

Department of Education Financial Statements  
for the year ended 30 June 2020

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Department of Education  
Statement of Comprehensive Income  
for the year ended 30 June 2020

		2020	2020		2019
	Notes		Original budget	Budget variance*	
		\$'000	\$'000	\$'000	\$'000
<b>OPERATING RESULT</b>					
<b>Income from continuing operations</b>					
Appropriation revenue	B1-1	9 416 379	9 328 928	87 451	8 743 277
User charges and fees	B1-2	393 692	423 172	( 29 480)	447 424
Grants and contributions	B1-3	198 496	171 643	26 853	176 318
Interest		9 188	13 627	( 4 439)	14 107
Other revenue		40 715	16 778	23 937	56 069
<b>Total Income from continuing operations</b>		<b>10 058 470</b>	9 954 148	104 322	9 437 195
<b>Expenses from continuing operations</b>					
Employee expenses	B2-1	7 603 666	7 464 829	138 837	7 031 481
Supplies and services	B2-2	1 504 987	1 556 112	( 51 125)	1 442 089
Grants and subsidies	B2-3	308 819	296 013	12 806	295 201
Depreciation and amortisation		534 704	524 767	9 937	493 758
Impairment losses		7 312	728	6 584	4 691
Finance/borrowing costs		22 008	32 090	( 10 082)	27 635
Other expenses	B2-4	75 660	79 609	( 3 949)	95 517
<b>Total Expenses from continuing operations</b>		<b>10 057 156</b>	9 954 148	103 008	9 390 372
<b>Operating result for the year</b>		<b>1 314</b>	-	1 314	46 823
<b>OTHER COMPREHENSIVE INCOME</b>					
<u>Items that will not be reclassified to operating result:</u>					
Increase/(decrease) in asset revaluation surplus	C7-3	789 077	564 940	224 137	916 510
<b>Total items that will not be reclassified to operating result</b>		<b>789 077</b>	564 940	224 137	916 510
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>790 391</b>	564 940	225 451	963 333

\*An explanation of major variances is included at Note E1.

The accompanying notes form part of these statements.

Department of Education – Statement of Comprehensive Income by Major Departmental Service  
for the year ended 30 June 2020

	Early Childhood Education and Care		School Education		Industrial Relations		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Income from continuing operations</b>								
Appropriation revenue	283 111	265 093	9 100 700	8 445 505	32 568	32 679	9 416 379	8 743 277
User charges and fees	1 139	1 210	374 651	429 639	17 902	16 575	393 692	447 424
Grants and contributions	692	969	77 784	60 025	120 020	115 324	198 496	176 318
Interest	-	-	9 188	14 107	-	-	9 188	14 107
Other revenue	4 649	3 808	35 576	51 989	490	272	40 715	56 069
<b>Total Income from continuing operations</b>	<b>289 591</b>	<b>271 080</b>	<b>9 597 899</b>	<b>9 001 265</b>	<b>170 980</b>	<b>164 850</b>	<b>10 058 470</b>	<b>9 437 195</b>
<b>Expenses from continuing operations</b>								
Employee expenses	41 434	39 826	7 448 897	6 890 031	113 335	101 624	7 603 666	7 031 481
Supplies and services	25 944	23 536	1 437 895	1 372 468	41 148	46 085	1 504 987	1 442 089
Grants and subsidies	218 409	203 363	79 360	80 841	11 050	10 997	308 819	295 201
Depreciation and amortisation	2 538	2 268	530 392	489 779	1 774	1 711	534 704	493 758
Impairment losses	38	( 37)	7 135	4 656	139	72	7 312	4 691
Finance/borrowing costs	4	-	22 004	27 635	-	-	22 008	27 635
Other expenses	1 261	797	73 415	93 568	984	1 152	75 660	95 517
<b>Total Expenses from continuing operations</b>	<b>289 628</b>	<b>269 753</b>	<b>9 599 098</b>	<b>8 958 978</b>	<b>168 430</b>	<b>161 641</b>	<b>10 057 156</b>	<b>9 390 372</b>
<b>Operating result for the year</b>	<b>( 37)</b>	<b>1 327</b>	<b>( 1 199)</b>	<b>42 287</b>	<b>2 550</b>	<b>3 209</b>	<b>1 314</b>	<b>46 823</b>
<b>Other comprehensive income</b>								
<u>Items that will not be reclassified to operating result:</u>								
Increase/(decrease) in asset revaluation surplus	( 719)	11 993	789 796	904 517	-	-	789 077	916 510
<b>Total other comprehensive income</b>	<b>( 719)</b>	<b>11 993</b>	<b>789 796</b>	<b>904 517</b>	<b>-</b>	<b>-</b>	<b>789 077</b>	<b>916 510</b>
<b>Total comprehensive income</b>	<b>( 756)</b>	<b>13 320</b>	<b>788 597</b>	<b>946 804</b>	<b>2 550</b>	<b>3 209</b>	<b>790 391</b>	<b>963 333</b>

Department of Education  
Statement of Financial Position  
as at 30 June 2020

		2020	2020		2019
	Notes	Actual	Original budget	Budget variance*	Actual
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	C1	906 997	683 425	223 572	1 025 510
Receivables	C2	91 271	110 334	( 19 063)	127 778
Inventories		2 783	2 586	197	2 513
Other current assets		117 316	96 615	20 701	32 426
<b>Total current assets</b>		<b>1 118 367</b>	<b>892 960</b>	<b>225 407</b>	<b>1 188 227</b>
<b>Non-current assets</b>					
Property, plant and equipment	C3-1	21 339 577	20 775 784	563 793	19 918 892
Right-of-use assets		6 568	-	6 568	-
Intangible assets		31 955	37 090	( 5 135)	34 763
<b>Total non-current assets</b>		<b>21 378 100</b>	<b>20 812 874</b>	<b>565 226</b>	<b>19 953 655</b>
<b>Total assets</b>		<b>22 496 467</b>	<b>21 705 834</b>	<b>790 633</b>	<b>21 141 882</b>
<b>Current liabilities</b>					
Payables	C4	401 306	222 036	179 270	377 344
Borrowings	C5	7 691	7 482	209	7 121
Lease liabilities		588	-	588	-
Accrued employee benefits	C6	118 655	108 629	10 026	244 460
Other current liabilities		81 703	83 817	( 2 114)	39 581
<b>Total current liabilities</b>		<b>609 943</b>	<b>421 964</b>	<b>187 979</b>	<b>668 506</b>
<b>Non-current liabilities</b>					
Payables	C4	-	1 335	( 1 335)	1 692
Borrowings	C5	381 873	373 790	8 083	389 564
Lease liabilities		6 319	-	6 319	-
Other non-current liabilities		-	228	( 228)	-
<b>Total non-current liabilities</b>		<b>388 192</b>	<b>375 353</b>	<b>12 839</b>	<b>391 256</b>
<b>Total liabilities</b>		<b>998 135</b>	<b>797 317</b>	<b>200 818</b>	<b>1 059 762</b>
<b>Net assets</b>		<b>21 498 332</b>	<b>20 908 517</b>	<b>589 815</b>	<b>20 082 120</b>
<b>Equity</b>					
Contributed equity		4 617 161			3 942 442
Accumulated surplus		243 174			290 758
Asset revaluation surplus	C7-3	16 637 997			15 848 920
<b>Total equity</b>		<b>21 498 332</b>	<b>20 908 517</b>	<b>589 815</b>	<b>20 082 120</b>

\*An explanation of major variances is included at Note E1.

The accompanying notes form part of these statements.

Department of Education – Statement of Assets and Liabilities by Major Departmental Service  
as at 30 June 2020

	Early Childhood Education and Care		School Education		Industrial Relations		General - not attributed		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>										
Cash and cash equivalents	-	-	619 428	665 869	16 710	13 162	270 859	346 479	906 997	1 025 510
Receivables	1 894	1 914	87 979	115 789	1 398	10 075	-	-	91 271	127 778
Inventories	-	-	2 783	2 513	-	-	-	-	2 783	2 513
Other current assets	505	-	114 757	31 808	2 054	618	-	-	117 316	32 426
<b>Total current assets</b>	<b>2 399</b>	<b>1 914</b>	<b>824 947</b>	<b>815 979</b>	<b>20 162</b>	<b>23 855</b>	<b>270 859</b>	<b>346 479</b>	<b>1 118 367</b>	<b>1 188 227</b>
<b>Non-current assets</b>										
Property, plant and equipment	106 578	103 224	21 229 798	19 811 845	3 201	3 823	-	-	21 339 577	19 918 892
Right-of-use assets	-	-	6 568	-	-	-	-	-	6 568	-
Intangible assets	-	-	29 942	32 284	2 013	2 479	-	-	31 955	34 763
<b>Total non-current assets</b>	<b>106 578</b>	<b>103 224</b>	<b>21 266 308</b>	<b>19 844 129</b>	<b>5 214</b>	<b>6 302</b>	<b>-</b>	<b>-</b>	<b>21 378 100</b>	<b>19 953 655</b>
<b>Total assets</b>	<b>108 977</b>	<b>105 138</b>	<b>22 091 255</b>	<b>20 660 108</b>	<b>25 376</b>	<b>30 157</b>	<b>270 859</b>	<b>346 479</b>	<b>22 496 467</b>	<b>21 141 882</b>
<b>Current liabilities</b>										
Payables	1 751	5 172	396 657	365 196	2 898	6 976	-	-	401 306	377 344
Borrowings	-	-	7 691	7 121	-	-	-	-	7 691	7 121
Lease liabilities	-	-	588	-	-	-	-	-	588	-
Accrued employee benefits	1 044	986	113 557	238 478	4 054	4 996	-	-	118 655	244 460
Other current liabilities	16	31	81 594	38 841	93	709	-	-	81 703	39 581
<b>Total current liabilities</b>	<b>2 811</b>	<b>6 189</b>	<b>600 087</b>	<b>649 636</b>	<b>7 045</b>	<b>12 681</b>	<b>-</b>	<b>-</b>	<b>609 943</b>	<b>668 506</b>
<b>Non-current liabilities</b>										
Payables	-	-	-	-	-	1 692	-	-	-	1 692
Borrowings	-	-	381 873	389 564	-	-	-	-	381 873	389 564
Lease liabilities	-	-	6 319	-	-	-	-	-	6 319	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>388 192</b>	<b>389 564</b>	<b>-</b>	<b>1 692</b>	<b>-</b>	<b>-</b>	<b>388 192</b>	<b>391 256</b>
<b>Total liabilities</b>	<b>2 811</b>	<b>6 189</b>	<b>988 279</b>	<b>1 039 200</b>	<b>7 045</b>	<b>14 373</b>	<b>-</b>	<b>-</b>	<b>998 135</b>	<b>1 059 762</b>

Department of Education  
Statement of Changes in Equity  
for the year ended 30 June 2020

	Notes	Accumulated surplus \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total \$'000
<b>Balance as at 1 July 2018</b>		<b>243 935</b>	<b>14 932 410</b>	<b>3 522 179</b>	<b>18 698 524</b>
<b>Operating result</b>					
Operating result from continuing operations		46 823	-	-	46 823
<b>Other comprehensive income</b>					
Increase/(decrease) in asset revaluation surplus		-	916 510	-	916 510
<b>Total comprehensive income for the year</b>		<b>46 823</b>	<b>916 510</b>	<b>-</b>	<b>963 333</b>
<b>Transactions with owners as owners</b>					
- Net transfers in/(out) from other Queensland Government entities		-	-	37 306	37 306
- Appropriated equity injections	C7-2	-	-	382 957	382 957
<b>Net Transactions with owners as owners</b>		<b>-</b>	<b>-</b>	<b>420 263</b>	<b>420 263</b>
<b>Balance as at 30 June 2019</b>		<b>290 758</b>	<b>15 848 920</b>	<b>3 942 442</b>	<b>20 082 120</b>
<b>Balance as at 1 July 2019</b>					
Net effect of changes in accounting policies/prior year adjustments	G4	( 48 898)	-	-	( 48 898)
<b>Balance as at 1 July 2019 - restated</b>		<b>241 860</b>	<b>15 848 920</b>	<b>3 942 442</b>	<b>20 033 222</b>
<b>Operating result</b>					
Operating result from continuing operations		1 314	-	-	1 314
<b>Other comprehensive income</b>					
Increase/(decrease) in asset revaluation surplus		-	789 077	-	789 077
<b>Total comprehensive income for the year</b>		<b>1 314</b>	<b>789 077</b>	<b>-</b>	<b>790 391</b>
<b>Transactions with owners as owners</b>					
- Appropriated equity injections	C7-2	-	-	674 719	674 719
<b>Net transactions with owners as owners</b>		<b>-</b>	<b>-</b>	<b>674 719</b>	<b>674 719</b>
<b>Balance as at 30 June 2020</b>		<b>243 174</b>	<b>16 637 997</b>	<b>4 617 161</b>	<b>21 498 332</b>

The accompanying notes form part of these statements.

Department of Education  
Statement of Cash Flows  
for the year ended 30 June 2020

	2020	2020	2019
Note	Original budget	Budget variance*	\$'000
	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Inflows:</i>			
Service appropriation receipts	9 402 206	9 325 328	8 742 803
User charges and fees	423 055	434 806	( 11 751)
Grants and contributions	180 938	167 643	13 295
Interest receipts	9 188	13 627	( 4 439)
GST input tax credits from ATO	278 472		278 472
GST collected from customers	17 570		17 570
Other	40 086	23 580	16 506
<i>Outflows:</i>			
Employee expenses	( 7 756 245)	( 7 669 123)	( 87 122)
Supplies and services	( 1 516 505)	( 1 560 111)	43 606
Grants and subsidies	( 311 622)	( 296 013)	( 15 609)
Finance/borrowing costs	( 22 008)	( 32 090)	10 082
GST paid to suppliers	( 278 601)		( 278 601)
GST remitted to ATO	( 18 008)		( 18 008)
Other	( 68 967)	( 84 602)	15 635
<b>Net cash provided by operating activities</b>	<b>379 559</b>	<b>323 045</b>	<b>56 514</b>
	CF-1		<b>717 472</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment	612	-	612
<i>Outflows:</i>			
Payments for property, plant and equipment	( 1 165 631)	( 1 223 848)	58 217
<b>Net cash used in investing activities</b>	<b>( 1 165 019)</b>	<b>( 1 223 848)</b>	<b>58 829</b>
			<b>( 936 584)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	CF-2		
<i>Inflows:</i>			
Proceeds from borrowings	-	-	38 409
Equity injections	674 719	724 061	( 49 342)
<i>Outflows:</i>			
Repayments of borrowings	( 7 121)	( 7 472)	351
Lease payments	( 651)	-	( 651)
<b>Net cash provided by financing activities</b>	<b>666 947</b>	<b>716 589</b>	<b>( 49 642)</b>
			<b>414 221</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 118 513)</b>	<b>( 184 214)</b>	<b>65 701</b>
<b>Cash and cash equivalents - opening balance</b>	<b>1 025 510</b>	<b>867 639</b>	<b>157 871</b>
<b>Cash and cash equivalents - closing balance</b>	<b>906 997</b>	<b>683 425</b>	<b>223 572</b>
	C1		<b>1 025 510</b>

\*An explanation of major variances is included at Note E1.

The accompanying notes form part of these statements.



Department of Education  
Statement of Cash Flows  
for the year ended 30 June 2020

**NOTES TO THE STATEMENT OF CASH FLOWS**

**CF-1 Reconciliation of Operating Result to Net Cash Provided by Operating Activities**

	2020 \$'000	2019 \$'000
Operating surplus/(deficit)	1 314	46 823
<i>Non-cash items included in operating result:</i>		
Depreciation and amortisation expense	534 704	493 758
Loss on disposal of property, plant and equipment	6 694	3 626
Donated assets received	( 17 399)	( 6 339)
Changes in accounting policies	( 43 000)	-
Bad debts and impairment losses	7 312	4 691
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in GST input tax credits receivable	( 567)	( 1 289)
(Increase)/decrease in net operating receivables	37 073	( 17 344)
(Increase)/decrease in inventories	( 270)	( 230)
(Increase)/decrease in other current assets	( 84 890)	24 012
Increase/(decrease) in other current liabilities	42 122	2 734
Increase/(decrease) in GST payable	1	( 1)
Increase/(decrease) in payables	22 270	129 230
Increase/(decrease) in accrued employee benefits	( 125 805)	37 801
<b>Net cash provided by operating activities</b>	<b>379 559</b>	<b>717 472</b>

**CF-2 Changes in Liabilities Arising from Financing Activities**

	I ---- Non-cash changes ---- I			I ---- Cash Flows ---- I		
	Closing balance 2018 \$'000	Transfers (to)/from other Queensland Government Entities \$'000	New leases acquired \$'000	Cash received \$'000	Cash repayments \$'000	Closing balance 2019 \$'000
Leases	370 322	( 5 540)	38 409	-	( 6 506)	396 685
Borrowings	38 203	( 37 564)	-	-	( 639)	-
<b>Total</b>	<b>408 525</b>	<b>( 43 104)</b>	<b>38 409</b>	<b>-</b>	<b>( 7 145)</b>	<b>396 685</b>

	Closing balance 2019 \$'000	Changes in accounting policies / prior year adjustments \$'000	Other adjustments \$'000	Cash received \$'000	Cash repayments \$'000	Closing balance 2020 \$'000
Leases	396 685	( 396 685)	-	-	-	-
Finance liability	-	396 685	-	-	( 7 121)	389 564
Lease liabilities	-	7 086	472	-	( 651)	6 907
<b>Total</b>	<b>396 685</b>	<b>7 086</b>	<b>472</b>	<b>-</b>	<b>( 7 772)</b>	<b>396 471</b>

Further details are provided in Note C5.

Department of Education  
Notes to the Financial Statements  
for the year ended 30 June 2020

**SECTION 1  
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT**

## **A1 BASIS OF FINANCIAL STATEMENT PREPARATION**

### **A1-1 GENERAL INFORMATION**

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

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

Education House  
30 Mary Street  
Brisbane QLD 4000

### **A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS**

The department has prepared these general purpose financial statements:

- In compliance with section 38 of the *Financial and Performance Management Standard 2019*
- In compliance with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019
- In accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities
- On an accrual basis.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note G4.

### **A1-3 PRESENTATION**

#### **Currency and Rounding**

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

#### **Comparatives**

Comparative information reflects the audited 2018-19 financial statements, except as follows.

Restatement of comparative numbers has occurred for the reclassification of deferred appropriation payable to the Queensland Treasury consolidated fund from other current liabilities to payables.

#### **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.

### **A1-4 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.

### **A1-5 BASIS OF MEASUREMENT**

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

- Land, buildings, heritage and cultural assets which are measured at fair value; and
- Inventories which are measured at the lower of cost and net realisable value.

Department of Education  
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for the year ended 30 June 2020

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## **A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)**

### **A1-6 THE REPORTING ENTITY**

These financial statements cover the Department of Education and include all income, expenses, assets, liabilities and equity of the department as an individual entity.

There have been no material changes in the reporting entity during 2019-20.

### **A1-7 FINANCIAL IMPACTS FROM COVID-19 PANDEMIC**

There have been no material financial impacts arising from COVID-19 on the department's financial statements. However, there have been minor impacts in the following areas:

- Some reductions in revenues for full fee paying overseas students, cancellation of school activities such as excursions, and waivers of rent charged by schools to organisations such as outside school hour care providers
- There also have been reductions in travel costs which have been offset by additional costs in areas such as cleaning and information communication and technology costs
- Additional impairment of receivables owing from students and parents due to increase in unemployment rates being factored into expected credit losses
- Financial guarantees disclosed in note D2 Contingencies have been assessed and management does not expect that the guarantees will be called upon in the near future
- The department's land holdings are measured at fair value with reference to market prices. State Valuation Service have advised that the current market uncertainty means that the impact on sale prices and volumes will remain unknown until the market has stabilised however, based on currently available information, there is no material change observable in the land asset values provided.

## **A2 DEPARTMENTAL OBJECTIVES**

The Department of Education is building Queensland's future by giving all children a great start, engaging young people in learning and creating safe, fair and productive workplaces and communities.

This contributes to the Queensland Government's objectives for the community *Our Future State: Advancing Queensland's Priorities* to:

- Create jobs in a strong economy - supporting young Queenslanders to engage in education, training or work
- Give all our children a great start - developing and implementing a whole-of-government Early Years Plan to support Queensland children's early learning and development
- Keep Queenslanders healthy - enhancing student wellbeing by promoting resilience and educating students about respectful relationships
- Keep communities safe - continuing to meet the diverse needs of Queensland workplaces and communities through legislative compliance, enforcement, education and engagement activities across the state.

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

The major services delivered by the department are as follows:

#### **Early childhood education and care**

Engaging children in quality early years programs that support learning and development and making successful transitions to school.

#### **School education**

Preparing Queensland students for their future in the knowledge-based economy and as valuable contributors to the global community.

#### **Office of Industrial Relations**

Responsibility for regulatory frameworks, policy advice and compliance activities for workplace safety, electrical safety, industrial relations and workers' compensation to make Queensland work and workplaces safer, fairer and more productive.

The department's material financial statement balances reflect our large school land and buildings portfolio across over 1,200 schools and the salaries of our school, regional and central office staff. Supplies and services are dominated by curriculum resources, school utilities costs, and the maintenance and upkeep of our large asset base, including operational contract costs.

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**A3 CONTROLLED ENTITIES**

The following entity is controlled by the department:

Name:	Queensland Education Leadership Institute (QELi)
Purpose:	QELi was established in June 2010 to provide a range of professional learning services to school leaders.
Structure and Control:	QELi is a not-for-profit public company, limited by guarantee, jointly owned by the Minister for Education and the Department of Education. 100% membership of the company's constitution is controlled by the Minister for Education and the Director-General, Education.
Operation and reporting:	Given the activities of the company, no dividends or other financial returns are received by the department. There are no significant restrictions on the department's ability to access the company's assets or settle its liabilities. The assets, liabilities, revenues and expenses of this entity have not been consolidated in these financial statements, as they would not materially affect the reported financial position and operating revenue and expenses. The company produces separate financial reports and is audited by Queensland Audit Office.

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**SECTION 2  
NOTES ABOUT OUR FINANCIAL PERFORMANCE**

**B1 REVENUE**

**B1-1 APPROPRIATION REVENUE**

**Reconciliation of Payments from Consolidated Fund to Appropriated Revenue Recognised in Operating Result**

	2020 \$'000	2019 \$'000
Budgeted appropriation revenue	9 325 328	8 803 118
Treasurer's Advance	2 000	-
Transfers from/to other headings (variation in headings)	49 342	( 60 315)
Unforeseen expenditure	25 536	-
<b>Total appropriation receipts (cash)</b>	<b>9 402 206</b>	<b>8 742 803</b>
Less: Opening balance of appropriation revenue receivable	( 1 811)	( 1 337)
Plus: Closing balance of appropriation revenue receivable	-	1 811
Plus: Effect of adoption of new accounting standards	1 811	-
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	39 071	14 500
Less : Closing balance of deferred appropriation payable to Consolidated Fund	( 24 898)	( 39 071)
<b>Net appropriation revenue</b>	<b>9 416 379</b>	<b>8 718 706</b>
Plus: Deferred appropriation payable to Consolidated Fund (expense)	-	24 571
<b>Appropriation revenue recognised in statement of comprehensive income</b>	<b>9 416 379</b>	<b>8 743 277</b>

**Accounting Policy – Appropriation Revenue**

Appropriations provided under the *Appropriation Act 2019* and the *Appropriation (COVID-19) Act 2020* are recognised as revenue when received under AASB 1058 *Income of Not-for-Profit Entities*. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation payable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Prior to 1 July 2019, any liability at the end of the financial year for deferred appropriation payable was charged to expense under the requirements of the superseded AASB 1004 *Contributions* (refer Note B2-4). Capital appropriations are recognised as adjustments to equity, refer to Note C7-2.

**B1-2 USER CHARGES AND FEES**

	2020 \$'000	2019 \$'000
Student fees	73 529	75 837
General fees	82 394	93 411
Student Resource Scheme fees	91 823	87 714
Excursion fees	50 782	92 004
Other fees and commissions	573	85
Property income	26 289	27 221
Sales revenue	60 066	62 392
Service delivery	8 236	8 760
<b>Total</b>	<b>393 692</b>	<b>447 424</b>

**Accounting Policy – User Charges and Fees**

The department recognises user charges and fees when delivery of the goods or services in full or part has occurred, in accordance with AASB 15 *Revenue from Contracts with Customers*. User charges outside the scope of AASB 15 are recognised in accordance with the requirements of the applicable accounting standard.

Department of Education  
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## B1 REVENUE (continued)

### B1-2 USER CHARGES AND FEES (continued)

Student fees include international student tuition fees, homestay fees and dependant program fees which come within the scope of AASB 15. A contractual liability is initially recognised upon receipt of funds with revenue being recognised over time as the performance obligations are met and students receive the services.

General fees includes the provision of a wide variety of goods and services including hire of facilities, the workers compensation self-insurer levy, school sports revenue, rural remote & international fees and other miscellaneous items. Most of this revenue comes within the scope of AASB 15 with the majority of revenue being recognised at the point in time the goods or services are delivered. The workers compensation self-insurer levy is prescribed under s81 of the *Workers' Compensation and Rehabilitation Act 2003* and is non-contractual income arising from a statutory requirement which is recognised as income upon receipt under AASB 1058.

Student Resource Scheme fees are invoiced to parents at the beginning of each school (calendar) year relating to bulk provisioning and/or hire of textbooks, resources, consumables and materials, which come within the scope of AASB 15. A contract liability is raised for the unearned portion of the income with revenue subsequently recognised over time as the performance obligations are met and the resources are provided to students.

Excursion fees relate to charges for excursions, field trips and camps, which come within the scope of AASB 15 and are recognised at the point in time the revenue is received which approximates the delivery of the services.

Sales revenue relates to revenue from tuck shops, uniform shops and other miscellaneous goods and services provided to students, which come within the scope of AASB 15 and are recognised at the point in time that the goods or services are provided.

### B1-3 GRANTS AND CONTRIBUTIONS

	2020	2019
	\$'000	\$'000
Contributions from WorkCover	102 927	98 485
Contributions from external parties	42 613	43 863
Grants from the Australian Government	11 068	10 039
Grants from other State Government departments	3 849	4 792
Special purpose capital grants	5 885	-
Goods and services received below fair value	1 803	1 936
Donations - cash	18 837	10 864
Donations - other assets <sup>(1)</sup>	11 514	6 339
<b>Total</b>	<b>198 496</b>	<b>176 318</b>

Note 1. Donated physical assets are recognised at their fair value.

#### Accounting Policy – Grants and Contributions

Grants, contributions and donations represent transactions where the consideration paid by the department to acquire an asset (including cash) is significantly less than the fair value of the asset, principally to enable the department to further its objectives. Generally these transactions are accounted for under AASB 1058 *Income for Not-for-Profit Entities* with revenue recognised upon receipt of the grant funding. The only exception is for special purpose capital grants received to construct non-financial assets, which are recognised as unearned revenue when received, and revenue is then progressively recognised as the department satisfies its obligations under the grant through the construction of the asset.

Contributions from WorkCover include the Workplace Health & Safety Grant and the Workers' Compensation Regulator Grant. These grants are enabled under s481A of the *Workers' Compensation and Rehabilitation Act 2003* at the direction of the Minister. They represent non-contractual income arising from a statutory requirement which is recognised as income upon receipt under AASB 1058.

Contributions from External Parties include Electrical Safety Contributions levied under s201 of the *Electrical Safety Act 2002*, which represents non-contractual income arising from a statutory requirement. The contributions are recognised as income upon receipt under AASB 1058. Also included are contributions from community organisations (such as Parents and Citizens' Associations). These contributions are voluntary and do not result in a material benefit or advantage to the contributor. They are therefore recognised as income upon receipt under AASB 1058 as the consideration received represents an asset provided to the department for significantly less than fair value to enable the department to further its objectives.

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**B2 EXPENSES**

**B2-1 EMPLOYEE EXPENSES**

	2020 \$'000	2019 \$'000
<b>Employee Benefits</b>		
Teachers' salaries and allowances	4 527 086	4 241 960
Public servants' and other salaries and allowances *	888 322	741 591
Teacher aides' salaries	566 761	532 831
Cleaners' salaries and allowances	219 723	205 566
Janitors'/groundstaff salaries and allowances	64 937	60 941
Employer superannuation contributions	796 563	736 510
Annual leave levy/expense	232 601	222 451
Long service leave levy/expense	150 259	125 811
Other employee benefits	878	1 834
<b>Employee Related Expenses</b>		
Fringe benefits tax	2 906	2 636
Workers' compensation premium	74 223	76 277
Staff transfer costs	14 784	16 317
Staff rental accommodation	31 999	28 826
Staff training	32 624	37 930
<b>Total</b>	<b>7 603 666</b>	<b>7 031 481</b>

\* This category includes \$86.845 million for all employee groups (Teachers, Public Servants, Teacher aides, Cleaners and Janitors/groundstaff) that received the \$1,250 one-off, pro-rata payment for 69,476 full-time equivalent employees (announced in September 2019).

The number of employees as at 30 June, including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2020 No.	2019 No.
Full-Time Equivalent Employees #	73 971	73 741

# The Public Service Commission has prescribed a change to the MOHRI counting methodology from 1 July 2019. This has had the effect of producing a lower count mainly due to exclusion of staff on paid long service leave, and unpaid leave. If June 2020 figures were produced using the superseded MOHRI counting methodology the FTE count would have been 74,706.

**Accounting Policy**

Wages and Salaries

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

Sick leave

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

Annual leave and Long service leave

The entitlement for annual leave includes a component for accrued leave loading for teaching staff working at schools, but does not include recreation leave, which is not an entitlement under their award.

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

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**B2 EXPENSES (continued)**

**B2-1 EMPLOYEE EXPENSES (continued)**

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plans 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 (EBA) or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

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

Workers' Compensation Premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Key management personnel and remuneration disclosures are detailed in Note G1.

**B2-2 SUPPLIES AND SERVICES**

	2020	2019
	\$'000	\$'000
Building maintenance	264 491	282 650
Utilities	209 008	213 562
Equipment and building refurbishment	376 505	306 974
Contractors and consultants	79 313	75 971
Contractors and consultants - in-school costs	62 404	56 105
Materials and running costs	186 073	161 992
Student course supplies and excursion admission costs	157 597	173 187
Payments to shared service provider/inter-agency services	2 140	2 104
Computer costs	87 786	85 813
Office accommodation	40 537	-
Travel	12 745	12 658
Travel - school and student	24 543	35 686
Lease expenses	1 845	35 387
<b>Total</b>	<b>1 504 987</b>	<b>1 442 089</b>

**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 and services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note B2-3.



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**B2 EXPENSES (continued)**

**B2-3 GRANTS AND SUBSIDIES**

	2020	2019
	\$'000	\$'000
<i>Recurrent</i>		
Grants and allowances to external organisations*	308 819	295 201
<b>Total</b>	<b>308 819</b>	<b>295 201</b>

\* Recurrent grants mainly relate to early childhood education and care subsidies paid to providers.

**B2-4 OTHER EXPENSES**

	2020	2019
	\$'000	\$'000
Insurance premiums - QGIF	25 585	25 229
External audit fees <sup>(1)</sup>	624	701
Loss on disposal of property, plant and equipment	6 694	3 626
Special payments: <sup>(2)</sup>		
Ex-gratia payments - general	53	52
Court awarded damages	850	279
Penalty interest payment	1	1
Payments to other government departments <sup>(3)</sup>	40 170	39 618
Deferred appropriation payable to Consolidated Fund	-	24 571
Other	1 683	1 440
<b>Total</b>	<b>75 660</b>	<b>95 517</b>

(1) Total external audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial year are \$0.727 million (2018-19: \$0.725 million). There are no non-audit services included in this amount.

(2) Special payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments over \$5,000 made during 2019-20 include one financial support payment to a Parents and Citizens' Association.

(3) Payments to other government departments relate to School Transport arrangements with the Department of Transport and Main Roads.

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**SECTION 3  
NOTES ABOUT OUR FINANCIAL POSITION**

**C1 CASH AND CASH EQUIVALENTS**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Cash on hand	118	129
Cash at bank	906 879	1 025 381
<b>Total</b>	<b>906 997</b>	<b>1 025 510</b>

**Accounting Policy – Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cheques received but not banked at 30 June and cash in school and central office bank accounts which are used in the day-to-day cash management of the department.

Departmental bank accounts (excluding school bank accounts) are 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.

**C2 RECEIVABLES**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade receivables	68 077	80 749
Less: Allowance for impairment of trade receivables	( 36 150)	( 34 138)
	<b>31 927</b>	46 611
GST receivable	28 225	27 658
GST payable	-	1
	<b>28 225</b>	27 659
Employee leave reimbursements	30 526	50 777
Other	587	2 706
Loans and advances	6	25
<b>Total</b>	<b>91 271</b>	<b>127 778</b>

**Disclosure – Movement in loss allowance for trade receivables**

Balance at 1 July	34 138	32 264
Expected credit losses expense	7 291	4 691
Bad debts written-off *	( 5 279)	( 2 818)
Amounts recovered during the year	-	1
Balance at 30 June	<b>36 150</b>	<b>34 138</b>

\* All known bad debts were written-off as at 30 June

## **C2 RECEIVABLES (continued)**

### **Accounting Policy – Receivables**

Receivables are measured at amortised cost, which approximates their fair value at the 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 trade debtors is required within 30 days from invoice date.

Employee leave reimbursements relate to the Queensland Government's Annual Leave and Long Service Leave Central Schemes which are administered by QSuper on behalf of the state. Refer to Note B2.1.

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of these assets inclusive of any allowance for impairment. No collateral is held as security and no credit enhancements related to receivables are held by the department.

The department uses a provision matrix to measure the expected credit losses on trade and other debtors. The department has determined that parents of students are the only material grouping for measuring expected credit losses.

The calculations reflect historical credit losses. The historical default rates are then adjusted by reasonable and forward-looking information on expected changes in macroeconomic indicators that affect the future recovery of those receivables. The department uses the change in the unemployment rate for Queensland as the most relevant forward-looking indicator for receivables.

Where the department has receivables from Queensland Government agencies or the Australian Government, no loss allowance is recorded for these receivables on the basis of materiality. Refer to Note D1-2 for the department's credit risk management policies.

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**C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE**

**C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT**

	at Fair Value				at Cost		Total 2020 \$'000
	Land 2020 \$'000	Buildings 2020 \$'000	Heritage and cultural 2020 \$'000	Leased assets * 2020 \$'000	Plant and equipment 2020 \$'000	Work in progress 2020 \$'000	
<b>Property, plant and equipment reconciliation 2020</b>							
<i>Gross</i>	5 779 527	22 990 268	65 475	-	658 856	633 994	30 128 120
<i>Less: Accumulated depreciation</i>	-	(8 305 710)	(42 804)	-	(440 029)	-	(8 788 543)
<b>Carrying Amount at 30 June 2020</b>	<b>5 779 527</b>	<b>14 684 558</b>	<b>22 671</b>	<b>-</b>	<b>218 827</b>	<b>633 994</b>	<b>21 339 577</b>
<i>Represented by movements in carrying amount:</i>							
Carrying amount at 1 July 2019	5 780 277	12 629 095	19 075	681 928	223 114	585 403	19 918 892
Acquisitions (including upgrades)	11 189	693 796	739	-	52 857	395 089	1 153 670
Donations received	-	10 699	-	-	491	-	11 190
Disposals	(1 892)	(3 177)	-	-	(2 234)	-	(7 303)
Donations made	-	-	-	-	(3)	-	(3)
Transfers between asset classes	13 787	1 012 538	-	(681 928)	2 101	(346 498)	-
Net revaluation increments/(decrements) in asset revaluation surplus	(23 834)	808 917	3 994	-	-	-	789 077
Depreciation	-	(467 310)	(1 137)	-	(57 499)	-	(525 946)
<b>Carrying Amount at 30 June 2020</b>	<b>5 779 527</b>	<b>14 684 558</b>	<b>22 671</b>	<b>-</b>	<b>218 827</b>	<b>633 994</b>	<b>21 339 577</b>

\* Leased assets continue to be reported on a current replacement cost basis, and have been reclassified as buildings due to reassessment of the substance of the funding arrangements. Further information is outlined in Note G4.

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**C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)**

**C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT (continued)**

	at Fair Value				at Cost		Total 2019 \$'000
	Land	Buildings	Heritage and cultural	Leased assets	Plant and equipment	Work in progress	
	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	
<b>Property, plant and equipment reconciliation 2019</b>							
<i>Gross</i>	5 780 277	20 163 291	57 522	722 199	632 488	585 403	27 941 180
<i>Less: Accumulated depreciation</i>	-	(7 534 196)	(38 447)	(40 271)	(409 374)	-	(8 022 288)
<b>Carrying Amount at 30 June 2019</b>	<b>5 780 277</b>	<b>12 629 095</b>	<b>19 075</b>	<b>681 928</b>	<b>223 114</b>	<b>585 403</b>	<b>19 918 892</b>
<i>Represented by movements in carrying amount:</i>							
Carrying amount at 1 July 2018	5 300 283	12 044 661	21 121	587 517	205 833	404 821	18 564 236
Acquisitions (including upgrades)	83 085	198 811	546	81 292	60 050	504 842	928 626
Transfers in from other Queensland Government entities	-	3 044	-	-	-	-	3 044
Donations received	-	5 950	-	-	399	-	6 349
Disposals	(314)	(1 548)	-	-	(2 833)	-	(4 695)
Transfers out to other Queensland Government entities	(8 841)	-	-	-	-	-	(8 841)
Transfers between asset classes	60 597	258 096	7	(5 149)	10 709	(324 260)	-
Net revaluation increments/(decrements) in asset revaluation surplus	345 467	552 828	(1 385)	19 600	-	-	916 510
Depreciation	-	(432 747)	(1 214)	(1 332)	(51 044)	-	(486 337)
<b>Carrying amount at 30 June 2019</b>	<b>5 780 277</b>	<b>12 629 095</b>	<b>19 075</b>	<b>681 928</b>	<b>223 114</b>	<b>585 403</b>	<b>19 918 892</b>

## C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

### C3-2 RECOGNITION AND ACQUISITION

#### Accounting Policy

##### Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised as Property, Plant and Equipment in the following classes:

Buildings	\$10 000
Heritage and cultural (buildings)	\$10 000
Land	\$1
Other (including heritage and cultural assets other than buildings)	\$5 000
Plant and equipment	\$5 000

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

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department.

##### Cost of acquisition

Property, plant and equipment are initially recorded at cost plus any other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees.

Assets received free of charge from another Queensland Government department (whether as a result of a machinery-of-government change or other involuntary transfer), are recognised at fair value, being the gross carrying amount in the books of the other entity immediately prior to the transfer together with any accumulated depreciation.

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

### C3-3 MEASUREMENT

#### Accounting Policy

##### Fair Value Measurement

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

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

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

##### Valuation of property, plant and equipment

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

Land, buildings (including residential buildings and land improvements such as sports facilities), and heritage and cultural assets are measured at fair value, which are reviewed each year to ensure they are materially correct.

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

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**C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)**

**C3-3 MEASUREMENT (continued)**

**Accounting Policy (continued)**

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

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.

Use of Specific Appraisals

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

For the purposes of revaluation, the department has divided the state into 25 districts and each year's selection is chosen to ensure that major urban, provincial and rural characteristics are included. Districts independently valued in each year are as follows:

<p><b>Last valued in 2018-19 and next scheduled for 2022-23</b> Cairns Coastal Central West Toowoomba Brisbane Central and West Gold Coast Wide Bay West</p>	<p><b>2019-20</b> Torres Strait and Cape Roma Mackay-Whitsunday Moreton West South East Brisbane Sunshine Coast South Wide Bay South</p>
<p><b>2020-21</b> Tablelands-Johnstone Mount Isa The Downs Brisbane North Logan-Albert Beaudesert Central Queensland</p>	<p><b>2021-22</b> Townsville Warwick Moreton East Brisbane South Sunshine Coast North Wide Bay North</p>

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

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of these indices results in a valid estimation of the asset's fair value at reporting date. Land price indices are derived from market information available to the State Valuation Service (SVS). Building price index is provided by SVS from Gray Robinson & Cottrell (GRC) Quantity Surveyors and is based on recent tenders for specialised buildings, and this is considered to be the most appropriate index for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS based on the asset portfolio of the department.

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**C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)**

**C3-3 MEASUREMENT (continued)**

**Accounting Policy (continued)**

Land valuations

<i>Effective Date of Last Specific Appraisal:</i>	30 June 2020 by State Valuation Service
<i>Valuation Approach:</i>	Market-based assessment. Fair Value Hierarchy Level 2.
<i>Inputs:</i>	The fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with industry standards.
<i>Current Year Valuation Activity:</i>	<p>Approximately one quarter of the department's land was independently valued. In determining the values, adjustments were made to the sales data to take into account the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Desktop valuations were also performed by State Valuation Service on 14 sites that have exhibited volatile price movements over the last three years.</p> <p>The remaining three quarters of the land assets have been indexed to ensure that values reflect fair value as at reporting date. This involved the selection of a sample of 174 properties from the 17 districts across the state that were not independently valued in 2019-20. State Valuation Service then provided indices for each of these sites based on recent market transactions for local land sales. The department then uses the sampled indices to create a weighted average for each district. These indices decreased the value of land in these districts by 0.01 percent and have been applied.</p>

Buildings valuations

<i>Effective Date of Last Specific Appraisal:</i>	30 June 2020 by State Valuation Service
<i>Valuation Approach:</i>	All purpose-built facilities are valued at current replacement cost, as there is no active market for these facilities. Fair Value Hierarchy Level 3.
<i>Inputs:</i>	State Valuation Service conduct physical inspections and apply construction rates from the State School Costing Manual provided by GRC Quantity Surveyors.
<i>Current Year Valuation Activity:</i>	<p>Approximately one quarter of the department's buildings were independently valued. The current replacement cost was based on standard school buildings and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of the facility.</p> <p>The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2019 to June 2020) was a 1.63 percent increase. Because of the department's continuing investment in general and specific priority maintenance, the condition of the assets is not expected to deteriorate significantly between comprehensive valuations.</p>

Heritage and Cultural Assets valuations

<i>Effective Date of Last Specific Appraisal:</i>	30 June 2020 by State Valuation Service
<i>Valuation Approach:</i>	As there is no active market for these assets, fair value was determined using a current replacement cost approach. Fair Value Hierarchy Level 3.
<i>Inputs:</i>	Estimating the cost to reproduce the items with features and materials of the original items, with substantial adjustments made to take into account the items heritage restrictions and characteristics.
<i>Current Year Valuation Activity:</i>	Approximately one quarter of the department's heritage and cultural assets were independently valued. The remaining three quarters were indexed using the Building Price Index provided by GRC Quantity Surveyors.



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## C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

### C3-4 DEPRECIATION EXPENSE

#### Accounting Policy

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

The residual (or scrap) value of depreciable assets is assumed to be nil.

Complex assets comprise separately identifiable components of significant value that require regular replacement during the life of the complex asset at different times to other components. The department's complex assets are special purpose school buildings. When the change in depreciation expense from separately identifying significant components is material to the class of assets to which the asset relates, the significant components are separately identified and depreciated. The three components of the department's complex buildings are: a) Fabric; b) Fit-out; and c) Plant. The useful lives for these assets are disclosed in the table below.

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

Useful lives for the assets included in the revaluation are amended progressively as the assets are inspected by the valuers.

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.

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

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

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

#### Depreciation Rates

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

Class	Current useful life (years)
Buildings - Fabric	60 - 80
Buildings - Fit Out	25
Buildings - Plant	25
Buildings - Demountable buildings, sheds and covered areas	40
Buildings - Land improvements (including sporting facilities)	15 - 80
Heritage and Cultural Assets	80
Plant and equipment - Computer equipment	5
Plant and equipment - Office equipment	5 - 20
Plant and equipment - Artefacts and curios	50 - 100
Plant and equipment - Musical instruments and craft equipment	20
Plant and equipment - Plant and machinery	5 - 25
Plant and equipment - Sporting equipment	10

### C3-5 IMPAIRMENT

#### Accounting Policy

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount (higher of the asset's fair value less costs to sell and current replacement cost).

An impairment loss is recognised immediately in the Statement of Comprehensive Income, except for land and buildings where any impairment loss would be offset against the asset revaluation reserve surplus of the relevant class.

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## C4 PAYABLES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade creditors	73 426	150 246
Capital creditors	243 018	182 251
FBT and other taxes	58 469	1 477
Grants and subsidies payable	1 267	4 071
Deferred appropriation payable to consolidated fund	24 898	39 071
Other	228	228
<b>Total</b>	<b>401 306</b>	<b>377 344</b>
<b>Non-Current</b>		
Trade Creditors - Non Current	-	1 692
<b>Total</b>	<b>-</b>	<b>1 692</b>

### Accounting Policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Capital creditors relates to capital works billed progressively based on the extent of work performed. Amounts owing are unsecured.

## C5 BORROWINGS

	2020 \$'000	2019 \$'000
<b>Current</b>		
Finance liability - private provision of public infrastructure	7 691	-
Lease liability	-	7 121
<b>Total</b>	<b>7 691</b>	<b>7 121</b>
<b>Non-Current</b>		
Finance liability - private provision of public infrastructure	381 873	-
Lease liability	-	389 564
<b>Total</b>	<b>381 873</b>	<b>389 564</b>

### Accounting Policy

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

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

### C5-1 FINANCE LIABILITY AND COMMITMENTS

#### Finance liability terms and conditions

The finance liability relates to the private provision of public infrastructure (PPPI) agreement projects - South-East Queensland School – Aspire and Queensland Schools - Plenary. As part of the department's review of leasing arrangements under AASB 16 Leases it has been concluded that these arrangements are not leases, but more in the nature of financing to construct and maintain buildings. Refer to Note G3 for details.

#### Interest Rates

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

The implicit interest rate for the finance liabilities ranges from 2.87% to 15.99% (2018-19: 2.87% to 15.99%).

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**C5 BORROWINGS (continued)**

**C5-2 DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS**

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 0.25 percent from the year-end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase/(decrease) of \$1.693 million (2018-19 \$1.981 million).

**C5-3 FAIR VALUE DISCLOSURES FOR FINANCIAL LIABILITIES MEASURED AT AMORTISED COST**

	2020		2019	
	\$'000	\$'000	\$'000	\$'000
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liability - PPPI	389 564	343 713	-	-
Lease liability	-	-	396 685	325 991
<b>Total</b>	<b>389 564</b>	<b>343 713</b>	<b>396 685</b>	<b>325 991</b>

The fair value of finance liabilities is calculated using discounted cash flow analysis and using the Reserve Bank Commonwealth Government 10 year bond rate.

**C6 ACCRUED EMPLOYEE BENEFITS**

	2020	2019
	\$'000	\$'000
Annual leave levy payable	60 552	57 412
Long service leave levy payable	37 638	31 698
Accrued salaries and wages	19 008	153 353
Paid parental leave	1 002	1 631
Other accrued employee benefits	455	366
<b>Total</b>	<b>118 655</b>	<b>244 460</b>

**Accounting Policy**

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

Refer to Note B2-1 for further information on leave levies and sick leave.

**C7 EQUITY**

**C7-1 CONTRIBUTED EQUITY**

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity by the department during the reporting and comparative years:

- Appropriations for equity adjustments (refer Note C7-2); and
- Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes.

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**C7 EQUITY (continued)**

**C7-2 APPROPRIATIONS RECOGNISED IN EQUITY**

**Reconciliation of Payments from Consolidated Fund to Equity Adjustment**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Budgeted equity adjustment appropriation	<b>724 061</b>	138 400
Transfers from/(to) other headings - Variation in headings	<b>( 49 342)</b>	60 315
Unforeseen expenditure	-	184 242
<b>Equity adjustment recognised in Contributed Equity</b>	<b>674 719</b>	382 957

**C7-3 ASSET REVALUATION SURPLUS BY ASSET CLASS**

**Accounting Policy**

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

	<b>Land</b>	<b>Buildings</b>	<b>Heritage and Cultural</b>	<b>Leased Assets</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2018	5 496 139	9 338 170	21 415	76 686	14 932 410
Revaluation increments/(decrements)	345 467	552 828	( 1 385)	19 600	916 510
<b>Balance at 30 June 2019</b>	<b>5 841 606</b>	<b>9 890 998</b>	<b>20 030</b>	<b>96 286</b>	<b>15 848 920</b>

	<b>Land</b>	<b>Buildings</b>	<b>Heritage and Cultural</b>	<b>Leased Assets</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	5 841 606	9 890 998	20 030	96 286	15 848 920
Revaluation increments/(decrements)	( 23 834)	808 917	3 994	-	789 077
Transfers between classes	-	96 286	-	( 96 286)	-
<b>Balance at 30 June 2020</b>	<b>5 817 772</b>	<b>10 796 201</b>	<b>24 024</b>	<b>-</b>	<b>16 637 997</b>

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**SECTION 4**  
**NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES**

**D1 FINANCIAL RISK DISCLOSURES**

**D1-1 FINANCIAL INSTRUMENT CATEGORIES**

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

	Note	2020 \$'000	2019 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	C1	906 997	1 025 510
Receivables	C2	91 271	127 778
<b>Total Financial Assets</b>		<b>998 268</b>	<b>1 153 288</b>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Payables	C4	401 306	379 036
Lease liabilities		6 907	-
Borrowings	C5	389 564	396 685
<b>Total Financial Liabilities at amortised cost</b>		<b>797 777</b>	<b>775 721</b>

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

**D1-2 FINANCIAL RISK MANAGEMENT**

**Risk Exposure**

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

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

Risk Exposure	Definition	Exposure and management
Credit Risk	The risk that the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The department is exposed to credit risk in respect of: <ul style="list-style-type: none"> <li>• Receivables (exposure disclosed at Note C2 and mainly relates to student and parent debt) which are managed by the use of a credit management strategy and regular monitoring of funds owed; and</li> <li>• Financial guarantees provided to Parents and Citizens' Associations, Universities and Grammar Schools are managed on an ongoing basis (maximum exposure disclosed in Note D2).</li> </ul>
Liquidity Risk	Liquidity risk refers to the department's ability to meet obligations when they fall due.	This risk is minimal, and is managed through a combination of regular fortnightly appropriation payments, and an approved overdraft facility of \$250.0 million under Government banking arrangements to manage any cash shortfalls.
Market Risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.	The department does not trade in foreign currency and is not materially exposed to commodity price changes.  The department is exposed to interest rate risk through its finance liabilities (Note C5), and cash deposited in interest bearing accounts (Note C1).

All financial risk is managed by each division under policy approved by the Executive Management Board, and established and coordinated by Policy Performance and Planning Branch and Finance Branch.

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**D1 FINANCIAL RISK DISCLOSURES (continued)**

**D1-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES**

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

	2020 Payable in			Total
	<1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	
<b>Financial Liabilities</b>				
Payables	401 306	-	-	401 306
Lease liabilities	760	1 638	8 390	10 788
Finance liability PPPI	39 080	162 619	642 177	843 876
<b>Total</b>	<b>441 146</b>	<b>164 257</b>	<b>650 567</b>	<b>1 255 970</b>

	2019 Payable in			Total
	<1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	
<b>Financial Liabilities</b>				
Payables	377 344	1 692	-	379 036
Lease liabilities	-	-	-	-
Lease liabilities PPPI	39 210	156 732	685 286	881 228
<b>Total</b>	<b>416 554</b>	<b>158 424</b>	<b>685 286</b>	<b>1 260 264</b>

**D2 CONTINGENCIES**

**Litigation in Progress**

At 30 June 2020, the following cases were filed in courts and other tribunals naming the State of Queensland acting through the Department of Education as defendant:

**Litigation and other claims in progress**

	2020	2019
	No. of cases	No. of cases
Supreme Court	5	4
District Court	12	6
Magistrates Court	-	1
Federal Court	3	1
Queensland Industrial Relations Commission	3	-
Queensland Civil and Administrative Tribunal	1	-
<b>Total</b>	<b>24</b>	<b>12</b>

The department's legal advisers and management believe that it is not possible to reliably determine the value of payouts in respect of this litigation which, in the majority of instances, represent insurable events in terms of the policy held with the Queensland Government Insurance Fund. The maximum exposure of the department under this policy is \$10 000 for each insurable event.

There are currently **145** (2018-19: 137) cases of general liability and **74** (2018-19: 49) WorkCover common law claims being managed by the department.

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## D2 CONTINGENCIES (continued)

### Financial Guarantees and Associated Credit Risks

The department has provided 22 (2018-19: 20) financial guarantees to Parents and Citizens' Associations (P&C), 6 (2018-19: 6) guarantees to Universities, and 7 (2018-19: 6) guarantees to grammar schools for a variety of loans. These guarantees have been provided over a period of time and have various maturity dates.

	2020 Remaining balance \$'000	2019 Remaining balance \$'000	Enabling legislation
Parents and Citizens' Associations	2 805	2 196	<i>Education (General Provisions) Act 2006 s.137</i>
Universities	505 479	492 824	<i>Australian National University Act 1991 s.44</i>
Grammar Schools	107 899	88 550	<i>Grammar Schools Act 2016 s.10</i>
	<b>616 183</b>	<b>583 570</b>	

**Key Estimate and Judgement:** The department assesses the fair value of financial guarantees annually as at 30 June. As at 30 June 2020 no University, grammar school or P&C had defaulted on an existing loan. One P&C loan was refinanced (market value of approximately \$210,000 at the date of refinancing) and as part of these arrangements the P&C will not make a loan repayment until early in the 2021 calendar year. The impact of COVID-19 on related statutory bodies remains uncertain. As at 30 June 2020 there was no known indications of loan default, but prolonged impacts could cause individual statutory bodies to realise operating deficits and deterioration in liquidity. As such, the fair value of the guarantees has not been recognised in the Statement of Financial Position.

### Native Title Claims over Departmental Land

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

At reporting date it is not possible to make an estimate of any probable outcome of such claims, or any financial effect. It should be noted that native title would not arise as an issue until the property has been declared surplus and attempts are made for the property to be sold or transferred. Native title would need to be addressed as part of the disposal process. The department would necessarily recognise any cost implications arising from such claims at that time.

## D3 COMMITMENTS

### Capital expenditure commitments

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

	2020 \$'000	2019 \$'000
<b>Buildings</b>		
Not later than one year	510 919	517 891
Later than one and not later than five years	27 730	96 897
Later than five years	-	-
<b>Total Capital expenditure commitments - Buildings</b>	<b>538 649</b>	<b>614 788</b>

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**SECTION 5**  
**NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET**

## **E1 BUDGETARY REPORTING DISCLOSURES**

This section contains explanations of major variances between the department's actual 2019-20 financial results and the original budget presented to Parliament.

### **E1-1 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF COMPREHENSIVE INCOME**

<i>User charges and fees:</i>	Variance of -\$29.480 million is mainly due to COVID-19 pandemic causing cancellation of activities including excursions and reducing fees and charges received from students and parents, and includes \$18.388 million in reduced international education program activity.
<i>Grants and contributions revenue</i>	Variance of +\$26.853 million is mainly due to higher capital contributions received by schools from donations, as well as \$5.400 million for the relocation of Ravenswood State School that was not budgeted.
<i>Increase in Asset revaluation surplus</i>	Increase mainly due to higher comprehensive revaluation outcomes for buildings of 5.8%, instead of the budgeted increase of 3.0%, which has been partially offset by minor reductions in land valuations.

### **E1-2 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF FINANCIAL POSITION**

<i>Cash and cash equivalents:</i>	The variance of +\$223.572 million is mainly attributable to a higher than forecast cash opening balance \$157.871 million. The remainder of the variance is due to timing of outflows including for payments associated with re-phased capital works program particularly Building Future Schools program.
<i>Receivables</i>	Variance of -\$19.063 million is mainly attributable to lower claims for long service and annual leave reimbursements of approximately \$17.705M caused by less leave being taken by staff due to COVID-19 pandemic.
<i>Other current assets</i>	Variance of +\$20.701 million is mainly due to prepayments for software licenses, in particular the annual Microsoft licence fees \$15.0 million, which were not included in initial budget position forecast.
<i>Payables</i>	Variance of +\$179.270 million is mainly due to higher capital creditors \$60.767 million due to timing of payments associated with re-phased capital works program particularly Building Future Schools program, timing of 'pay as you go' taxation remittances for the final payroll of the year \$57.655 million, and unbudgeted deferred appropriation payable to Queensland Treasury \$23.620 million.

### **E1-3 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF CASH FLOWS**

There were no material variances in the Statement of Cash Flows.



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**SECTION 6**  
**WHAT WE LOOK AFTER ON BEHALF OF WHOLE-OF-GOVERNMENT AND THIRD PARTIES**

**F1 ADMINISTERED ACTIVITIES**

The department administers, but does not control, certain activities on behalf of the Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

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

**F1-1 SCHEDULE OF ADMINISTERED INCOME AND EXPENDITURE**

	2020	2020	2020	2019
		Original	Budget	
		Budget	Variance	
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Administered Income</b>				
<u>Fees and charges</u>				
Fees and charges	66 255	55 245	11 010	57 204
Other Revenue	-	285	( 285)	16
<u>Grants and contributions</u>				
Recurrent				
Specific purpose - Commonw ealth	3 151 549	2 889 245	262 304	2 765 388
Appropriation revenue *	4 069 295	3 807 436	261 859	3 644 305
<b>Total Administered Income</b>	<b>7 287 099</b>	<b>6 752 211</b>	<b>534 888</b>	<b>6 466 913</b>
<b>Administered expenses</b>				
<u>Grants and subsidies</u>				
Recurrent				
<i>Commonwealth Government</i>				
Non-state schools	3 151 549			2 765 388
<i>State Government</i>				
Non-state schools	716 936			687 032
Textbook and Resource allow ance	66 149			59 538
Statutory bodies (curriculum)	34 756			34 057
Capital				
<i>State Government</i>				
Non-state and other external organisations	99 905			98 290
	<b>4 069 295</b>	3 807 433	261 862	3 644 305
Supplies and services	90	3	87	-
Losses on disposal/ remeasurement of assets	( 142)	21	( 163)	32
Transfers of Administered Income to Government **	3 217 856	2 944 754	273 102	2 822 576
<b>Total Administered Expenses</b>	<b>7 287 099</b>	<b>6 752 211</b>	<b>534 888</b>	<b>6 466 913</b>
<b>Operating Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* This appropriation revenue is provided in cash via Queensland Treasury and funds activities/ expenses that the department administers on behalf of the Government.

\*\* The department periodically transfers all cash collected for "Administered Income" (excluding appropriation revenue) to the Queensland Government.

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**F1 ADMINISTERED ACTIVITIES (continued)**

**F1-2 RECONCILIATION OF PAYMENTS FROM CONSOLIDATED FUND TO ADMINISTERED INCOME**

	2020 \$'000	2019 \$'000
Budgeted appropriation	3 807 436	3 550 824
Unforeseen expenditure	406 862	78 302
<b>Total administered receipts</b>	<b>4 214 298</b>	<b>3 629 126</b>
Less closing balance of administered unearned revenue	( 119 347)	-
Less opening balance of administered revenue receivable	( 25 656)	( 10 477)
Plus closing balance of administered revenue receivable	-	25 656
<b>Administered income recognised in Note F1-1</b>	<b>4 069 295</b>	<b>3 644 305</b>

**F1-3 SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES**

	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance \$'000	2019 Actual \$'000
<b>Administered Current Assets</b>				
Cash at bank	120 108	712	119 396	5 405
Appropriation receivable	-	-	-	25 656
Trade receivable	10 585	9 150	1 435	6 000
GST input tax credits receivable	-	-	-	11
<b>Total Administered Current Assets</b>	<b>130 693</b>	<b>9 862</b>	<b>120 831</b>	<b>37 072</b>
<b>Administered Current Liabilities</b>				
Overdraft facilities	-	-	-	25 475
Revenue payable to Government	11 131	9 650	1 481	11 385
Other payable	4	-	4	-
Unearned administered appropriation	119 347	-	119 347	-
<b>Total Administered Current Liabilities</b>	<b>130 482</b>	<b>9 650</b>	<b>120 832</b>	<b>36 860</b>
<b>Net Administered Assets/ Liabilities</b>	<b>211</b>	<b>212</b>	<b>( 1)</b>	<b>212</b>

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**F1 ADMINISTERED ACTIVITIES (continued)**

**F1-4 ADMINISTERED ACTIVITIES – BUDGET TO ACTUAL VARIANCE ANALYSIS**

This note contains an explanation of major variances between 2019-20 actual results and the original budget for the department's major classes of administered income, expenses, assets and liabilities.

<i>Fees and charges</i>	Variance of +\$11.010 million is due to higher Office of Industrial Relations collections including \$4.431 million for QLeave Portable Long Service Leave as a result of higher construction activity; and for occupational licencing \$2.784M mainly due to higher than expected labour hire licencing fees as a result of increased compliance activity.
<i>Cash at bank and Unearned Administered appropriation</i>	Variances of +\$119.4 million were due to the advance payments of 2020-21 Commonwealth assistance to non-state schools to support school re-openings following COVID-19 shut-downs being lower than forecast.

**F2 TRUST TRANSACTIONS AND BALANCES**

(a) Educational bequests

The department acts as trustee for and manages one trust established by benefactors to encourage Queensland students to learn Japanese as a second language and recognise their achievements in acquiring this valuable skill. The Trust receives revenue in the form of bank interest and makes disbursements for student bursaries to fund travel and tuition fees and support continuing study of the Japanese language.

As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements but are disclosed in these notes for the information of users.

No fees are received by the department for providing trustee services for these funds.

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Trust Account - Educational bequests		
Opening balance - Cash	<b>227</b>	239
Revenue - return on investment term deposit	<b>4</b>	6
Expense - Iw asaki Sangyo prize	<b>( 21)</b>	( 18)
<b>Closing balance - Cash</b>	<b>210</b>	<b>227</b>

(b) Industrial Relations collections

	Total revenue		Total expenses		Net surplus/(deficit)		Total current assets		Total current liabilities		Net assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>District Industrial Inspectors' Collection Accounts</b>												
<i>Industrial Relations Act 1999 s 358</i>												
Holds recovered wages owed to employees until funds are cleared before forwarding on to workers	657	7	651	7	6	-	6	-	6	-	-	-
<b>In-scope Electrical Equipment (Registration Fees) Fund</b>												
<i>Electrical Safety Act 2002 s 204A</i>												
Holds money collected from the registration of electrical equipment and make payments to participating jurisdictions for electrical safety services	1 987	1 632	20	16	1 967	1 616	7 509	7 528	-	-	7 509	7 528

There are no audit fees payable by the department for these trust transactions.

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**SECTION 7  
OTHER INFORMATION**

## G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

### Details of Key Management Personnel

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of *AASB 124 Related Party Disclosures*. The Minister is the Honourable Grace Grace MP, Minister for Education and Minister for Industrial Relations.

The following details for non-Ministerial key management personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2019-20 and 2018-19. Further information regarding the department's Key Management Personnel can be found in the body of the Annual Report under the section relating to Governance.

Position	Position Responsibility
Director-General	Strengthening education by boosting participation and quality in early childhood education and care, improving the performance of schools and delivering a more responsive and productive industrial relations sector.
Deputy Director-General, Corporate Services	Strategic leadership for the department's corporate procurement, finance, information technologies, and infrastructure services functions.
Deputy Director-General, People and Executive Services (Position created 16/03/2020)	Provision of strategic leadership across the department's human resources, strategic communications and engagement, and legal services functions to support a diverse, capable and confident workforce that designs and delivers responsive services as our population grows and technology changes how we learn, work and live.
Deputy Director-General, Early Childhood and Community Engagement	Strategic leadership in the development and implementation of the innovation policy, funding and regulatory frameworks that shape the vibrant early childhood education and care sector in Queensland.
Deputy Director-General, Policy, Performance and Planning	Driving strategic direction of the department across early childhood, schooling, and Aboriginal and Torres Strait Islander education. This position delivers education-related strategic policy and intergovernmental relations functions and leads the development of the portfolio's legislative instruments, performance monitoring and reporting functions, and governance, strategy and planning.
Deputy Director-General, State Schools	Strategic leadership in the development and implementation of innovative and effective education models and policies for Queensland State Schools to ensure every student engages purposefully in learning and experiences academic success.
Deputy Director-General, Office of Industrial Relations	Strategic leadership of the Office of Industrial Relations, with responsibility for regulatory frameworks, policy advice and compliance activities for workplace safety, electrical safety, industrial relations and workers' compensation to make Queensland work and workplaces safer, fairer and productive.
Assistant Director-General, Finance and Chief Finance Officer	Provision of strategic financial advice to the department's Executive and overall leadership of the department's finance functions. The position also has responsibilities under section 77 of the <i>Financial Accountability Act 2009 (Qld)</i> .
Regional Director (rotating representative)	Providing direction to the operations of the department at the regional level across all service streams, ensuring delivery of planned outcomes in line with departmental vision, values and strategic direction.

### Key Management Personnel Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook, and aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances. The department does not bear any cost of remuneration of Ministers.

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.

Where an employee has relieved in a KMP position for less than three months, these costs are reported against their substantive position.

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 occupied a KMP position; and
- non-monetary benefits – consisting of provision of vehicle and car parking together with fringe benefits tax applicable to the benefit.

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

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**G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION (continued)**

**Key Management Personnel Remuneration Policies (continued)**

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

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

**Key Management Personnel Remuneration Expenses**

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

**2019-20**

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000				
Director-General	550	-	13	68	-	631
Deputy Director-General, Corporate Services	308	6	7	34	-	355
Deputy Director-General, Early Childhood and Community Engagement	259	-	6	29	-	294
Deputy Director-General, Policy, Performance and Planning	266	6	7	34	-	313
Deputy Director-General, State Schools	270	6	7	31	-	314
Deputy Director-General, Office of Industrial Relations + Deputy Director-General, People and Executive Services (Position created 16/03/2020) +	308	5	7	27	-	347
Assistant Director-General, Finance and Chief Finance Officer	236	7	6	25	-	274
Regional Director (rotating representative) (to 31/12/2019)	125	-	3	14	-	142
Regional Director (rotating representative) (from 01/01/2020)	122	-	3	13	-	138

+ The role of Deputy Director-General, People and Executive Services was created on the 16<sup>th</sup> of March 2020. The roles of Deputy Director-General, People and Executive Services and Deputy Director-General, Office of Industrial Relations are currently being undertaken conjointly, performing dual functions within the department's respective service areas.

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**G1 KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION (continued)**

2018-19

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000				
Director-General	566	-	12	66	-	644
Deputy Director-General, Corporate Services	309	8	6	33	-	356
Deputy Director-General, Early Childhood and Community Engagement	257	4	6	27	-	294
Deputy Director-General, Policy, Performance and Planning	270	7	7	33	-	317
Deputy Director-General, State Schools (Retired 10/08/2018)	35	4	1	4	-	44
Deputy Director-General, State Schools (Acting 30/07/2018 to 16/11/2018)	86	5	2	8	-	101
Deputy Director-General, State Schools (Appointed 19/11/2018)	162	5	4	14	-	185
Deputy Director-General, Office of Industrial Relations (to 08/01/2019)	158	3	3	16	233	413
Deputy Director-General, Office of Industrial Relations (Acting from 30/11/2018 to 28/05/2019)	125	3	2	9	-	139
Deputy Director-General, Office of Industrial Relations (Appointed 29/05/2019)	27	1	-	2	-	30
Assistant Director-General, Finance and Chief Finance Officer	219	7	5	24	-	255
Regional Director (rotating representative)	234	-	5	26	-	265

**Performance Payments**

Key Management Personnel do not receive performance or bonus payments.

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## G2 RELATED PARTY TRANSACTIONS

### Transactions with people/ entities related to KMP

The department has no related party transactions during 2019-20 with people and entities related to Key Management Personnel.

### Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note B1-1) and equity injections (Note C7-2), both of which are provided in cash via Queensland Treasury. The department purchases a variety of services from the Department of Housing and Public Works including building construction and maintenance \$249.865 million; motor vehicle fleet \$7.211 million; office accommodation \$37.105 million; government employee housing \$21.201 million; and information and communication technology services \$5.936 million.

## G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENTS

### G3-1 Private Provision of Public Infrastructure (PPPI) Agreements

The following two PPPI's within the table below are social infrastructure arrangements whereby the department pays for the third party use of the infrastructure asset through regular service payments to respective partners over the life of contract.

The land on which the facility/schools are constructed is owned and recognised as an asset by the department. The buildings are controlled by the department and are recognised as property, plant and equipment, and details on depreciation are included in Note C3.

The department recognises the future repayments of the construction finance as a financial liability. The contractual agreements provides details about the monthly service payments which are comprised of the following components:

- capital component to affect the systematic write down of the liability over the term of the agreements
- financing component which will be recognised as an expense when incurred
- other components such as facilities management, maintenance, and insurance will be expensed when incurred.

At expiry of each PPPI's agreement period, buildings will revert to the department for nil consideration.

PPP Arrangement	(a) South-East Queensland Schools - Aspire – Public Private Partnership	(b) Queensland Schools – Plenary – Public Private Partnership
Entered Into Contract	April 2009	17 December 2013
Partner	Aspire Schools Pty Ltd	Plenary Schools Pty Ltd
Agreement Type	Design, construct, maintain, and partly finance 7 schools.	Design, construct, maintain and partly finance 10 schools.
Agreement Period	30 years	30 years
Financing	Finance during the design and construction phases was provided by Commonwealth Investments Pty Ltd, Bank of Tokyo-Mitsubishi, and the National Australia Bank. Queensland Treasury Corporation will provide the remaining 70% of the project's financial requirements during the operating phase from January 2010 to December 2039.	Finance during the design and construction phases was provided by Investec, National Australia Bank, Plenary Group, and the State of Queensland. The department paid a series of co-contributions during the construction phase of the project towards the construction costs totalling \$190M.
Finance Arrangement	Finance arrangement with Aspire – the Department will pay abatable and undissected service payments to Aspire for the operation, maintenance, and provision of the schools. Aspire is granted the right to enter and operate on the site, and is required to maintain the facilities to a high standard.	Given the staged construction schedule, the building asset and finance liability is calculated separately for each stage of each school, and recognised on the respective Stage Availability Date.  Plenary is granted the right to enter, construct, and operate on the site.
Construction period	May 2009 – January 2014	January 2014 – January 2019
Variable Costs	Variable costs change according to the number of modular units in use at the individual sites, utilities, car parking agreements, and other service payments adjustments.	Variable costs change according to the number of modular units in use at the individual sites, utilities, car parking agreements, and other service payments adjustments.
Other	Inflows for the PPPI relate to cleaning, grounds maintenance, and janitorial services. Aspire is required to use staff provided by the State.	Nil

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**G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENTS (continued)**

**G3-2 Private Provision of Public Infrastructure – Cash Flows**

The below estimated cash flows are in respect of the specified income and payments required under the contractual agreements.

	South East Queensland Schools - Aspire		Queensland Schools - Plenary		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Estimated cash flows - Fixed costs</b>						
<b>Outflows</b>						
Not later than 1 year	( 32 438)	( 30 804)	( 4 556)	( 6 425)	( 36 994)	( 37 229)
Later than 1 year but not later than 5 years	( 136 272)	( 126 205)	( 33 430)	( 32 151)	( 169 702)	( 158 356)
Later than 5 years but not later than 10 years	( 183 646)	( 166 508)	( 101 023)	( 89 599)	( 284 669)	( 256 107)
Later than 10 years	( 362 948)	( 364 405)	( 376 397)	( 355 228)	( 739 345)	( 719 633)
<b>Estimated net cash flow - Fixed costs</b>	<b>( 715 304)</b>	<b>( 687 922)</b>	<b>( 515 406)</b>	<b>( 483 403)</b>	<b>( 1 230 710)</b>	<b>( 1 171 325)</b>
<b>Estimated cash flows - Variable Costs</b>						
<b>Inflows</b>						
Not later than 1 year	2 485	2 007	-	-	2 485	2 007
Later than 1 year but not later than 5 years	10 336	8 251	-	-	10 336	8 251
Later than 5 years but not later than 10 years	13 857	10 837	-	-	13 857	10 837
Later than 10 years	31 162	26 045	-	-	31 162	26 045
<b>Outflows</b>						
Not later than 1 year	( 2 124)	( 1 999)	( 14 518)	( 14 643)	( 16 642)	( 16 642)
Later than 1 year but not later than 5 years	( 9 664)	( 8 052)	( 54 843)	( 56 839)	( 64 507)	( 64 891)
Later than 5 years but not later than 10 years	( 20 571)	( 16 122)	( 60 559)	( 60 348)	( 81 130)	( 76 470)
Later than 10 years	( 25 966)	( 25 409)	( 95 358)	( 92 748)	( 121 324)	( 118 157)
<b>Estimated net cash flow - Variable Costs</b>	<b>( 485)</b>	<b>( 4 442)</b>	<b>( 225 278)</b>	<b>( 224 578)</b>	<b>( 225 763)</b>	<b>( 229 020)</b>
<b>Total Estimated Net Cashflow</b>	<b>( 715 789)</b>	<b>( 692 364)</b>	<b>( 740 684)</b>	<b>( 707 981)</b>	<b>( 1 456 473)</b>	<b>( 1 400 345)</b>



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### **G3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENTS (continued)**

#### **G3-2 Private Provision of Public Infrastructure – Cash Flows (continued)**

##### **Disclosure about Private Provision of Public Infrastructure Cash Flows**

Fixed costs are based on risk free rate of 0.92 percent (2018-19: 1.38 percent).

Variable costs include Lifecycle Costs, Utility Payments and Modular Units.

### **G4 NEW AND REVISED ACCOUNTING STANDARDS**

The department did not voluntarily change any of its accounting policies during 2019-20.

No Australian Accounting Standards have been early adopted for 2019-20.

#### **Effective for the first time in 2019-20**

##### AASB 15 Revenue from Contracts with Customers

AASB 15 requires recognition of revenue when the entity satisfies the performance obligation by transferring goods or services and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 allows for a modified retrospective transition method and, in accordance with Queensland Treasury policy, the department has not restated comparative information. Instead, the cumulative effect of applying the standard was recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.

The department has reviewed both completed (where the agency has already recognised all of the income in accordance with AASB 1004 prior to 1 July 2019) and uncompleted contracts to assess any payments received prior to 1 July 2019 that fall within the scope of AASB 15 for any unsatisfied performance obligations and has recognised a liability for those obligations upon transition.

The effect of adopting AASB15 as at 1 July 2019 was, as follows:

- The department has identified that revenue from the provision of Student Resource Schemes will be recognised progressively as services are provided throughout the school calendar year under AASB 15. The department currently recognises this revenue up-front when consideration is received at commencement of the calendar year.

At 1 July 2019 transition date, the department recognised a contract liability of \$43.0 million that was recognised in revenue during the 2018-19 financial year with a corresponding reduction in accumulated surplus.

##### AASB 1058 Income of Not-for-Profit Entities

AASB 1058 is applied by the department where the consideration to acquire an asset (including cash) is significantly less than fair value, principally to enable the entity to further its objectives. Timing of income recognition under AASB 1058 depends on whether the transaction gives rise to a contribution by owners, performance obligations, or a liability, related to an asset recognised by the department.

AASB 1058 allows for a modified retrospective transition method and, in accordance with Queensland Treasury policy, the department has not restated comparative information. Instead, the cumulative effect of applying the standard was 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 has reviewed both completed (where the agency has already recognised all of the income in accordance with AASB 1004 prior to 1 July 2019) and uncompleted contracts to assess any capital grants received prior to 1 July 2019 for which construction of the asset is not yet completed and has recognised a liability reflecting the 'unspent' amount upon transition.

The department has not remeasured assets that were acquired for significantly less than fair value prior to 1 July 2019 (and originally measured at cost) at fair value on transition to AASB 1058.

The department derives the majority of its income from appropriations which are recognised on receipt under AASB 1058. This is consistent with recognition under AASB 1004.

The effect of adopting AASB 1058 as at 1 July 2019 was, as follows:

- Under AASB 1058, special purpose grants received to construct a departmental non-financial asset will be recognised as a liability, and subsequently recognised progressively as revenue as the department satisfies its performance obligations under the grant.

The department has received \$8.4 million contribution for the relocation of Ravenswood State School which was recognised in prior years in accordance with AASB 1004. At 1 July 2019 transition date, \$5.4 million (representing the unspent portion) was reclassified as a contract liability with a corresponding decrease in accumulated surplus.

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**G4 NEW AND REVISED ACCOUNTING STANDARDS (Continued)**

**Effective for the first time in 2019-20 (Continued)**

The following table shows the impacts of adopting AASB 15 and AASB 1058 on the department's 2019-20 financial statements. It compares the actual amounts reported to amounts that would have been reported if the previous standards (AASB 1004, AASB 118, AASB 111 and related interpretations) had been applied in the current financial year.

Statement of Comprehensive Income	AASB 15 / AASB 1058 \$'000	Previous AAS \$'000	Increase / (Decrease) \$'000
<b>Income from continuing operations</b>			
User charges and fees	393 692	395 692	(2 000)
Grants and contributions	198 496	193 096	5 400
<b>Total income from continuing operations</b>	<b>10 058 470</b>	<b>10 055 070</b>	<b>3 400</b>
<b>Total Comprehensive income</b>	<b>790 391</b>	<b>786 991</b>	<b>3 400</b>
<b>Statement of Financial Position</b>			
<b>Liabilities</b>			
Other Current liabilities	81 703	36 703	45 000
<b>Total Liabilities</b>	<b>998 135</b>	<b>953 135</b>	<b>45 000</b>
<b>Equity</b>			
Accumulated surplus	243 453	288 453	(45 000)
<b>Total Equity</b>	<b>21 498 332</b>	<b>21 543 332</b>	<b>(45 000)</b>

**AASB 16 Leases**

The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

***Definition of a lease***

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

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

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

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred.

***Changes to lessee accounting***

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

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

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the department is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable by the department under residual value guarantees
- the exercise prices of a purchase option that the department is reasonable certain to exercise
- payments for termination penalties, if the lease term reflects the early termination.

The discount rate used is the interest rate implicit in the lease, or the department's incremental borrowing rate if the implicit rate cannot be readily determined.

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## **G4 NEW AND REVISED ACCOUNTING STANDARDS (Continued)**

### **Effective for the first time in 2019-20 (Continued)**

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

The corresponding right-of-use assets are initially recognised at cost and are subsequently depreciated over the life of the lease.

The department has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet.

#### *Transitional impact*

The majority of the department's former operating leases, other than the exempt QGAO and GEH arrangements, are now recognised on-balance sheet as right-of-use assets and lease liabilities.

On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the department's incremental borrowing rate at 1 July 2019. The department's weighted average incremental borrowing rate on 1 July 2019 was 1.79 percent.

The right-of-use assets were measured at their carrying amount as if AASB 16 had always been applied since lease commencement, less accumulated depreciation from commencement of the lease arrangement until 1 July 2019.

At 1 July 2019 transition date, the department recognised the aggregate value of the right-of-use asset \$6.6 million and an associated liability of \$7.1 million.

#### *Former finance leases as lessee*

The former finance leases are associated with assets acquired through private provision of public infrastructure arrangements.

These have previously been recorded as finance leases because there is no Australian Accounting Standard that specifically addresses the accounting treatment to be adopted for these arrangements (refer Note G3).

However, further review indicates that the substance of these arrangements is more in the nature of construction finance and an operating licence to provide maintenance, therefore the current finance lease liabilities have been reclassified as borrowings.

The associated building assets will continue to be reported at fair value on a current replacement cost basis consistent with other school buildings, and have been reclassified from leased assets to buildings within property, plant and equipment.

### **New Australian Accounting Standards issued but not yet effective**

#### AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the department's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

The department is currently analysing the effects of the private provision of public infrastructure arrangements and it does not consider that AASB 1059 is applicable as no services are directly delivered to the public.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the department's activities, or have no material impact on the department.

## **G5 EVENTS OCCURRING AFTER THE REPORTING DATE**

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

## **G6 TAXATION**

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from all forms of Commonwealth taxation with the exception of Fringe Benefits Tax (FBT), and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised and accrued (refer to Note C2).

## **G7 CLIMATE RISK DISCLOSURE**

The department addresses the financial impacts of climate related risks by identifying and monitoring the accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, contingent liabilities and changes to future expenses and revenues.

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

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

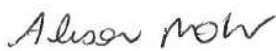
Department of Education  
Management Certificate  
for the year ended 30 June 2020

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Education for the financial year ended 30 June 2020, and of the financial position of the department at the end of that year; and

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



Alison Mohr CPA, B ECom (Acc)  
Acting Assistant Director-General, Finance  
Chief Finance Officer  
Department of Education



Tony Cook PSM  
Director-General  
Department of Education

Date: 19 August 2020

Date: 19 August 2020

## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Education

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of the Department of Education.

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

#### Basis for opinion

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

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

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

## Key audit

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

### **Valuation of Buildings (\$14.7 billion as at 30 June 2020)**

Refer to note C3 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>Department of Education specialised buildings were measured at fair value at balance date using the current replacement cost method.</p> <p>The Department performed a comprehensive revaluation of approximately one quarter of its buildings using an independent valuer, with remaining assets being revalued using indexation. It is the Department's policy to conduct revaluations on this basis annually.</p> <p>The current replacement cost method comprises:</p> <ul style="list-style-type: none"> <li>gross replacement cost, less</li> <li>accumulated depreciation</li> </ul> <p>For comprehensively revalued buildings, the Department of Education applied unit rates provided by the independent valuer to derive gross replacement cost. These unit rates require significant judgement in relation to:</p> <ul style="list-style-type: none"> <li>identifying the components of buildings with separately identifiable replacement costs</li> <li>specifying the unit rate categories based on building and component types with similar characteristics</li> <li>elapsed utility estimates</li> <li>assessing the current replacement cost for each unit rate category having consideration for more contemporary design/construction approaches.</li> </ul> <p>For Buildings not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p>	<p>Our procedures for Buildings comprehensively revalued included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the adequacy of management's review of the valuation process.</li> <li>Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice.</li> <li>Assessing the competence, capability and objectivity of the experts used by the Department.</li> <li>On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including: <ul style="list-style-type: none"> <li>modern substitute (including locality factors and oncosts)</li> <li>adjustment for obsolescence.</li> </ul> </li> </ul> <p>For Buildings indexed, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>Evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices.</li> <li>Reviewing the appropriate application of these indices to the remaining three quarters of the portfolio.</li> </ul> <p>Buildings useful life estimates were evaluated for reasonableness by:</p> <ul style="list-style-type: none"> <li>Reviewing management's annual assessment of useful lives.</li> <li>Ensuring that no component still in use has reached or exceeded its useful life.</li> <li>Reviewing formal asset management plans, and enquiring of management about whether these plans remain current.</li> <li>Reviewing for consistency between condition assessment and percentage of depreciation.</li> <li>Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.</li> <li>Ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified.</li> </ul>

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

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

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

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

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

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

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



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

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

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

## **Report on other legal and regulatory requirements**

### **Statement**

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

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

### **Prescribed requirements scope**

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



Brendan Worrall  
Auditor-General

20 August 2020

Queensland Audit Office  
Brisbane