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The department continues to deliver its services in a fiscally responsible manner, recording a minor operating deficit of \$0.563 million for the year. This outcome reflects expenditure incurred in 2019–2020 on land infrastructure and other programs, for which the department recognised the revenue and received the cash funding in prior financial years. These are accounting adjustments only, and those programs remain fully funded.

Key program investments in 2019–2020 to progress the department's vision of Aboriginal and Torres Strait Islander Queenslanders thriving culturally, socially and economically included Path to Treaty, Local Thriving Communities and facilitating the legal recognition of Torres Strait Islander traditional child rearing practice.

Due to the impacts of the COVID-19 pandemic, and the resulting travel restrictions to rural and remote discrete communities under the Commonwealth *Biosecurity Act 2015* and subsequent Chief Health Officer directions, a range of land infrastructure capital grant, land planning, and other programs were unable to be fully progressed. Initiatives which could not progress included the Ngarupai (Horn Island) and Palm Island splash parks projects. With overall lower expenditure, the amount of appropriation revenue the department required to fund programs was commensurately less compared to budget and compared to the prior year.

Responsibility for the Cape York Peninsula Land Tenure Resolution program transferred to the Department of Environment and Science, effective from 1 July 2019. This transfer of responsibility also entailed a \$6 million cash transfer to the Department of Environment and Science to support capital acquisitions for that program.

In accordance with the requirements of section 77 (2) (b) of the Queensland *Financial Accountability Act 2009*, I have provided the Director-General with a Statement of Assurance confirming that the financial internal controls of the department are operating efficiently, effectively and economically in conformance with section 54 of the Queensland *Financial and Performance Management Standard 2019*, and there were no deficiencies or breakdowns in internal controls that would impact adversely on the department's financial governance or financial statements for the year. The Statement was presented at the Audit and Risk Committee meeting in August 2020.

Tim Hodda FCPA

Chief Finance Officer

Summary of financial performance

This section provides an overview of the financial statements of the department for the 2019–2020 financial year, which are provided in detail at the Financial Statements section of this report.

Table 1: Summary of financial results of controlled operations

	2019–2020 FINANCIAL YEAR \$'000	2018–2019 FINANCIAL YEAR \$'000
Income	63,604	78,880
Expenses	64,167	81,310
Operating surplus (deficit)	(563)	(2,430)
Assets	40,923	40,697
Liabilities	16,925	10,421
Net assets	23,998	30,276

Income received

The department received income primarily through appropriation revenue and grant funding.

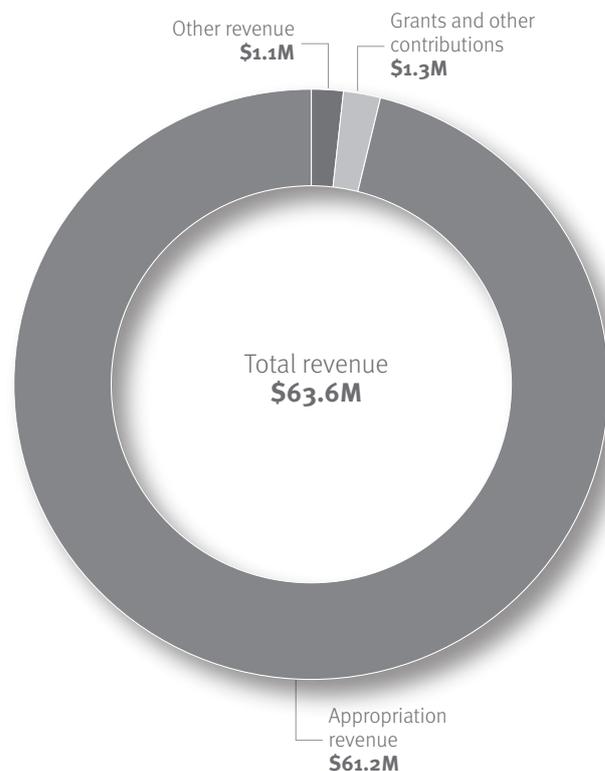
Progress on a range of strategic programs was affected due to the impacts of the COVID-19 pandemic, resulting in overall expenditure in 2019–2020 being lower than 2018–2019. With lower expenditure, the amount of appropriation revenue required to fund those programs was commensurately less compared to the previous year.

Income for 2019–2020 was \$63.6 million and this included:

- \$61.2 million in appropriation revenue
- \$1.3 million in grants and other contributions, including \$0.3 million from the Department of Housing and Public Works to fund remote community land and infrastructure development programs; contributions from the Department of Education to support grants dedicated to the preservation, research and revitalisation of Indigenous Languages (\$0.1 million); and contributions from state agencies to fund the Reconciliation Action Plan process (\$0.19 million). Other contributions also recognise \$0.3 million in services provided by Queensland State Archives to the department free of charge
- \$1.1 million in other revenue, including reimbursement from Community Enterprise Queensland for depreciation and other expenses associated with Retail Stores assets (\$0.85 million). These costs are reimbursed under Memorandum of Understanding arrangements.

Figure 1 shows revenue across items for 2019–2020.

Figure 1: Revenue by type



Expenses incurred

During 2019–2020, the department delivered its services through:

- departmental staff
- the provision of grants and contributions to local governments, and operational grants to non-government organisations and community groups
- the engagement of technical experts, including in the area of land and infrastructure planning.

Total expenses for 2019–2020 were \$64.2 million and included:

- \$37.8 million on employee expenses
- \$17.1 million on supplies and services, including \$5.3 million on office accommodation, property and maintenance costs; \$4.5 million on professional and technical services to support key strategic programs including remote communities land and infrastructure planning initiatives such as town and master planning programs and facilitation of Indigenous Land Use Agreements; \$2.5 million on support services including information technology, payroll and financial transactional services; and \$1.4 million on service procurement programs including Local Thriving Communities
- \$7.4 million on grants expenditure, including \$3 million on remote community capital and infrastructure grants, \$1.85 million contributed to the Queensland Aboriginal and Torres Strait Islander Foundation (QATSIF) for education scholarships, and \$0.6 million for Community Safety Plans under the Renewed Approach to Alcohol program
- \$1.2 million on depreciation and amortisation expenses
- \$0.7 million on other expenses.

Figure 2 shows the expenses across items for 2019–2020.

Expenditure comparison to last year

Total expenditure for our department in 2019–2020 was \$17.1 million less than 2018–2019.

Expenditure was comparably lower due to the combined influences of the timing of approved initiatives, the impact of the COVID-19 pandemic on progressing programs, and the 2018–2019 results incorporating the costs of the Cape York Peninsula Land Tenure Resolution program which transferred to the to the Department of Environment and Science from 1 July 2019. Overall expenditure on that program totalled \$5.8 million in 2018–2019.

Employee expenses increased by \$2.7 million compared to 2018–2019, reflecting rises in accordance with State Wage case outcomes and new 2019–2020 initiatives operationalised.

Supplies and Services were lower by \$5.2 million compared to 2018–2019, primarily reflecting the effects of the transfer of the Cape York Peninsula Land Tenure Resolution Program, with expenditure on supplies and services for that program totalling \$4 million in 2018–2019. Overall expenditure is also lower in 2019–2020 reflecting expenditure on the Work Histories program which entered completion phase in 2019–2020 (2018–2019 \$1.6 million: 2019–2020 \$0.4 million).

Grant expenses were lower by \$8.6 million compared to 2018–2019, reflecting the combined influences of the timing of approved initiatives and the impact of the COVID-19 pandemic on the ability to progress programs. Strategic capital grant initiatives that were affected in 2019–2020 due to travel restrictions into the remote discrete communities included the Ngarupai (Horn Island) Splash Park and Palm Island Splash Park program – \$5 million. The 2018–2019 expenditure included a range of capital grants outlays for which the projects were completed in 2018–2019 or entering completion phase in 2019–2020. These projects include Torres Strait Airstrip Upgrade (2018–2019 \$2.8 million: 2019–2020 \$nil), Cape York Splash Parks (2018–2019 \$3.6 million: 2019–2020 \$0.3 million), Mossman Gorge Kickstart (2018–2019 \$2.7 million: 2019–2020 \$1.1 million).

Other expenses decreased by \$6.3 million primarily due to a change in whole-of-government accounting disclosure requirements. For 2019–2020, agencies no longer disclose appropriation deferrals as an expense item, but rather as a reduction against the appropriation revenue line item. From a comparative perspective — the 2018–2019 other expenses included Appropriation Payable of \$6.4 million. The 2019–2020 equivalent would be \$14.8 million, with the deferrals primarily reflecting the impact of COVID-19 on the ability for the department’s ability to progress strategic initiatives including the splash parks.

Figure 3 compares the department’s expenditure in 2019–2020 with 2018–2019.

Figure 3: Expenditure comparison

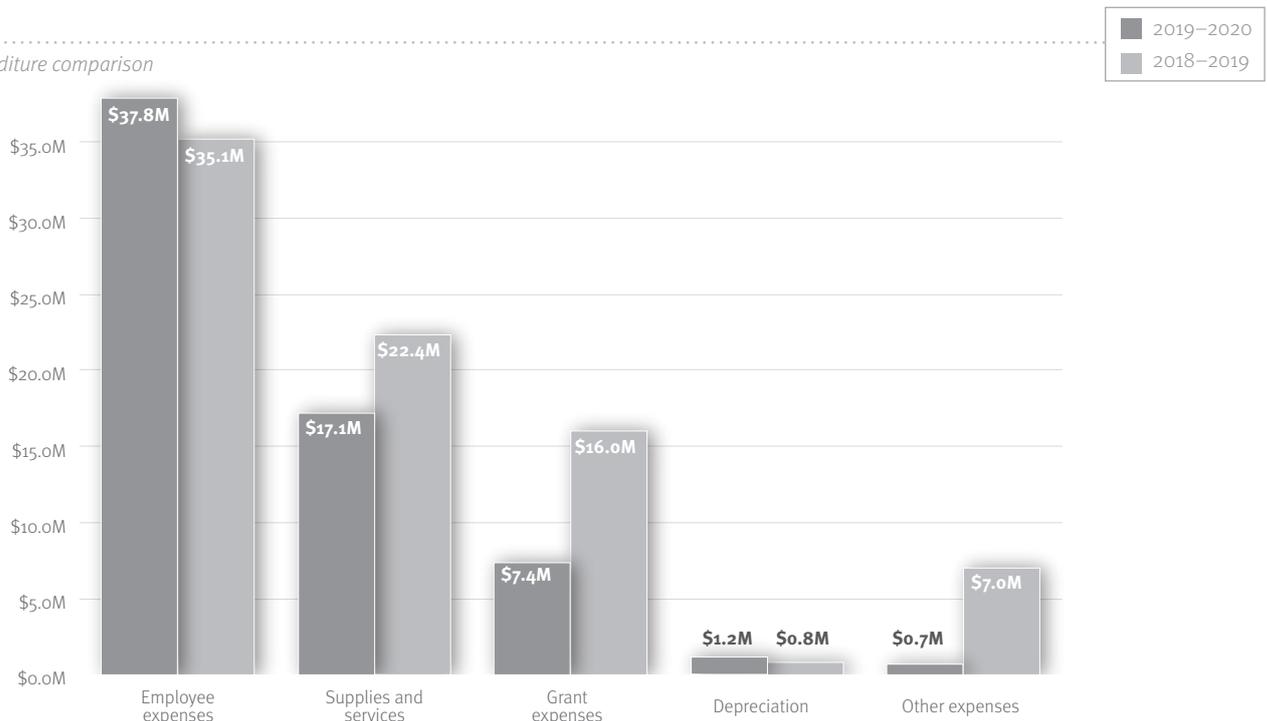
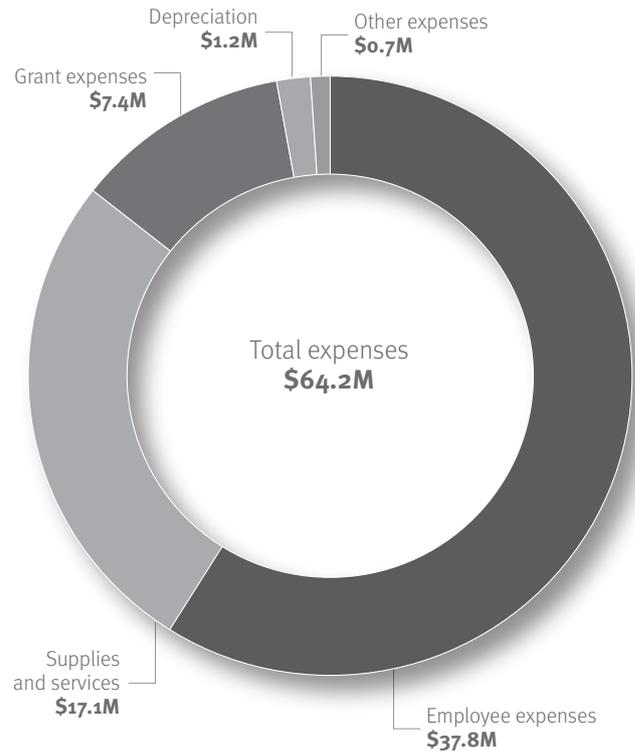


Figure 2: Operating expenditure by type



Balance sheet

The department has a strong balance sheet at the end of the 2019–2020 financial year.

Assets held

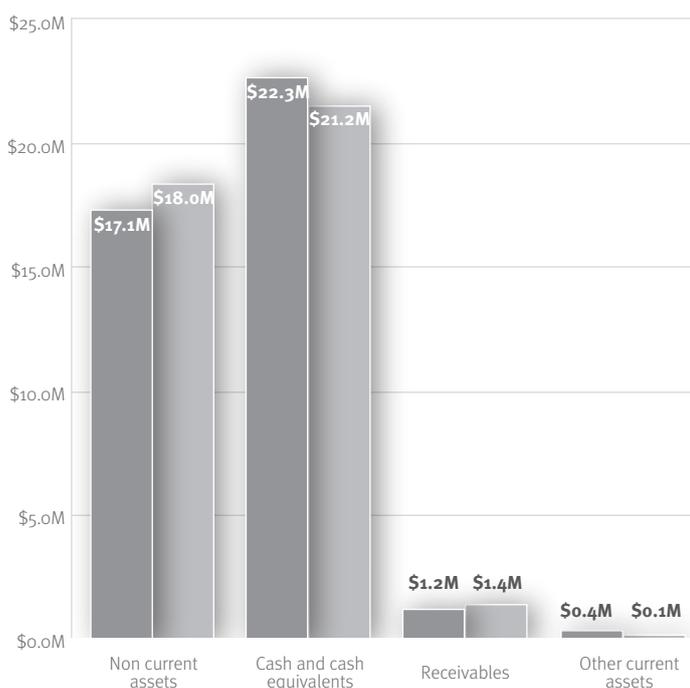
Total assets held by the department at 30 June 2020 were \$40.9 million, which included:

- \$22.2 million in cash assets
- \$17.1 million in property, plant and equipment, and software. The department's asset base includes the Retail Stores and employee housing portfolio (\$9.8 million); the Lockhart River Multi-Tenant Service Centre (\$2.1 million) and community assets (\$2.7 million)
- \$1.6 million in receivables and other current assets. Receivables include \$0.3 million to be paid by the Department of Housing and Public Works for land infrastructure program costs, and \$0.4 million from the central scheme for employee leave claims.

The overall asset value of the department remained relatively stable over the financial year (\$40.7 million 2018–2019), with non-current assets reducing by \$1 million principally reflecting depreciation, offset by an increase in cash of \$1.1 million. The increase in cash principally reflects unspent appropriation cash held for a range of programs that were affected by the impacts of the COVID-19 pandemic, partially offset by \$6 million transferred to the Department of Environment and Science for the Cape York Peninsula Land Tenure Resolution Program.

Figure 4 compares the department's assets in 2019–2020 with 2018–2019.

Figure 4: Assets



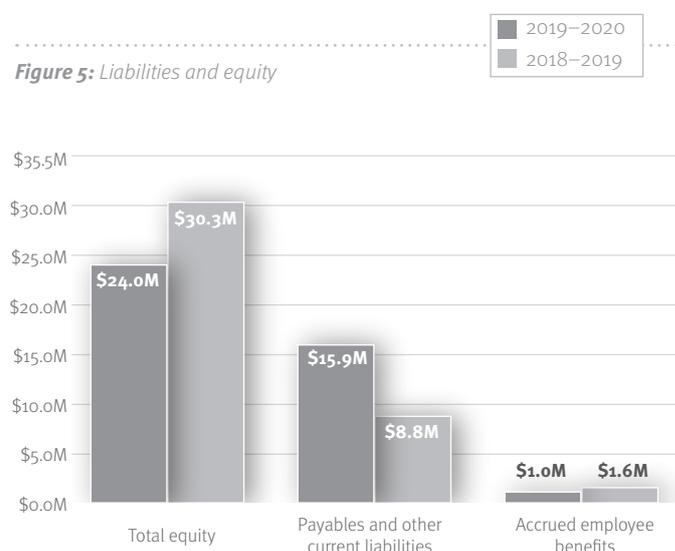
Liabilities and equity

At 30 June 2020, the department had liabilities of \$16.9 million, including payables of \$15.9 million and accrued employee benefits of \$1 million. Equity totals \$24 million.

Payables includes deferred appropriation payable to Consolidated Fund of \$14.8 million (\$6.4 million 2018–2019). Progress on a range of programs was affected due to the impacts of the COVID-19 pandemic, and the appropriation payable reflects the unspent funds for those initiatives that will continue into 2020–2021 and also reflects uncommitted funds returned to support overall State priorities.

The reduction in Equity reflects \$6 million cash transferred to the Department of Environment and Science for the Cape York Peninsula Land Tenure Resolution program.

Figure 5 compares the department's liabilities and equity in 2019–2020 with 2018–2019.



Administered items

The department administered the payment of \$4.9 million to the Family Responsibilities Commission in support of its Welfare Reform activities in the 12 months to 30 June 2020. The Family Responsibilities Commission is funded through a joint arrangement with the Commonwealth Government under a Memorandum of Understanding. The previous funding agreement expired on 31 December 2018, and a new agreement was entered into during the 2019–2020 financial year. The \$4.9 million contribution to the Family Responsibilities Commission in 2019–2020 included \$2.7 million provided by the Commonwealth Government which covered the 18 month period from 1 January 2019 to 30 June 2020.

In addition, the department administered the payment of \$5.4 million to the Western Cape Communities Trust under the Western Cape Communities Co-Existence Agreement.