customer Solution Services
- DES (formerly DEHP): Privacy and Ethics; Internal Audit; Procurement; Right to Information

As the host agency, DAF provided defined services to the following agencies for the period 1 July 2017 to 31 December 2017:

- DNPSR: Information Management; Fleet Management; Telecommunications.
- DNRM: Information Management; Fleet Management; Telecommunications; Human Resources reporting.
- DEWS: Information Management; Fleet Management; Telecommunications; Human Resources.
- DEHP: Information Management; Fleet Management; Telecommunications.
- DTESB: Finance; Information Management; Fleet Management; Telecommunications.

Due to MoG changes dated 12 December 2017, DAF's role as host agency changed. Effective from 1 January 2018, DAF provides defined services to the following agencies:

- DNRME: Information Management; Fleet Management; Telecommunications; Human Resources reporting.
- DES: Information Management; Fleet Management; Telecommunications.
- DITID: Finance; Information Management; Fleet Management; Telecommunications.

User Charges and Fees (Note 4) includes the fee for service revenue received from the above agencies for information management services and this represents approximately 30% of the total User Charges and Fees.

Operating lease rentals disclosed in (Note 10) includes: property lease rentals across the State with the Department of Public Works and Housing and accommodation at the Health Food Sciences Precinct Coopers Plains with Queensland Health; and motor vehicle lease arrangements are provided by Qfleet.

Building and Asset Services within the Department of Public Works and Housing are the provider of building repair and maintenance disclosed within (Note 10) under Repairs and maintenance.

28. Events occurring after balance date

There are no events subsequent to balance date, which would have a material effect on the information provided in the department's controlled or administered financial statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES

Notes to the Financial Statements for the year ended 30 June 2018

29. Budget vs Actual Comparison

A budget vs actual comparison, and explanations of major variances, has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

Statement of Comprehensive Income

	Variance Notes	Original Budget 2018 $'000	Actual 2018 $'000	Budget Variance 2018 $'000
Income from Continuing Operations				
Appropriation revenue	1	287,832	277,997	(9,835)
User charges and fees	2	101,408	129,758	28,350
Grants and other contributions	3	8,302	31,567	23,265
Royalties and land rents	4	26,585	29,487	2,902
Other revenue	5	520	2,383	1,863
Total Revenue		424,647	471,192	46,545
Gains on disposal/revaluation of assets	6	95	1,446	1,351
Total income from operations		**424,742**	**472,638**	**47,896**
Expenses from Continuing Operations				
Employee expenses	7	210,747	207,682	(3,065)
Supplies and services	8	181,954	215,951	33,997
Grants and subsidies	9	8,529	21,554	13,025
Depreciation and amortisation		21,926	21,572	(354)
Impairment losses	10	-	132	132
Other expenses	11	1,586	2,630	1,044
Total Expenses from Continuing Operations		**424,742**	**469,521**	**44,779**
Operating Result for the Year		**-**	**3,117**	**3,117**

Explanation of major variances:

1. The decrease is largely due to a deferral of funding from 2017-18 to 2018-19 for various departmental programs. This is partly offset by additional funding received in 2017-18 for the containment of White Spot Disease, the Queensland contribution for NRIFAEP, the ongoing control and coordination program for the Panama TR4 response and the Great Barrier Reef Water Quality Program and the Drought Assistance Package.
2. User charges are higher than the original budget mainly due to additional revenue for National Cost Sharing (NCS) arrangements from other States and Territories for the NRIFAEP following the finalisation of funding arrangements for the ten year eradication program on 26 July 2017. Also contributing to the variance is higher than expected revenue for ITP services from the business and corporate partnership, revenue from the Great Barrier Reef Marine Park Authority (GBRMPA) towards the Sustainable Fishing Strategy and revenue from the sale of Tick Fever serums.
3. The increase is largely due to additional revenue from the Australian Government for the NRIFAEP following finalisation of NCS funding arrangements for the ten year eradication program on 26 July 2017.
4. The increase is largely due to higher than expected seed and legume royalties and higher than expected revenue received for the sale of quarry materials. This is partly offset by a decline in the demand for the sale of timber materials.
5. The increase is largely related to revenue recognised from DHPW for the recovery of both capital and operating expenses associated with the relocation of the ITP data centre from the Land Centre as part of the Cross River Rail project and insurance recovery claims received this financial year for damage at the Bribie Island and Applethorpe research facilities and the Parkhurst facility.
6. Higher than expected cattle prices, as a result of more favourable conditions has led to an increase in the livestock valuation.
7. The variance is largely due to vacant budgeted positions across the department with the use of contractors in place of employees for seasonal work, short term demand and biosecurity pest and disease emergency responses.
8. The increase is largely due to additional expenses associated with the finalisation of NCS arrangements for the NRIFAEP, the containment of White Spot Disease, the ongoing control and coordination for Panama TR4 and the Great Barrier Reef Water Quality Program. This is partially offset by a reduction in expenses associated with the deferral of funding from 2017-18 for various departmental programs.
9. The increase is largely due to expenses incurred in 2017-18 for the continuation of the Drought Assistance Package and a grant paid to QRIDA to administer the Fisheries Vessel Tracking and Monitoring Scheme.
10. The increased expense relates to the write off of bad debts and the recognition of doubtful and bad debts that the department has deemed unrecoverable.
11. The increased expense relates to a sponsorship payment to Beef Australia for Beef 2018 and the loss on sale of property, plant and equipment, which was surplus to service delivery requirements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

29. Budget vs Actual Comparison (continued)

Statement of Financial Position

	Variance Notes	Original Budget 2018 $'000	Actual 2018 $'000	Budget Variance $'000
Current Assets				
Cash and cash equivalents		40,488	40,798	310
Receivables	12	30,363	48,746	18,383
Inventories		1,502	1,160	(342)
Other current assets		6,302	7,494	1,192
Total Current Assets		**78,655**	**98,199**	**19,544**
Non-Current Assets				
Intangible assets	13	1,481	997	(484)
Property, plant and equipment	14	367,620	351,341	(16,279)
Other non-current assets		13,545	11,757	(1,788)
Total Non-Current Assets		**382,646**	**364,094**	**(18,552)**
Biological Assets				
Biological assets	15	2,089	3,758	1,669
Total Biological Assets		**2,089**	**3,758**	**1,669**
Total Assets		**463,390**	**466,050**	**2,660**
Current Liabilities				
Payables	16	10,160	16,982	6,822
Accrued employee benefits	17	4,734	9,016	4,282
Unearned revenue	18	19,285	27,952	8,667
Security deposits	19	-	324	324
Total Current Liabilities		**34,179**	**54,275**	**20,096**
Non-Current Liabilities				
Unearned revenue	20	17,995	16,611	(1,384)
Total Non-Current Liabilities		**17,995**	**16,611**	**(1,384)**
Total Liabilities		**52,174**	**70,886**	**18,712**
Net Assets		**411,216**	**395,164**	**(16,052)**

Explanation of major variances:

12. The increase is largely due to higher than expected receivables under NCS arrangements for biosecurity pest and emergency disease responses (including the NRIFAEP).

13. The decrease is largely due to lower than anticipated software acquisitions during 2017-18.

14. The decrease is largely due to sales, transfers and impairment of assets, and the timing of plant and equipment purchases and capital works projects. Also contributing to the decrease is a revaluation decrement of assets at the former Redlands Poultry Research Station.

15. The increase is largely related to livestock valuations due to higher than expected cattle prices, as a result of more favourable conditions.

16. The increase mainly reflects higher than expected end of year accruals largely associated with capital works upgrades for the Toowoomba facility, expenses for the Queensland Feral Pest Initiative and contractors for March to June for the NRIFAEP that were still unpaid at 30 June.

17. The variance is due to higher than anticipated accrued employee benefits.

18. The increase reflects higher than expected unearned revenue for contractual agreements for Research and Development projects and the funding received in advance for multi year Reef Water Quality Science projects as recommended by the Great Barrier Reef Taskforce.

19. The variance reflects the security deposits held as cash cover of accounts for Forestry customers that do not hold bank guarantees.

20. The decrease largely represents the amortisation of fit-out rent received in advance from CSIRO for the Health and Food Science Precinct and the Ecosciences Precinct.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

29. Budget vs Actual Comparison (continued)

Statement of Cash Flows

	Variance Notes	Original Budget 2018 $'000	Actual 2018 $'000	Budget Variance 2018 $'000
Cash flows from operating activities				
Inflows:				
Service appropriation receipts	21	287,832	273,625	(14,207)
User charges and fees	22	101,950	122,548	20,598
Grants and other contributions	23	8,302	24,559	16,257
Royalties and land rents	24	26,585	29,487	2,902
GST input tax credits received from ATO		13,181	9,119	(4,062)
GST collected from customers		-	13,023	13,023
Other inflows		1,120	2,716	1,596
Outflows:				
Employee expenses	25	(210,997)	(207,365)	3,632
Supplies and services	26	(183,517)	(211,931)	(28,414)
Grants and subsidies	27	(8,529)	(21,554)	(13,025)
GST paid to suppliers		(13,131)	(23,037)	(9,906)
GST remitted to ATO		-	(93)	(93)
Other outflows		(2,186)	(2,526)	(340)
Net cash provided operating activities		**20,610**	**8,571**	**(12,039)**
Cash flows from investing activities				
Inflows:				
Sales of property, plant and equipment	28	1,480	1,953	473
Outflows:				
Payments for property, plant and equipment	29	(17,327)	(16,656)	671
Payments for intangibles	30	(800)	(123)	677
Net cash used in investing activities		**(16,647)**	**(14,826)**	**1,821**
Cash flows from financing activities				
Inflows:				
Equity injections	31	-	2,150	2,150
Outflows:				
Equity withdrawals	32	(4,138)	(8,001)	(3,863)
Net cash provided by financing activities		**(4,138)**	**(5,851)**	**(1,713)**
Net increase/(decrease) in Cash and Cash Equivalents		(175)	(12,106)	(11,931)
Cash and Cash Equivalents - opening balance		40,663	52,904	12,241
Cash and Cash Equivalents - closing balance		**40,488**	**40,798**	**310**

Explanation of major variances:

21. The decrease is largely due to a deferral of funding from 2017-18 to 2018-19 for various departmental programs including the Technology Commercialisation Fund, the Sustainable Fishing Strategy, Wild Dog control initiatives, the implementation of the Biosecurity Capability Review and pest and weed initiatives. This is partly offset by additional funding received in 2017-18 for the containment of White Spot Disease, the Queensland contribution for the NRIFAEP, the ongoing control and coordination program for the Panama TR4 response and the Great Barrier Reef Water Quality Program. Additional funds have also been released in 2017-18 from the funds held centrally by government for the continuation of the Drought Assistance Package.

22. User charges are higher than the original budget mainly due to additional revenue for NCS arrangements from other States and Territories for the NRIFAEP following the finalisation of funding arrangements for the ten year eradication program on 26 July 2017. Also contributing to the variance is higher than expected revenue for ITP services from the business and corporate partnership, additional revenue received from the GBRMPA towards the Sustainable Fishing Strategy and higher than expected revenue from the sale of Tick Fever serums.

23. The increase is largely due to additional revenue from the Australian Government for the NRIFAEP following finalisation of NCS funding arrangements for the ten year eradication program on 26 July 2017.

24. The increase is largely due to higher than expected seed and legume royalties and higher than expected revenue received for the sale of quarry materials. This is partly offset by a decline in the demand for the sale of timber materials.

25. The variance is largely due to vacant budgeted positions across the department with the use of contractors in place of employees for seasonal work, short term demand and biosecurity pest and disease emergency responses.

26. The increase is largely due to additional expenses associated with the finalisation of NCS arrangements for the NRIFAEP, the containment of White Spot Disease, the ongoing control and coordination for Panama TR4 and the Great Barrier Reef Water Quality Program, where funding arrangements were finalised after the published budget was released. This is partially offset by a reduction in expenses associated with the deferral of funding from 2017-18 for various departmental programs.

27. The increase is largely due to expenses incurred in 2017-18 for the continuation of the Drought Assistance Package and a grant paid to QRIDA to administer the Fisheries Vessel Tracking and Monitoring Scheme.

28. The increase is mainly due to the sale of land at the former Redlands Poultry Station.

29. The decrease is largely due to the timing of capital purchases and projects.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

29. Budget vs Actual Comparison (continued)

Explanation of major variances (continued):

30. The decrease is largely due to lower than anticipated software acquisitions during 2017-18.
31. The actual reflects an equity injection for the proceeds from the sale of Manningham Station.
32. The actual reflects an equity withdrawal for the transfer of the proceeds from the sale of Manningham Station to QATC and equity to output funding swaps approved during 2017-18 to fund departmental operating initiatives.

30. Schedule of Administered Items

Schedule of Administered Income and Expenses

	2018 $'000	2017 $'000
Administered Income		
Appropriation revenue	26,737	12,389
User charges and fees	1,803	1,962
Grants and other contributions	15,191	-
Other revenue	960	39
Total Administered Income	**44,691**	**14,389**
Administered Expenses		
Grants to Queensland Rural and Industry Development Authority (QRIDA)[(1)]	14,010	11,470
Grants to Queensland Racing Integrity Commission (QRIC)[(2)]	11,958	-
Grants to Queensland Agricultural Technical College (QATC)	-	900
Depreciation and amortisation	20	19
Loss on disposal/revaluation of assets	-	309
Impairment losses	-	1,367
Decrements on revaluation	29	-
Transfers of Administered appropriation to Government	750	-
Transfers of Administered income to Government	17,954	2,000
Total Administered Expenses	**44,721**	**16,065**
Operating Surplus/(Deficit)	**(30)**	**(1,675)**

Schedule of Administered Assets and Liabilities

	2018 $'000	2017 $'000
Administered Assets		
Current		
Cash	760	(147)
Receivables[(2)]	16,457	199
Other current assets	-	18
Total Current Assets	**17,218**	**70**
Non-Current		
Property, plant and equipment	912	961
Total Non Current Assets	**912**	**961**
Administered Liabilities		
Current		
Appropriation refundable to Government	1,730	-
Payables to Government[(2)]	15,469	49
Payables	-	2
Total current Liabilities	**17,199**	**51**
Net Administered Assets/Liabilities	**931**	**980**

Schedule of Administered Equity Represented by:

	2018 $'000	2017 $'000
Administered Equity		
Contributed Equity	3,754	3,772
Accumulated surplus/(deficit)	(2,846)	(2,815)
Asset Revaluation Reserve	23	23
Total Administered Equity	**931**	**980**

[(1)] The Queensland Rural Adjustment Authority (QRAA) was renamed QRIDA effective from 1 July 2017.

[(2)] As a result of Administrative Arrangements Order (No.4) 2017, responsibilities for funding of QRIC was transferred to DAF from Queensland Treasury, effective 1 January 2018.

Accounting Policy - Schedule of administered items
The department administers, but does not control, certain resources on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

	2018 $'000	2017 $'000
31. Reconciliation of payments from consolidated fund to administered income		
Budgeted appropriation	14,028	13,070
Transfers from/to other departments	12,688	-
Lapsed administered appropriation	-	(700)
Equity Adjustment	12	19
Unforeseen expenditure[1]	982	-
Total administered receipts	**27,710**	**12,389**
Add: Opening balance of deferred appropriation payable to Consolidated Fund	7	7
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(1,730)	(7)
Net Appropriation Revenue	**25,987**	**12,389**
Plus Deferred appropriation payable to Consolidated Fund (expense)	750	-
Appropriation Revenue recognised in Statement of Comprehensive Income	**26,737**	**12,389**

[1] This adjustment is required to recognise 2016-17 appropriation deferral for QRIC.

	2018 $'000	2017 $'000
Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	1,142	(157)
Equity adjustment	(12)	145
Equity adjustment(to reverse deferred appropriation)	-	(7)
Equity adjustment receipts (payments)	**1,130**	**(19)**
Plus: Closing balance of equity adjustment receivable	980	-
Plus: opening balance of equity adjustment payable	(7)	-
Less: Closing balance of equity adjustment payable	-	7
Equity adjustment recognised in contributed equity	**2,103**	**(12)**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the Financial Statements for the year ended 30 June 2018

32. Administered Activities Budget vs Actual Comparison

	Variance Notes	Adjusted Budget [1] 2018 $'000	Actual 2018 $'000	Budget Variance 2018 000
Administered Income				
Appropriation revenue		26,735	26,737	2
User charges and fees		1,843	1,803	(40)
Grants and other contributions	33	16,191	15,191	(1,000)
Other revenue	34	1,750	960	(790)
Total Administered Income		**46,519**	**44,691**	**(1,828)**
Administered Expenses				
Grants to Queensland Rural and Industry Development Authority (QRIDA)		14,028	14,010	(18)
Grants to Queensland Racing Integrity Commission (QRIC)	35	12,688	11,958	(730)
Depreciation and amortisation		19	20	1
Decrements on revaluation		-	29	29
Transfers of Administered appropriation to Government	36	-	750	750
Transfers of Administered income to Government	37	19,784	17,954	(1,830)
Total Administered Expenses		**46,519**	**44,721**	**(1,798)**
Operating Surplus/(Deficit)		**-**	**(30)**	**(30)**
Administered Assets				
Current				
Cash		4	760	756
Receivables	38	12	16,457	16,445
Total Current Assets		**16**	**17,218**	**17,201**
Non-Current				
Property, plant and equipment	39	1,004	912	(92)
Total Non-Current Assets		**1,004**	**912**	**(92)**
Administered Liabilities				
Current				
Appropriation refundable to Government	40	-	1,730	1,730
Payables to Government	41	3	15,469	15,466
Total Current Liabilities		**3**	**17,199**	**17,196**
Net Administered Assets/Liabilities		**1,017**	**931**	**(87)**

(1) Adjusted budget has been recast due to MoG changes.

Explanation of major variances:

33. The variance relates to CBRC decision under section 54(2) of the Racing Integrity Act 2016 to reduce Racing Queensland's contribution for 2017-18.
34. The variance represents collection of funds for the period after MoG changes.
35. The variance is due to deferral of funds from 2017-18 into 2018-19 to match funding with anticipated cash flows.
36. The actual represents a payable to the consolidated fund for an underspend in 2017-18 of government appropriated funds allocated to QRIC.
37. The variance mainly relates to CBRC decision under section 54(2) of the Racing Integrity Act 2016 to reduce Racing Queensland's contribution and collection of other revenue after MoG.
38. The increase largely represents a receivable from Racing Queensland for their 2017-18 contributions towards QRIC operations.
39. The variance largely represents a decrease in the land valuation for forestry assets administered by the department.
40. The actual represents a payable to the consolidated fund for an underspend in 2017-18 of government appropriated funds allocated to QRIC.
41. The increase largely represents a payable to return the 2017-18 contributions from Racing Queensland to the Consolidated Fund.

Management Certificate of the Department of Agriculture and Fisheries

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

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

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Agriculture and Fisheries for the year ended 30 June 2018 and of the financial position of the department at the end of that year; and

c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Mike Richards B.Com., MIPA
Chief Finance Officer

Date 23 August 2018

Dr. Elizabeth Woods
Director-General

Elizabeth Woods.

Date 23 August 2018

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Agriculture and Fisheries

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Agriculture and Fisheries.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

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

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

Basis for opinion

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

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

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

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.

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Valuation of Land $107.736 million

Refer to note 17 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department of Agriculture and Fisheries' Land was measured at fair value using the market approach which involves physical inspection and reference to publicly available data on recent sales of similar land in nearby localities. The Department engaged a registered valuer to undertake a specific appraisal of all land holdings at 30 June 2016. Significant judgement was used in arriving at suitable discount rates for the restrictions on reserve land. The fair value of reserve land was derived by discounting the market value of similar land that had no restrictions, and then estimating the discount a willing market participant would make taking into account the restrictions on use. The Department has subsequently performed annual indexations of these valuations. Significant judgement was required in determining the appropriate index.	My procedures for the valuation of Land included, but were not limited to: In the prior year: • Assessing the competence, capability and objectivity of the experts used to develop the valuations. • Obtaining an understanding of the valuers methodology used with reference to common industry practices. For the periods subsequent to the specific appraisal performed as at 30 June 2016: • Evaluating the reasonableness of the index used against other publicly available information about movements in values for unrestricted land that is otherwise similar. • On a sample basis, testing the accuracy of the application of indices to the valuation of land assets.

Buildings valuation ($117.083 million) and depreciation expense ($5.149 million)

Refer to note 17 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department of Agriculture and Fisheries' specialised buildings were measured at fair value at balance date using current replacement cost method that comprises: • Gross replacement cost, less • Accumulated depreciation. The Department's Buildings were specifically appraised as at 30 June 2016 and indexed in subsequent years.	My procedures included, but were not limited to: • Assessing management's controls over the valuation process • Assessing the appropriateness of the process used for measuring gross replacement cost with reference to the department's asset management plans, the unit costs of its recent projects, and common industry practices. • For unit rates: – Assessing the competence, capability and objectivity of the experts used by the department to develop the unit rate models. – Obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices.

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Key audit matter	How my audit addressed the key audit matter
The Department derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for: • identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so, estimating the adjustment to the unit rate required to reflect this difference. • buildings not specific appraised in the current year, indexing unit rates for increases in input costs The measurement of accumulated depreciation involves significant judgements for estimating the remaining useful lives of assets. The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.	– For buildings specific appraisals in the current year, evaluating on a sample basis the relevance, completeness and accuracy of source data used to derive the unit rate of the: ▪ modern substitute (including locality factors and on costs) ▪ adjustment for excess quality or obsolescence. – For buildings revaluated through indexation, recalculating the index with reference to the current year's specific appraisal. • Evaluating useful life estimates for reasonableness by: – Reviewing management's annual assessment of useful lives. – Assessing whether assets still in use have reached or exceeded their useful life. • Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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.

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

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

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

George

29 August 2018

Nick George
as delegate of the Auditor-General

Queensland Audit Office
Brisbane