

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Infrastructure, Local Government and Planning

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Infrastructure, Local Government and Planning. In my opinion, the financial report:

- a) gives a true and fair view of the department'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.

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

Basis for opinion

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

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

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

Key audit matters

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

Valuation of land inventory (\$305.495 million)

Refer to note 11 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>The Department undertakes an annual review of the land holdings and development projects to ensure the Land inventory is valued at the lower of cost and net realisable value.</p> <p>Industrial land is independently valued by a certified valuer annually.</p> <p>Internal business case reviews are used to value residential and urban land inventory. The model used involved significant judgments in the assumptions in the estimates for future cash flows for the development project including:</p> <ul style="list-style-type: none"> • sales rates • land pricing • expected date of completion • future development costs 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessed managements controls over the valuation of Land inventory. • Obtaining an understanding of the model, and assessing their design, integrity and appropriateness with reference to common industry practices. • Assessing the competence, capability and objectivity of the experts used by the Department to value industrial land. • Evaluating the methodology for allocating costs against the land inventory balance and assessing the model's design and integrity. • Assessing the reasonableness of future project sales revenue and forecast costs by reference to key inputs used in the model for costs and sales data. • Comparing current year results with the prior year forecasts to assess the historical accuracy the assumptions and estimates. • Testing a sample of project land sale transactions to assess the accuracy of cost allocation calculations between the cost of sales and Land inventory. • Considering the impact sales achieved subsequent to the land inventory valuation against the forecast and business plan.

Classification of land as investment property (\$255.708 million)

Refer to notes 11 and 13 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>The Department recognised land as Investment property valued at \$255.708m.</p> <p>Significant judgement is applied to evaluate whether land parcels were Investment property or Land inventory.</p> <p>Investment property was valued at fair value using market approach and inventory was valued at the lower of cost and net realisable value.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the methodology for the categorisation of assets between Investment property and Land inventory. • testing a sample of transactions to confirm the appropriateness of the classification as Land inventory or Investment property.

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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


David Adams
as delegate of the Auditor-General



Queensland Audit Office
Brisbane