

"Replenishing Groundwater Since 1965"

Lower Burdekin Water ABN: 42 671 751 039

Lower Burdekin Water
Ayr Office
112 Airdmillan Rd, AYR Q. 4807
PO Box 720, AYR Q 4807
Ph: 0747831988
Fax: 0747831264

Lower Burdekin Water
Home Hill Office
28 Ninth Street, HOME HILL Q 4806
PO Box 376, HOME HILL Q 4806
Ph: 0747821703
Fax: 0747822039

Email: admin@lowerburdekinwater.com.au

Web: <http://www.lowerburdekinwater.com.au>

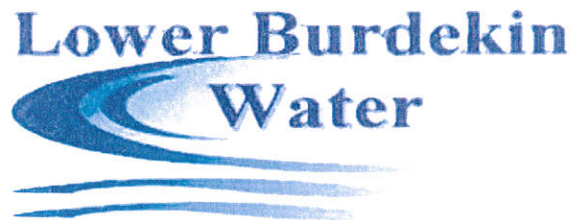
LOWER BURDEKIN WATER

FINANCIAL STATEMENTS

2016/17 DISCLAIMER

The information contained in the annual financial statements and website is for general information purposes only and are not to be used as an official copy. A hard copy of the annual financial statements can be obtained from either the Lower Burdekin Water Ayr Office at 112 Airdmillan Road, Ayr Queensland, 4807 or the Lower Burdekin Water Home Hill Office at 28 Ninth Street, Home Hill Queensland, 4806.

LOWER BURDEKIN WATER FINANCIAL STATEMENTS 2016-17



General Information

These financial statements and financial report cover Lower Burdekin Water (the Authority).

The Authority is a Statutory Body governed under the *Water Act 2000*. The Statutory Body is controlled by the State of Queensland, which is the ultimate parent.

The office and principal place of business is:
112 Airdmillan Road
AYR QLD 4807

A description of operations and principal activities is included in the notes to the financial statements. Lower Burdekin Water was established as the new alternative institutional structure on the 19/02/2015 following the dissolution of the previous category two water boards known as the North Burdekin Water Board and the South Burdekin Water Board on the 18/02/2015.

For information in relation to the Authority's Financial Report please contact Elliott Gullotta on phone at Ayr Office 07 4783 1988 or Home Hill Office 07 4782 1703, email elliott.gullotta@lowerburdekinwater.com.au or visit the Authority's website www.lowerburdekinwater.com.au.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

The Financial Statements

	Statement of Comprehensive Income	Page 3
	Statement of Financial Position	Page 4
	Statement of Changes in Equity	Page 5
	Statement of Cash Flows	Page 6
Note 1	Basis of Financial Statement Preparation	Page 7

Our Financial Performance

Note 2	User Charges and Fees	Page 8
Note 3	Other Revenue	Page 8
Note 4	Employee Expenses	Page 8
Note 5	Supplies and Services	Page 11

Our Financial Position

Note 6	Cash and Cash Equivalents	Page 11
Note 7	Receivables	Page 11
Note 8	Inventories	Page 12
Note 9	Intangible Assets	Page 12
Note 10	Property, Plant and Equipment	Page 12
Note 11	Payables	Page 16
Note 12	Provision for Employee Benefits	Page 16
Note 13	Other Liabilities	Page 16
Note 14	Asset Revaluation Surplus by Class	Page 16

Other Disclosures

Note 15	Commitments and Contingencies	Page 17
Note 16	Events Occurring after Balance Date	Page 17
Note 17	Reconciliation of Operating Result to Net Cash from Operating Activities	Page 18

Certification

	Management Certificate	Page 19
--	------------------------	---------

LOWER BURDEKIN WATER
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Income from Continuing Operations			
User charges and fees	2	7,854,895	8,024,622
Grants and other contributions		148,500	111,000
Other revenue	3	178,252	175,607
Total Revenue		8,181,647	8,311,229
Gain on disposal		-	32,912
Total Income from Continuing Operations		8,181,647	8,344,141
Expenses from Continuing Operations			
Employee expenses	4	1,794,438	1,729,556
Supplies and services	5	4,642,955	4,674,278
Depreciation expense		946,123	978,286
Revaluation decrement		17,125	-
Loss on disposal		49,856	-
Total Expenses from Continuing Operations		7,450,497	7,382,120
Operating Result from Continuing Operations		731,150	962,021
Other Comprehensive Income			
Increase (decrease) in asset revaluation surplus	14	745,345	946,811
Total Items Not Recyclable to Operating Result		745,345	946,811
Total Other Comprehensive Income		745,345	946,811
Total Comprehensive Income		1,476,495	1,908,832

The accompanying notes form part of these statements

LOWER BURDEKIN WATER
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	6	6,043,637	7,967,505
Receivables	7	740,876	757,568
Inventories	8	89,483	82,653
Other current assets		11,803	13,247
Total Current Assets		6,885,800	8,820,973
Non Current Assets			
Intangible assets	9	4,500,000	4,500,000
Property, plant and equipment	10	44,696,160	40,770,297
Total Non Current Assets		49,196,160	45,270,297
Total Assets		56,081,960	54,091,270
Current Liabilities			
Payables	11	1,959,110	1,303,610
Accrued employee benefits	12	570,335	566,144
Other current liabilities	13	39,955	181,958
Total Current Liabilities		2,569,400	2,051,712
Non Current Liabilities			
Accrued employee benefits	12	68,736	72,226
Total Non Current Liabilities		68,736	72,226
Total Liabilities		2,638,136	2,123,938
Net Assets		53,443,825	51,967,333
Equity			
Contributed equity		49,474,095	49,474,095
Accumulated surplus		2,277,576	1,546,426
Asset revaluation surplus	14	1,692,156	946,811
Total Equity		53,443,825	51,967,333

The accompanying notes form part of these statements

LOWER BURDEKIN WATER
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Contributed Equity	Accumulated Surplus	Asset Revaluation Surplus (Note 14)	Total
	\$	\$		\$
Balance as at 1 July 2015	49,474,095	584,405	-	50,058,500
Operating Result from Continuing Operations	-	962,021	-	962,021
<i>Other Comprehensive Income</i>				
- Increase in asset revaluation surplus	-	-	946,811	946,811
Total Comprehensive Income	-	962,021	946,811	1,908,833
Balance as at 30 June 2016	49,474,095	1,546,426	946,811	51,967,333
Balance as at 1 July 2016	49,474,095	1,546,426	946,811	51,967,333
Operating Result from Continuing Operations	-	731,150	-	731,150
<i>Other Comprehensive Income</i>				
- Increase in asset revaluation surplus	-	-	745,345	745,345
Total Comprehensive Income	-	731,150	745,345	1,476,495
Balance as at 30 June 2017	49,474,095	2,277,576	1,692,156	53,443,825

The accompanying notes form part of these statements

LOWER BURDEKIN WATER
STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash Flows from Operating Activities			
<i>Inflows:</i>			
User charges and fees		7,905,714	8,658,991
Grants and other contributions		148,500	111,000
Other revenue		178,252	175,607
GST input tax credits from ATO		538,537	343,998
GST collected from customers		215,596	188,715
<i>Outflows:</i>			
Employee expenses		(1,793,737)	(1,741,617)
Supplies and services		(4,136,337)	(3,835,189)
GST remitted to ATO		(24,110)	(84,874)
GST paid to suppliers		(762,658)	(410,175)
Net Cash Provided by (used in) Operating Activities	17	2,269,754	3,406,457
Cash Flows from Investing Activities			
<i>Inflows:</i>			
Sale of property, plant & equipment		117,139	244,640
<i>Outflows</i>			
Payments for property, plant & equipment		(4,310,763)	(880,603)
Net Cash Provided (used in) by Investing Activities		(4,193,624)	(635,963)
Net increase (decrease) in cash and cash equivalents		(1,923,870)	2,770,494
Cash and cash equivalents at beginning of financial period		7,967,505	5,197,013
Cash and cash equivalents at End of Financial Year	6	6,043,637	7,967,505

LOWER BURDEKIN WATER
For the year ended 30 June 2017

1 - Basis of Financial Statement Preparation

(a) General Information about the Reporting Entity

These financial statements have been prepared in compliance with the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis (with the exception of the statement of cash flows which is prepared on a cash basis) in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (RDR) and Interpretations.

With respect to compliance with Australian Accounting Standards and Interpretations, the Authority has applied those requirements applicable to not-for-profit entities, as the Authority is a not-for-profit entity. Except where stated, the historical cost convention is used.

(b) The Reporting Entity

The Authority does not control other entities. The financial statements include the value of all income, expenses, assets, liabilities and equity for the Authority as an individual entity.

(c) Insurance

The Authority's non-current physical assets and other risks are insured through AON Risk Services. In addition, the Authority pays premiums to Work Cover Queensland in respect of its obligations for employee compensation.

(d) Contributed Equity

Contributed equity as at 30 June 2017 includes the net assets of Lower Burdekin Water's predecessor entities (North Burdekin Water Board and South Burdekin Water Board) which were abolished on 18 February 2015 and their net assets transferred to Lower Burdekin Water.

(e) Taxation

The Authority is a state body as defined under the Income Tax Assessment Act 1936 and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Lower Burdekin Water. GST credits recoverable from, and GST payable to the ATO, are recognised (refer to Note 7).

(f) Issuing of Financial Statements

The financial statements are authorised for issue by the Chairman and Executive Officer at the date of signing the Management Certificate.

(g) Accounting Estimates and Judgements

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

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

Provisions - Note 12

Revaluation of Non-Current Physical and Intangible Assets - Note 14

Impairment of Assets - Note 10

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

(h) Other Presentation Matters

Currency and Rounding - Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1, unless disclosure of the full amount is specifically required.

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 Authority 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.

(i) New and Revised Accounting Standards

The Authority did not voluntarily change any of its accounting policies during 2016-17. Australian accounting standard changes applicable for the first time for the 2016-17 period have had minimal effect on the Authority's financial statements.

The only Australian Accounting Standard that became effective for the first time in 2016-17 is AASB 124 Related Party Disclosures. This standard requires note disclosures about key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement line items. As Queensland Treasury already required disclosure of KMP remuneration expenses, AASB 124 itself had minimal impact on the Authority's KMP disclosures compared to 2015-16 (refer to Note 4). Material related party transactions for 2016-17 are disclosed in Note 4. No comparative information about related party transactions is required in respect of 2015-16.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

	2017 \$	2016 \$
2 - User Charges and Fees		
Area Charge - Cane Grower	3,526,304	3,448,145
Area Charge - Cane Miller	1,736,922	1,898,569
Area Charge - Other Crops	134,206	123,530
Open Water Levies	2,108,825	2,343,280
Open Water Excess	83,081	76,611
Open Water River Base	8,337	43,914
Open Water River Excess	-	1,097
Commercial Water	-	61,787
Sale of Structures	608	3,875
Burdekin Shire Council Levies	170,322	161,556
Licence/New Meter Fees	-	2,327
Hire of Equipment	17,617	14,709
Administration Charge	550	705
Sundry Income	68,125	44,018
Total	7,854,895	8,024,822
Grants and Other Contributions		
Grants	148,500	111,000
Total	148,500	111,000

Accounting Policy

Revenue from the sale of goods or rendering of a service is recognised when the revenue is earned and can be measured reliably with a sufficient degree of certainty. Other revenue is recognised when the right to receive the revenue has been established.

3 - Other Revenue

Interest Received - Online Fund	19,433	39,238
Interest Received - Entitlement Fund	23,196	24,552
Interest Received - Northern Development Fund	82,589	57,487
Interest Received - Southern Development Fund	49,480	34,133
Interest Received - Overdue Accounts	3,544	20,197
Total	178,252	175,607

Accounting Policy

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

As per the Water Act 2000 (Qld) the Authority is charging interest after 60 days of any unpaid amounts. The rate of simple interest charged will be the Authority's nominated Bank Business Reference Rate as published by the nominated bank from time to time plus four percentage points rounded to the nearest dollar on all outstanding rates and charges commencing 60 days from the date of issue of the subject rate or charge. The interest rate is reviewed monthly. Such interest will continue to accrue until the rate or charge is paid in full. If accrued, the interest will become due and payable concurrently with the original rate or charge.

4 - Employee Expenses

Employee Benefits		
Wages and Salaries	1,269,336	1,266,638
Superannuation	190,573	181,034
Annual Leave Expense	136,247	141,858
Long Service Leave Expense	42,357	24,753
Employee Related Expenses		
Workers Compensation	4,233	5,561
Payroll Tax	31,854	33,267
Other	120,038	76,445
Total	1,794,438	1,729,558

The number of employees as at 30 June including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2017	2016
Number of Employees	25	25

Accounting Policy

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

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

LOWER BURDEKIN WATER
For the year ended 30 June 2017

Wages, Salaries, and Sick leave

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

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

Prior history indicates that on average, personal leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused personal leave entitlements is recognised except for the one employee to whom personal leave vests, where the personal leave expense is recognised as it accrues.

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The interest rates attaching, as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The Authority has chosen to calculate the value of the liability based on current pay rates and projected future increases in those rates and also includes related employee on costs. The liability is treated as a provision of the Authority. The value of current and non-current balances provided for is \$351,085. Refer Note 12.

Annual Leave

A liability for annual leave is recognised and based on current wage and salary levels with an additional allowance being made for annual leave loading. The liability is treated as a provision of the Authority. The value of current and non-current balances accrued is \$235,269. Refer Note 12.

Superannuation

Employer superannuation contributions are paid to the employee's nominated superannuation fund. Contributions are expensed in the period in which they are paid. This liability is treated as a creditor of the Authority and no provision is shown in the financial statements.

Key Executive Management Personnel and Remuneration

Key executive management personnel and remuneration disclosures are made in accordance with Section 5 to the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to Note 4a, 4b and 4c for the disclosures on key executive management personnel and remuneration.

	2017 \$	2016 \$
Remuneration of Board Members and Senior Management		
Board Members		
Payments in respect of attendance at Meetings	65,300	84,540
Total Payments to Board Members	<u>65,300</u>	<u>84,540</u>
Board Members whose income was within the following bands:		
Earnings in the range \$0 - \$5,000	1	1
Earnings in the range \$5,001 - \$15,000	5	6
Earnings in excess of \$15,001	1	1

4a. Key Executive Management Personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the authority for the 2016-17 period. Further information on these positions can be found in the body of the Annual Report under the Section relating to Executive Management.

Position and responsibilities	Current Incumbents*	
	Contract classification and appointment authority	Date appointed to position (Date resigned from position)
Executive Officer - responsible for the day to day operations, finances, governance and due diligence of the Authority.	Salary	Appointed 4/06/2012
Operations Managers - responsible for maintaining all plant and equipment, maintaining aquifers and providing entitlement holders with surface water when requested.	Salary	Appointed 02/08/2013 and 28/08/1989
Finance Officer - responsible for providing high quality, consistent and cost effective financial services to all the Authority's functional areas.	Salary	Appointed 25/10/2010
Technical Officer - responsible for maintaining all the technical aspects of the Authority including but not limited to the geographic information systems, research and development and project management.	Salary	Appointed 25/07/2016

* Date appointed to position refers to the date appointed by the predecessor abolished Water Board from which employee was transferred to Lower Burdekin Water on 19 February 2015.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

4b. Remuneration

Remuneration policy for the Authority's key executive management personnel is set by Lower Burdekin Water. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts.

Remuneration expenses for key executive management personnel comprises the following components:

Short term employee benefits which include:

* Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.

* Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

Long term employee benefits include long service leave accrued.

Post employment benefits include superannuation contributions.

Redundancy payments are not provided for within individuals contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice of termination, regardless of the reason of termination.

Performance bonuses are not paid under contracts in place.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

1 July 2016 - 30 June 2017

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employee Expenses	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$	\$	\$	\$	\$	\$
Executive Officer	181,346	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$22,359	The employee is not currently entitled to any long service leave	23,112	-	226,818
Operations Manager 1	115,655	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$17,354	The employee is not currently entitled to any long service leave	10,674	-	143,683
Operations Manager 2	121,580	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$17,489	Entitled to \$1,033 of long service leave	17,303	-	157,404
Finance Officer	107,412		The employee is not currently entitled to any long service leave	15,168	-	122,580
Technical Officer	71,731		The employee is not currently entitled to any long service leave	10,179	-	81,910
Total Remuneration	597,724	57,202	1,033	76,437	-	732,395

1 July 2015 - 30 June 2016

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employee Expenses	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$	\$	\$	\$	\$	\$
Executive Officer	176,376	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$22,359	The employee is not currently entitled to any long service leave	22,245	-	220,980
Operations Manager 1	108,562	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$15,523	The employee is not currently entitled to any long service leave	10,231	-	134,316
Operations Manager 2	118,711	Full private use of company vehicle subject to FBT, Reportable Employee FBT amount was \$17,502	Entitled to 17.10 hours of long service leave	16,905	-	154,127
Finance Officer	102,234		The employee is not currently entitled to any long service leave	14,538	-	116,772
Total Remuneration	505,883	55,384	1,009	83,918	-	626,194

LOWER BURDEKIN WATER
For the year ended 30 June 2017

4c. Related Party Transactions

Transactions with people/entities related to Key Management Personal (KMP)

A KMP had received several debtor letters in regards to outstanding invoices. This process was initiated because the outstanding debt owed to the Authority was sixty days over the Authority's thirty day payments terms. The Authority's debtor process was implemented in order to recover the outstanding debt. While the amount outstanding on each occurrence was not material, the total amount of all the debtor letters issued for the financial year would be considered material as the total amounted to \$24,363.

A related party of a KMP had received one debtor letter in regards to outstanding invoices. This process was initiated because the outstanding debt owed to the Authority was sixty days over the Authority's thirty day payments term. The Authority's debtor process was implemented in order to recover the outstanding debt. The amount outstanding on this occurrence was not material.

A quarry company of which a KMP is a director was used to supply rock material to conduct various channel repairs in the Authority area during 2016-17. While each individual invoice was not material, the total amount of all the invoices paid as identified in the accounting system would be considered material as the total amounted to \$29,453. These invoices were paid under the standard accounts payable procedure for the Authority.

A transport and concrete company and quarry company of which a KMP is a director was used to transport plant and equipment and supply quarry materials to various sites within the Authority area during 2016-17. Two individual invoices were material, one totaling \$25,468 and the other totalling \$18,512. These invoices were for the supply of sand materials. All other individual invoices were not material, however the total amount of all the other individual invoices paid as identified in the accounting system would be considered material as the total amounted to \$69,531. These invoices were paid under the standard accounts payable procedure for the Authority.

Several KMP had numerous revenue based transactions throughout the reporting period. Since these transactions were ordinary transactions these were not disclosed.

	2017 \$	2016 \$
5. Supplies and Services		
<i>Administration</i>		
Overheads	618,391	357,605
<i>Operations</i>		
Vehicles	46,860	55,379
Equipment	217,176	253,108
Pump Stations	2,243,239	2,621,376
Channels	14,100	6,025
Research and Development	13,432	28,571
Water Allocation Charges	838,522	1,047,302
<i>Maintenance</i>		
Vehicles	14,870	29,503
Equipment	76,196	135,842
Pump Stations	378,942	76,833
Channels	90,200	32,708
Dams	-	2,501
Aquifers	50,745	430
Workshop	40,284	27,097
Total	<u>4,642,955</u>	<u>4,674,278</u>

5a. External Audit Fees

Total External Audit Fees payable to Queensland Audit Office relating to the 2016-17 period are \$36,100. There are no non audit services included in this amount.

Accounting Policy

For a transaction to be classified as supplies and services, the value of goods and services received by the Authority must be of approximately equal value to the value of the consideration exchanged for those goods or services.

6. Cash and Cash Equivalents

Operating Fund Bank Account	1,389,957	456,815
Online Interest Account	47,688	2,885,599
Leave Provision Account	926,353	903,157
Northern Development Account	2,945,958	2,311,820
Southern Development Account	729,425	1,409,913
Petty Cash	200	200
Undeposited Funds Account	4,056	-
Total	<u>6,043,637</u>	<u>7,967,505</u>

Accounting Policy

Cash and cash equivalents include all cash and cheques receipted at 30 June as well as deposits held at call with financial institutions.

7. Receivables

Trade Debtors	661,848	712,667
Provision for Impairment	(3,000)	(3,000)
GST Payable	82,029	51,889
GST Receivable	0	(2,495)
Other Receivables	0	(1,493)
Total	<u>740,876</u>	<u>757,568</u>

Accounting Policy

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

	2017 \$	2016 \$
8. Inventories		
Meters	71,980	54,763
Structures	17,505	27,891
Total	<u>89,483</u>	<u>82,653</u>

Accounting Policy

Inventories held for distribution are those inventories which the Authority distributes for no or nominal consideration. These consist of water meters and structures provided for rateable farmers. Inventories held for distribution are measured at replacement cost adjusted, where applicable, for any loss of service potential.

Non Current Assets

9. Intangible Assets

Purchase of Additional 45,000 ML of Water Allocation	4,500,000	4,500,000
Total	<u>4,500,000</u>	<u>4,500,000</u>

Accounting Policy

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the Authority, less any anticipated residual value. The residual value is zero for all the Authority's intangible assets. If the useful life of the intangible asset is indefinite then the asset is not amortised.

It has been determined that there is not an active market for any of the Authority's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Purchase of Additional 45000 ML Water Allocation above the allocations gazetted in 1992.

The purchase of an additional 45000 megalitres of water allocation above the allocations gazetted in 1992 was based on a commercial contractual agreement. This allocation is non-transferrable nor tradeable under current provisions contained within the Water Act 2000. The asset has been recorded at cost.

The intangible asset is the purchase price for an indefinite life licence for water allocation from the board of Natural Resources and Mines. The licence for water allocation is tradeable at market value. The water volume is replenished every year from the Burdekin Dam. The intangible asset is measured at cost and the Authority tests for impairment each year.

10. Property, Plant and Equipment

Land

Land at fair value	667,875	685,000
	<u>667,875</u>	<u>685,000</u>

Buildings

Buildings at fair value	1,360,334	1,280,680
Accumulated Depreciation Buildings	(921,425)	(862,641)
	<u>438,909</u>	<u>418,039</u>

Plant & Equipment

Plant & Equipment at cost	3,267,722	3,030,685
Accumulated Depreciation Plant & Equipment	(1,657,989)	(1,530,162)
	<u>1,609,732</u>	<u>1,500,523</u>

Infrastructure at Independent Valuation

Infrastructure at fair value	67,507,613	66,054,862
Accumulated Depreciation Infrastructure	(29,554,134)	(28,421,309)
	<u>37,953,478</u>	<u>37,633,553</u>

Capital Work in Progress at Cost

	4,026,166	533,182
	<u>4,026,166</u>	<u>533,182</u>

Total	<u>44,696,160</u>	<u>40,770,297</u>
--------------	-------------------	-------------------

LOWER BURDEKIN WATER
For the year ended 30 June 2017

As from 2015, land, buildings, plant and equipment and infrastructure assets revalued using a market or income-based approach are accounted for using the gross method of revaluation, as per Queensland Treasury's revised Non-current Asset Policies for the Queensland Public Sector (refer to Note 14). As from 2015, for assets revalued using a cost valuation approach (e.g. depreciated replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and the carrying amount, after taking into account accumulated impairment losses.

Land

The Authority's land was last revalued based on specific appraisals by AssetVal effective from 30 June 2017. Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income methods can be utilised, and are accepted valuation methodologies under AASB 13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

Direct Comparison method which is considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land taking into account matters such as area, location and other general site characteristics. The Authority notes the Direct Comparison approach has been utilised in their assessment for all Land Assets, however fair value measurement has been either a Level 2 or 3, depending on the following assumptions:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is no active market.

If these assumptions apply to the land as per Queensland Treasury NCAP 3, the expected Fair Value is measured as a Level 3. However if an active market can be established and there are no unreasonable restrictions as to use and/or sale the measurement is deemed to be a Level 2. Land that is utilised for footpath or access restriction purposes, land that is a volumetric title, or due to its general characteristics land that has no observable active market, has been assessed as a Level 3.

The valuation techniques used to measure fair value maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

For assets valued under a Level 3, the Authority concludes the unobservable input to be the rate per square metre applied to the asset.

Infrastructure, Buildings and Other Assets

The Authority's infrastructure, buildings, and other assets were last revalued based on specific appraisals including on site inspections by AssetVal effective from 30 June 2017. The Authority's infrastructure, buildings, and other assets were last revalued based on specific appraisals not including on site inspections by AssetVal effective from 30 June 2017.

Where there is an active and liquid market as evidenced by sales transactions of similar asset types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

The infrastructure, building and other asset valuations have been undertaken on a Cost Approach (Current Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no market, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.
- In determining the level of accumulated depreciation for major assets, these assets have been disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available. The condition assessment is applied on a component basis.
- While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The Condition rating inputs for infrastructure can be defined in the following table:

- Brand new or rehabilitated to new with no visible deterioration. 95-100%
- Excellent overall early stages of deterioration. 55-95%
- Fair overall condition, obvious deterioration, some serviceability loss. 15-55%
- Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs. 5-15%
- Extremely poor condition, severe serviceability problems. Renewal required immediately. 0-5%

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

10. Property, Plant and Equipment Reconciliation

	Land \$	Buildings \$	Infrastructure \$	Plant & Equipment \$	Capital Works in Progress \$	TOTALS \$
Carrying amount at 1 July 2016	685,000	418,039	37,633,553	1,500,523	533,182	40,770,297
Acquisitions	-	-	133,253	412,607	3,764,903	4,310,763
Disposals	-	-	(37,912)	(129,083)	-	(166,995)
Transfers between classes	-	33,550	238,369	-	(271,920)	-
Revaluation Increment / (Decrement)	(17,125)	14,100	731,244	-	-	728,220
Depreciation	-	(26,780)	(745,028)	(174,314)	-	(946,123)
Carrying amount at 30 June 2017	667,875	438,909	37,953,478	1,609,732	4,026,166	44,696,160

The capital works in progress relate to Infrastructure Major Works (\$3,519,119) and Infrastructure Gates/Culverts (\$507,045).

The following sensitivity analysis was implemented to observe the impact of unobservable inputs to Fair Value for Infrastructure Assets:

Accounting Policy

Acquisition of Assets

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

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Property, Plant & Equipment

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

Buildings	\$1,000
Infrastructure	\$1,000
Plant & Equipment	\$5,000
Land	\$1

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

Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential (arising from ordinary wear and tear etc) is expensed.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

Depreciation

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

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

The estimation of useful lives of assets for any newly acquired assets between full comprehensive asset revaluations will be determined based on either the contracted asset revaluation company's advice, manufacturer's advice, historical experience with similar assets as well as considerations such as asset turnover practices. Reassessments of useful lives are undertaken annually by the Authority. Any consequential adjustments to remaining useful life estimates and implemented prospectively.

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

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

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

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

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

Buildings	2-20 years
Plant & Equipment	3-35 years
Infrastructure	20-80 years

Impairment of Non-Current Assets

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

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

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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

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

LOWER BURDEKIN WATER
For the year ended 30 June 2017

	2017 \$	2016 \$
11. Payables		
Trade Creditors	1,959,110	1,303,610
Accrued Superannuation	-	-
	<u>1,959,110</u>	<u>1,303,610</u>

Accounting Policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

12. Accrued Employee Benefits - Current

Annual Leave	235,269	264,205
Long Service Leave	282,349	245,031
Sick Leave	45,896	44,840
Employee related on-costs	6,821	12,068
	<u>570,335</u>	<u>566,144</u>

Accrued Employee Benefits - Non-current

Long Service Leave	68,736	72,226
	<u>68,736</u>	<u>72,226</u>

Total Accrued for Employee Benefits

	<u>639,071</u>	<u>638,370</u>
--	----------------	----------------

13. Other Liabilities

Accrued Expenses	39,955	181,958
	<u>39,955</u>	<u>181,958</u>

Accounting Policy

Provisions are recorded when the Authority has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

14. Asset Revaluation Surplus by Class:

	Buildings \$	Infrastructure \$	Total \$
Balance 1 July 2016	13,613	933,199	946,811
Revaluation Increment	14,100	731,244	745,345
Carrying amount at 30 June 2017	<u>27,713</u>	<u>1,664,443</u>	<u>1,692,156</u>

Revaluations of Non-Current Physical and Intangible Assets

Land, buildings and infrastructure and major plant and equipment are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable (refer also to an explanation later in this note regarding the impact of different methods of accounting for accumulated depreciation and accumulated impairment losses in conjunction with revaluations).

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

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

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

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

Property, plant and equipment classes measured at fair value (refer above) are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by management employees (Executive Officer, Finance Officer and Engineering) who determine the specific revaluation practices and procedures and oversees the revaluation processes. Management undertakes annual reviews of the revaluation practices (after each year's revaluation exercise), and reports to the Board regarding the outcomes of, and recommendations arising from, each annual review.

Revaluations using independent professional valuer or internal expert appraisals are undertaken annually. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Materiality concepts (according to the *framework for the Preparation and Presentation of Financial Statements*) are considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

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

LOWER BURDEKIN WATER
For the year ended 30 June 2017

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 Authority ensures that the application of such indices would result in a valid estimation of the asset's fair value at reporting date. AssetVal supplied the indices used for the various types of assets. Such indices are either publicly available or derived from market information available to AssetVal. AssetVal provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assess and confirms the relevance and suitability of indices provided by AssetVal based on the Authority's own particular circumstances.

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

On revaluation:

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

In previous years, Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector (NCAPs) mandated the gross method of revaluation for all revaluations. However, from 1 July 2014, the NCAPs now require either the gross or net method be used, according to the valuation approach adopted for individual assets (as explained above). In accordance with the above policies, this means a reported asset class may contain assets for which revaluations are accounted for using either method. While this does not impact on carrying amounts (i.e. fair values) reported, it does make a significant difference to the figures displayed for gross, accumulated depreciation and accumulated impairment losses.

Fair Value Measurement

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

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

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

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

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

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

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

More specific fair value information about the Authority's Property, Plant and Equipment is outlined in Note 10.

15. Commitments and Contingencies

Lower Burdekin Water currently implements a cash reserve balance contingency that is used to fund capital projects and set at an adequate level in order to cover all area income streams. This acts as a risk mitigation strategy in the event of a failed agricultural season in the Lower Burdekin Water authority area.

16. Events Occurring after Balance Date

The Authority considers the following events to have a potential significant unbudgeted financial impact. Bulk water pricing in that any significant changes to the current bulk water pricing arrangements would cause a large unbudgeted financial burden on the authority. A Native title claim has been filed over land which includes land within the Authority area, this may have an impact on the authority if legal proceedings are initiated.

LOWER BURDEKIN WATER
For the year ended 30 June 2017

	2017 \$	2016 \$
17. Reconciliation of Operating Result to Net Cash from Operating Activities		
Operating surplus/(deficit)	731,150	962,021
Non-Cash items:		
Depreciation expense	946,123	978,286
Net gains on disposal of property, plant and equipment	-	(32,912)
Net losses on disposal of property, plant and equipment	49,856	-
Revaluation decrement	17,125	-
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	50,819	634,369
(Increase)/decrease in GST input tax credits receivable	(32,634)	37,665
(Increase)/decrease in other receivables	(1,493)	1,493
(Increase)/decrease in inventories	(6,830)	(6,183)
(Increase)/decrease in prepayments/other	1,443	2,036
Increase/(decrease) in payable and other liabilities	513,497	841,744
Increase/(decrease) in accrued employee benefits	701	(12,061)
Net cash from operating activities	<u>2,269,754</u>	<u>3,406,456</u>

LOWER BURDEKIN WATER
For the year ended 30 June 2017

CERTIFICATE OF LOWER BURDEKIN WATER

These general purpose financial statements have been prepared pursuant to section 62(1)(a) of the Financial Accountability Act 2009 (the Act), s.43 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Lower Burdekin Water for the financial period ended 30 June 2017 and of the financial position of the Authority as at the end of that year, and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



11/08/17

M. Caspanello
CHAIRPERSON



11/08/17

D. Sartori
EXECUTIVE OFFICER

INDEPENDENT AUDITOR'S REPORT

To the Board of Lower Burdekin Water

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Lower Burdekin Water.

In my opinion, the financial report:

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

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

Basis for opinion

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

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

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

Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

Those charged with governance is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

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

The Board is also responsible for assessing the entity'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 entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity'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 entity'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 entity 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 Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



Rachel Vagg
as delegate of the Auditor-General



Queensland Audit Office
Brisbane