

# Finances

## Our financial information

### Motor Accident Insurance Commission

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These financial statements cover the Motor Accident Insurance Commission (MAIC). MAIC is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:  
Level 26, 1 William Street  
GPO Box 2203  
Brisbane, Queensland 4000

A description of the nature of MAIC's operations and its principal activities is included in the notes to the financial statements.

For information in relation to MAIC's financial report call 1800 CTP QLD (1800 287 753), email [maic@maic.qld.gov.au](mailto:maic@maic.qld.gov.au) or visit MAIC's website [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

### Nominal Defendant

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These financial statements cover the Nominal Defendant. The Nominal Defendant is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:  
Level 26, 1 William Street  
GPO Box 2203  
Brisbane, Queensland 4000

A description of the nature of the Nominal Defendant's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Nominal Defendant's financial report please call 07 3035 6321, email [nd@maic.qld.gov.au](mailto:nd@maic.qld.gov.au) or visit the Nominal Defendant's website [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

# Motor Accident Insurance Commission

## Financial summary 2020-21

The operating result for MAIC for the year ended 30 June 2021 was a surplus of \$2.32 million compared to the prior year's operating deficit of -\$31.04 million. The increase was driven by a decrease in grants expenses and increased returns on financial assets.

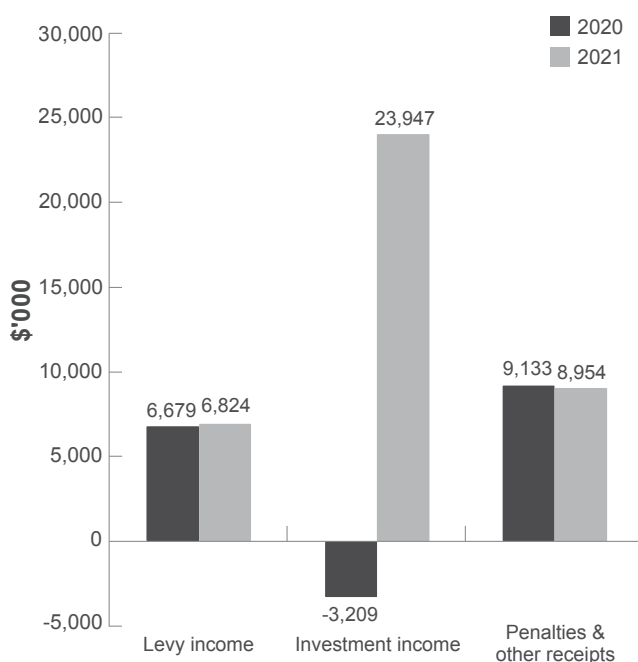
The investment returns on financial assets were \$23.95 million compared to the prior year's -\$3.21 million loss. This reflects the economic recovery from the impact of the COVID-19 pandemic on equity markets in the prior year.

The statutory insurance scheme levy per vehicle remained unchanged from 1 July 2020 at \$1.50 per annum. Penalties and other revenue decreased by \$0.18 million to \$8.95 million.

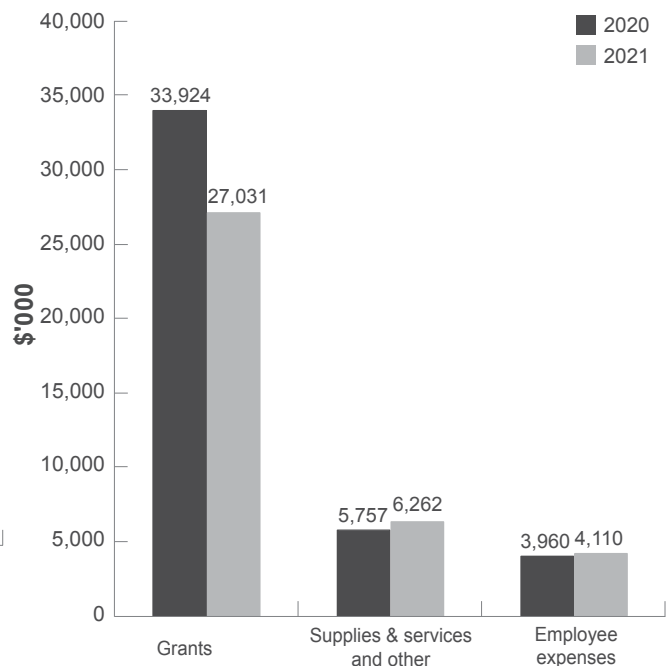
Total expenses decreased by \$6.24 million to \$37.40 million in 2020-21. MAIC's largest expense item relates to \$27.03 million grants spent on the continued funding of research programs to reduce the incidence and mitigate the effects of road trauma. The decrease in grants expense of \$6.89 million was largely due to the cessation of contracts funding rehabilitation initiatives research and strategic accident prevention research. Details of grant funding are provided in Appendix 4.

Other operating expenditure increased by \$0.51 million to \$6.26 million primarily due to higher than anticipated expenditure on improving the CTP claim lodgement process, and legal costs for claim farming and fraud prosecutions.

### Income



### Expenses



# Motor Accident Insurance Commission financial statements 2020-21

## Statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 Actual \$'000	2021 Original Budget \$'000	* Budget Variance \$'000	2020 Actual \$'000
<b>Income</b>					
Levy	3	6,824	6,675	149	6,679
Penalties	4	8,156	8,000	156	8,273
Other revenue		798	-	798	860
<b>Total revenue</b>		<b>15,778</b>	<b>14,675</b>	<b>1,103</b>	<b>15,812</b>
Net fair value gains/(losses) on other financial assets		23,947	5,708	18,239	(3,209)
<b>Total income</b>		<b>39,725</b>	<b>20,383</b>	<b>19,342</b>	<b>12,603</b>
<b>Expenses</b>					
Grants	5	27,031	31,088	(4,057)	33,924
Employee expenses	6	4,110	4,076	34	3,960
Supplies and services	7	6,218	5,473	745	5,656
Other expenses	8	44	46	(2)	101
<b>Total expenses</b>		<b>37,403</b>	<b>40,683</b>	<b>(3,280)</b>	<b>43,641</b>
<b>Operating result</b>		<b>2,322</b>	<b>(20,300)</b>	<b>22,622</b>	<b>(31,038)</b>
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income</b>		<b>2,322</b>	<b>(20,300)</b>	<b>22,622</b>	<b>(31,038)</b>

\* An explanation of major variances is included in Note 17.

The accompanying notes form part of these statements.

## Statement of financial position

as at 30 June 2021

		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		11,019	3,634
Receivables	9	775	712
Other financial assets	11&12	-	168
Prepayments		36	-
<b>Total current assets</b>		<b>11,830</b>	<b>4,514</b>
<b>Non-current assets</b>			
Other financial assets	11&12	140,263	145,085
<b>Total non-current assets</b>		<b>140,263</b>	<b>145,085</b>
<b>Total assets</b>		<b>152,093</b>	<b>149,599</b>
<b>Current liabilities</b>			
Payables	10	2,797	2,545
Accrued employee benefits		112	192
<b>Total current liabilities</b>		<b>2,909</b>	<b>2,737</b>
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>2,909</b>	<b>2,737</b>
<b>Net assets</b>		<b>149,184</b>	<b>146,862</b>
<b>Equity</b>			
Contributed equity		57,818	57,818
Accumulated surplus		91,366	89,044
<b>Total equity</b>		<b>149,184</b>	<b>146,862</b>

*The accompanying notes form part of these statements.*

## Statement of changes in equity

for the year ended 30 June 2021

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2019</b>	119,922	57,818	177,740
Net effect of change in accounting treatment*	160	-	160
Operating result	(31,038)	-	(31,038)
<b>Balance as at 30 June 2020</b>	<b>89,044</b>	<b>57,818</b>	<b>146,862</b>
 <b>Balance as at 1 July 2020</b>	 89,044	 57,818	 146,862
Operating result	2,322	-	2,322
<b>Balance as at 30 June 2021</b>	<b>91,366</b>	<b>57,818</b>	<b>149,184</b>

\* Derecognition of \$0.160M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16 which was applied for the first time in 2019-20.

The accompanying notes form part of these statements.

## Statement of cash flows

for the year ended 30 June 2021

	2021	2020
Note	Actual	Actual
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
<i>Inflows:</i>		
Levy	6,896	6,779
Penalties	8,138	8,269
GST input tax credits from ATO	2,755	3,662
GST collected from customers	42	85
Other revenue	798	886
<i>Outflows:</i>		
Grants	(27,056)	(33,997)
Employee expenses	(4,295)	(3,849)
Supplies and services	(5,008)	(2,271)
GST remitted to ATO	(42)	(85)
GST paid to suppliers	(2,804)	(3,439)
Other expenses	(39)	(95)
<b>Net cash used in operating activities</b>	CF-1 <b>(20,615)</b>	<b>(24,055)</b>
<b>Cash flows from investing activities</b>		
<i>Inflow:</i>		
Proceeds from sale of other financial assets	28,000	26,000
<b>Net cash provided by investing activities</b>	<b>28,000</b>	<b>26,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,385</b>	<b>1,945</b>
Cash and cash equivalents at beginning of financial year	3,634	1,689
<b>Cash and cash equivalents at end of financial year</b>	<b>11,019</b>	<b>3,634</b>

*The accompanying notes form part of these statements.*

*Cash represents cash at bank and cheques receipted but not banked at 30 June.*

## Note to the Statement of cash flows

for the year ended 30 June 2021

### CF-1 Reconciliation of operating result to net cash provided by operating activities

	2021 \$'000	2020 \$'000
Operating result	2,322	(31,038)
<i>Non-cash items included in operating result:</i>		
Net fair value (gains)/losses on other financial assets	(23,010)	4,245
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in prepayments	(36)	-
(Increase)/decrease in receivables	(63)	416
Increase/(decrease) in current payables	252	2,281
Increase/(decrease) in accrued employee benefits	(80)	41
<b>Net cash used in operating activities</b>	<b>(20,615)</b>	<b>(24,055)</b>

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# Notes to and forming part of the financial statements

for the year ended 30 June 2021

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION

### (a) General information

The Motor Accident Insurance Commission (MAIC) is an independent statutory body reporting to the Treasurer and Minister of Investment established under the *Motor Accident Insurance Act 1994* (the Act) which commenced operations on 1 September 1994.

The head office and principal place of business of MAIC is Level 26, 1 William St, Brisbane, QLD 4000.

### (b) Compliance with prescribed requirements

MAIC is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020.

### (c) Currency and rounding

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

### (d) Comparatives

Comparative information reflects the audited 2019-20 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

### (e) 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 expected to be settled within 12 months after the reporting date, or where MAIC does not have a right to defer settlement beyond the 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at MAIC's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

### (f) Judgements and assumptions

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.

The area involving a higher degree of judgement is in the fair value measurement of other financial assets (refer to **Note 11**).



## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

#### (g) Authorisation of financial statements for issue

The financial statements are authorised for issue by the Insurance Commissioner and the Director Finance, Procurement and Systems at the date of signing the Management Certificate.

#### (h) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

### 2. OBJECTIVES OF MAIC

MAIC is responsible for regulation and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund. It provides a framework for premium setting and ensures compliance with the provisions of the Act. It also conducts research in motor accident prevention and rehabilitation.

### 3. LEVY

Levy income consists of Statutory Insurance Scheme (SIS) levies received to fund the estimated operating costs of administering the Act and also provides funding for research into accident prevention and injury mitigation.

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) to MAIC in accordance with section 27 of the Act. Under current arrangements, the levies are payable on a weekly basis.

The SIS levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act.

### 4. PENALTIES

Penalties are recognised at the time they are legally payable by DTMR and Queensland Treasury (State Penalties Enforcement Registry) to MAIC for penalties issued under s.20 of the Act. This occurs at the time of receipt of monies from uninsured motorists.

### 5. GRANTS

	2021 \$'000	2020 \$'000
Rehabilitation initiatives research	12,102	15,580
Strategic accident prevention research	9,918	12,656
Road trauma mitigation research	5,008	5,669
Other	3	19
<b>Total</b>	<b>27,031</b>	<b>33,924</b>

The payment of the above grants are dependent on the grantee organisation satisfying conditions as set out in the grant agreement. The expense is recognised when the terms and conditions of the grants have been satisfied and upon receipt of invoices.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 6. EMPLOYEE EXPENSES

	2021 \$'000	2020 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages*	3,174	3,083
Employer superannuation contributions	422	395
Leave levies	433	386
Employee related expenses	63	63
Other employee benefits	18	33
<b>Total</b>	<b>4,110</b>	<b>3,960</b>

\*2019-20 Wages and salaries include \$30,873 of \$1,250 one-off, pro-rata payments for 24.70 full-time equivalent employees (announced in September 2019).

The number of employees, including both full-time employees and part-time employees, measured on a full-time equivalent basis is 30 as at 30 June 2021 (based on fortnight ending 2 July 2021) and 29 for 30 June 2020 (reflecting Minimum Obligatory Human Resource Information).

#### **Wages, salaries and sick leave**

Wages and salaries are recognised as an expense when services are performed.

Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted. Sick leave is non-vesting and an expense is recognised when the leave is taken.

#### **Annual and long service leave**

No provision is recognised for liabilities in relation to annual and long service leave 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*.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the MAIC to cover the cost of employees' annual leave and long service leave. The levies are expensed in the period in which they are payable.

#### **Superannuation**

Employer superannuation contributions are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Contributions for accumulation plans are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreements or other conditions of employment.

The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary.

Key management personnel and remuneration disclosures are detailed in **Note 18**.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 7. SUPPLIES AND SERVICES

	2021 \$'000	2020 \$'000
Consultants and contractors	2,213	2,110
Corporate services fee	903	845
QIC management fee	871	994
Legal Fee	788	359
IT related expenses	516	257
Rent	421	403
Queensland Treasury Actuarial fees	420	407
Supplies and consumables	86	192
Advertising	-	89
<b>Total</b>	<b>6,218</b>	<b>5,656</b>

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

Under AASB 16 *Leases*, lease arrangements with substantive substitution rights or are of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. MAIC's office accommodation falls under government-wide framework arrangements which are exempt under AASB 16 as the arrangements are categorised as procurement of services rather than as leases because the Department of Energy and Public Works has substantive substitution rights over the assets. As such, accommodation costs incurred by MAIC are recognised under "Rent" expense.

### 8. OTHER EXPENSES

	2021 \$'000	2020 \$'000
Queensland Audit Office - external audit fees	22	22
Insurance premiums - QGIF	22	23
Internal audit fees	-	56
<b>Total</b>	<b>44</b>	<b>101</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$22,500 (2020: \$22,500).

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 9. RECEIVABLES

	2021 \$'000	2020 \$'000
Accrued penalties	405	387
GST receivable	296	247
Accrued SIS levy	-	72
Leave reimbursements	74	6
<b>Total</b>	<b>775</b>	<b>712</b>

Receivables are recognised at the amounts due at the time of service delivery or when they are legally payable to MAIC. Penalties are recognised at the time of receipt of monies from uninsured motorists (refer to **Note 4**). Settlement of these amounts is generally required within 30 days from invoice date. The collectability of receivables is assessed periodically and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

MAIC's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 12** for MAIC's credit risk disclosures. Where MAIC has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

### 10. PAYABLES

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade creditors	2,473	2,143
Accrued expenses	322	400
FBT payable	2	2
<b>Total</b>	<b>2,797</b>	<b>2,545</b>

Trade creditors are recognised upon receipt of the goods or services ordered. Grants payable are recognised when the terms and conditions of the grants have been satisfied and upon receipt of invoices. They are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 11. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable inputs.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued.

MAIC recognises other financial assets invested with QIC at fair value through profit and loss. The fair value is measured at market value based on closing unit prices of QIC unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

While the units in the trust have redemption prices and are able to be traded, the market would not be considered active for level 1, therefore, they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the fund manager. Classification of instruments into fair value hierarchy levels is reviewed annually. There were no transfers of assets between fair value hierarchy levels during the period.

The fair value of receivables and payables is assumed to be approximately the value of the original transaction.

The carrying amount for cash assets represents the fair value.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 12. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

MAIC has the following categories of financial assets and financial liabilities:

Category	Note	2021 \$'000	2020 \$'000
<b>Financial assets</b>			
Cash and cash equivalents		11,019	3,634
Receivables (amortised cost)	9	775	712
Other financial assets (FVTPL)		140,263	145,253
<b>Total</b>		<b>152,057</b>	<b>149,599</b>
<b>Financial liabilities</b>			
Current payables (amortised cost)	10	2,797	2,545
<b>Total</b>		<b>2,797</b>	<b>2,545</b>

MAIC's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

MAIC's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

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

#### (b) Financial risk management

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

Risk exposure is measured using a variety of methods:

Risk Exposure	Measurement Method
Credit risk	Earnings at risk
Liquidity risk	Maturity analysis
Market risk	Sensitivity analysis

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 12. FINANCIAL RISK DISCLOSURES - continued

#### (i) *Credit risk*

Credit risk exposure refers to the situation where MAIC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Note 9** and **Note 12(a)** represents MAIC's maximum exposure to credit risk at balance date.

MAIC seeks to reduce the exposure to credit risk in the following manner:

- invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding MAIC's future cash requirements and to agree the investment mandate;
- all funds owed are monitored on a timely basis; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole-of-government banking arrangement managed by Queensland Treasury.

MAIC does not expect any material credit losses in relation to its receivables disclosed in **Note 9**. The debtor group comprises of Queensland and Australian Government entities. They are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

#### (ii) *Liquidity risk*

Liquidity risk refers to the situation where MAIC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

MAIC is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. MAIC manages its exposure to liquidity risk by ensuring that MAIC has sufficient funds available to meet its liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.

#### (iii) *Market risk*

Market risk is 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 of currency risk, interest rate risk and other price risk.

The significant market risks to MAIC relate to its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to MAIC's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three-year return forecasts.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 12. FINANCIAL RISK DISCLOSURES - continued

#### (c) Market risk sensitivity analysis

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of MAIC's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

MAIC's sensitivity to these possible changes are shown in the table below.

Investment	2021				2020			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
	%	%	\$'000	\$'000	%	%	\$'000	\$'000
QIC Long Term Diversified Fund	-11	11	(15,429)	15,429	-11	10	(15,959)	14,509

The unit price risk of QIC Cash Fund and the interest rate risk associated with MAIC's cash and cash equivalents are immaterial.

### 13. CONTINGENCIES

MAIC did not have any contingent assets or liabilities at 30 June 2021.

### 14. GRANT COMMITMENTS

Commitments for grant expenditure contracted at reporting date (inclusive of non-recoverable GST input tax credits) but not recognised in the financial statements are payable as follows:

	2021 \$'000	2020 \$'000
Not later than one year	16,721	25,734
Later than one year and not later than five years	17,451	29,037
<b>Total</b>	<b>34,172</b>	<b>54,771</b>

Approval has been given to grantees in accordance with formal agreements, provided certain criteria are met.



## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 15. EVENTS OCCURRING AFTER THE REPORTING DATE

MAIC has not had any material events occurring after 30 June 2021.

### 16. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, there are no expected material impacts from any new or amended Australian Accounting Standards with a future effective date.

### 17. BUDGETARY REPORTING DISCLOSURES

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

As the 2020-21 original budget presented to parliament does not include a budgeted Statement of Financial Position and Statement of Cash Flows, no disclosure of budget to actual variance is required under AASB 1055 for these statements and no explanation of variances are provided.

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity.

#### Explanations of major variances

##### Statement of Comprehensive Income

<i>Other revenue</i>	The increase in other revenue relates to return of unspent grant funds.
<i>Net fair value losses/gains on other financial assets</i>	The increase in net fair value gain on other financial assets is primarily due to higher than expected earnings on investments as a result of improvements in global equity markets.
<i>Grants</i>	The variance in grant payments is due to lower than anticipated investment in research activities.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to higher than anticipated expenditure on improving the CTP claim lodgement process, and legal costs for claim farming and fraud prosecutions.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 18. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The Treasurer and Minister of Investment is identified as part of MAIC's KMP, consistent with additional guidance included in the revised version of AASB124 *Related Party Disclosures*.

The following details for non-Ministerial key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2020-21 and 2019-20. All key management personnel also provide services to the Nominal Defendant and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The Insurance Commissioner also provides services to the National Injury Insurance Scheme (Queensland) (NIISQ) as Chief Executive Officer commencing 2 June 2021. The remuneration disclosed below relates to their service as a KMP of MAIC for the period. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.
General Manager MAIC	Leads and manages the strategies, policies and performance with respect to the regulation of the CTP scheme.
Director Finance, Procurement and Systems	Responsible for the efficient, effective and economic financial management and procurement of MAIC and oversight of the IT system roadmap for the organisation.
Director Policy Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis and reporting, premiums and levies advice and business intelligence functions for MAIC.

#### Remuneration policies

The Treasurer's ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. MAIC does not bear any cost of remuneration of Ministers. The majority of ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers are 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.

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

Remuneration expenses for KMP comprise the following components:

- Short term employee expenses which include:
  - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 18. KEY MANAGEMENT PERSONNEL AND REMUNERATION - continued

- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

#### Remuneration expense

The following disclosures focus on the expenses incurred solely by MAIC that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

##### 1 July 2020 to 30 June 2021

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	146	3	16	-	165
General Manager MAIC	141	3	15	-	159
Director Finance, Procurement and Systems	104	2	13	-	119
Director Policy, Performance and Improvement	96	2	12	-	110
Director Analytics	103	2	13	-	118

\*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

##### 1 July 2019 to 30 June 2020

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	142	3	16	-	161
General Manager MAIC	140	3	15	-	158
Director Finance, Procurement and Systems	103	2	13	-	118
Director Policy, Performance and Improvement	93	2	11	-	106
Director Analytics	103	2	12	-	117

\*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

No KMP remuneration packages provide for performance or bonus payments.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 19. RELATED PARTY TRANSACTIONS

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of MAIC.

#### Transactions with other Queensland Government-controlled entities

MAIC received levy income from the Department of Transport and Main Roads (DTMR) in accordance with the Act (**Note 3**).

MAIC received penalty income from DTMR and Queensland Treasury (State Penalties Enforcement Registry) in accordance with the act (**Note 4**).

MAIC provided grant funding to Queensland Police Service (QPS) and Department of Transport and Main Roads (DTMR) to support targeted research and service delivery initiatives as a means of reducing the number of crashes on Queensland roads and the associated number of claims to the Queensland CTP scheme. The funding to DTMR also includes a specific allocation to support the pilot of the Cooperative and Autonomous Vehicle Initiative (**Note 5**).

MAIC provided grant funding to both the Metro South and Metro North Hospital and Health Services for supporting Transitional Rehabilitation Service and Jamieson Trauma Institute respectively (**Note 5**).

The Insurance Commissioner was appointed as Chief Executive Officer of the National Injury Insurance Scheme (Queensland) (NIISQ) on 2 June 2021, and provided services to them as a related party from that date.

MAIC receives corporate support and actuarial services from Queensland Treasury, and incurs management fees from QIC for the management of the QIC unlisted unit trusts. These supplies and services are disclosed in (**Note 7**).

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 20. AGENCY TRANSACTIONS

MAIC receives Hospital and Emergency Services Levy amounts from the DTMR on gross insurance premiums on behalf of Queensland Health (QH), the Public Safety Business Agency (PSBA), Queensland Fire and Emergency Services (QFES) and Queensland Police Service (QPS). Details of amounts collected and administered during the year and the amount held on behalf of these agencies at 30 June are as follows:

Type of Levy	Levies collected from DTMR		Contributions paid to QH, PSBA, QFES & QPS		Outstanding levies for remittance to QH, PSBA, QFES & QPS	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Levies collected but not remitted in the previous year	8,984	7,205	-	-	-	-
Hospital levy	76,794	76,887	(78,369)	(75,203)	6,954	8,528
Emergency Services levy - QFES	3,244	2,758	(3,265)	(2,691)	290	312
Emergency Services levy - PSBA	1,298	1,295	(1,327)	(1,267)	115	144
Emergency Services levy - QPS	145	-	-	-	145	-
<b>Total</b>	<b>90,465</b>	<b>88,145</b>	<b>(82,961)</b>	<b>(79,161)</b>	<b>7,504</b>	<b>8,984</b>

Levies collected on behalf of QH, PSBA, QFES and QPS during the current year have not been included as revenue in the Statement of Comprehensive Income as these amounts are not controlled. Similarly, remittances made to these agencies have not been included as expenses.

### 21. TAXATION

MAIC is a statutory 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 MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to **Note 9** and **Note 10** respectively).

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 22. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

#### Accounting standards applied for the first time

MAIC applied AASB 1059 *Service Concession Arrangements: Grantors* for the first time 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. MAIC does not currently have any arrangements that would fall within the scope of AASB 1059.

No other accounting standards or interpretations that apply to MAIC for the first time in 2020-21 have any material impact on the financial statements.

#### Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

### 23. IMPACT OF COVID-19 PANDEMIC

MAIC has not identified any significant impacts of COVID-19 on the financial report as at 30 June 2021.

The impact of the COVID-19 pandemic on the market value of MAIC's other financial assets in 2019-20 are reflected in the fair value of the financial assets as reported in the comparative figures in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 11 & 12**.

### 24. CLIMATE RISK DISCLOSURE

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

# Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2021 and of the financial position of MAIC at the end of that year; and

We acknowledge responsibility under section 7 and section 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.



L LEE  
B.Com, CA  
Director Finance, Procurement and Systems  
24 August 2021



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
24 August 2021

# Independent auditor's report

To the Insurance Commissioner of Motor Accident Insurance Commission

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Motor Accident Insurance Commission. In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2021, 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 as at 30 June 2021, 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 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 *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.

### Responsibilities of the Insurance Commissioner for the financial report

The Insurance Commissioner 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 Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner 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. This is not done for the purpose of expressing an opinion on the effectiveness of the 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 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 Insurance Commissioner 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.

## 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 2021:

- 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 entity's transactions and account balances to enable the preparation of a true and fair financial report.



Paul Christensen  
as delegate of the Auditor-General

26 August 2021

Queensland Audit Office  
Brisbane

# Nominal Defendant

## Financial summary 2020-21

The Nominal Defendant's operating surplus for the 2020-2021 financial year was \$64.62 million.

The \$55.94 million increase in operating surplus from prior year's \$8.68 million was driven by strong investment returns on financial assets. Total investment returns on financial assets were \$64.05 million compared to the prior year's -\$1.30 million loss. This reflects the recovery from the impact of the COVID-19 pandemic on the equity markets in 2019-2020.

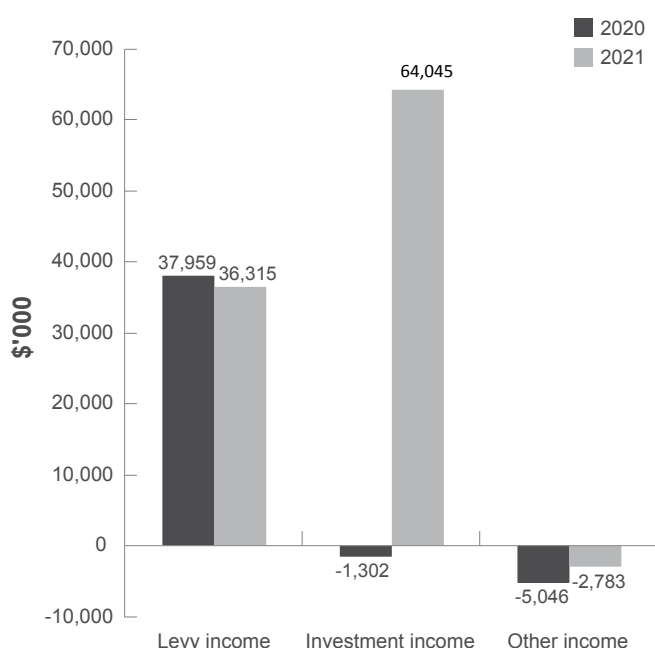
From 1 July 2020, the Nominal Defendant levy decreased by \$0.50 to \$8.00 per Class 1 vehicle and generated income of \$36.32 million, representing a \$1.64 million reduction from the prior year. Actuarial assessments at 30 June 2021 resulted in a decrease of \$2.26 million in reinsurance and other recoveries.

Total expenses increased from \$22.94 million in 2019-2020, to \$32.96 million in 2020-2021. This is primarily a result of higher claim payments and associated settlement costs. The Nominal Defendant's gross outstanding claims liabilities were actuarially assessed at 30 June 2021 to be \$137.86 million, a decrease of \$4.10 million from the prior year. Nominal Defendant claim payments were \$32.59 million (prior year \$20.61 million) and claim recoveries were \$0.27 million (prior year \$0.45 million).

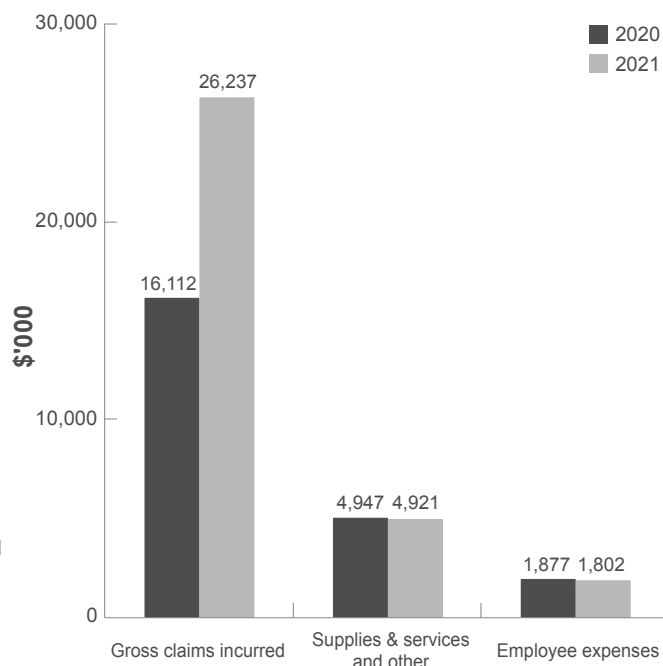
Claim payments of \$2.96 million were made in 2020-2021 in relation to FAI claims resulting from the insolvency of the HIH Group of companies in 2001. The Nominal Defendant has now finalised all claims relating to FAI and has no outstanding claims liability for FAI at 30 June 2021.

The Nominal Defendant is in a fully funded position with financial assets more than sufficient to meet all obligations arising from the outstanding claims liability.

### Income



### Expenses



# Nominal Defendant financial statements 2020-21

## Statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 Actual \$'000	2021 Original Budget \$'000	* Budget Variance \$'000	2020 Actual \$'000
<b>Income</b>					
Levy	3	36,315	35,330	985	37,959
Reinsurance and other recoveries	4	(2,840)	-	(2,840)	(5,101)
Other revenue		57	-	57	55
<b>Total revenue</b>		<b>33,532</b>	<b>35,330</b>	<b>(1,798)</b>	<b>32,913</b>
Net fair value gains/(losses) on other financial assets		64,045	16,310	47,735	(1,302)
<b>Total income</b>		<b>97,577</b>	<b>51,640</b>	<b>45,937</b>	<b>31,611</b>
<b>Expenses</b>					
Gross claims incurred	4	26,237	34,302	(8,065)	16,112
Employee expenses	5	1,802	1,991	(189)	1,877
Supplies and services	6	4,445	4,459	(14)	4,373
Depreciation and amortisation		433	433	-	519
Other expenses	7	43	45	(2)	55
<b>Total expenses</b>		<b>32,960</b>	<b>41,230</b>	<b>(8,270)</b>	<b>22,936</b>
<b>Operating result</b>		<b>64,617</b>	<b>10,410</b>	<b>54,207</b>	<b>8,675</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>64,617</b>	<b>10,410</b>	<b>54,207</b>	<b>8,675</b>

\* An explanation of major variances is included in Note 17.

The accompanying notes form part of these statements.

## Statement of financial position

as at 30 June 2021

	Note	2021 Actual \$'000	2020 Actual \$'000
<b>Current assets</b>			
Cash and cash equivalents		9,378	17,466
Receivables	8	86	467
Other financial assets	12 & 13	167,782	186,076
Claim recoveries	10	692	769
Prepayments		14	-
<b>Total current assets</b>		<b>177,952</b>	<b>204,778</b>
<b>Non-current assets</b>			
Other financial assets	12 & 13	381,714	346,982
Claim recoveries	10	4,155	7,192
Intangible assets	9	-	433
<b>Total non-current assets</b>		<b>385,869</b>	<b>354,607</b>
<b>Total assets</b>		<b>563,821</b>	<b>559,385</b>
<b>Current liabilities</b>			
Payables		297	278
Accrued employee benefits		49	93
Outstanding claims liability	10	38,735	46,472
Unearned levies	3	14,022	14,870
<b>Total current liabilities</b>		<b>53,103</b>	<b>61,713</b>
<b>Non-current liabilities</b>			
Outstanding claims liability	10	99,121	100,692
<b>Total non-current liabilities</b>		<b>99,121</b>	<b>100,692</b>
<b>Total liabilities</b>		<b>152,224</b>	<b>162,405</b>
<b>Net assets</b>		<b>411,597</b>	<b>396,980</b>
<b>Equity</b>			
Accumulated surplus	11	411,597	396,980
<b>Total equity</b>		<b>411,597</b>	<b>396,980</b>

The accompanying notes form part of these statements.

## Statement of changes in equity

for the year ended 30 June 2021

	Accumulated surplus	Total equity
	\$'000	\$'000
<b>Balance as at 1 July 2019</b>	388,220	388,220
Operating result	8,675	8,675
Net effect of change in accounting treatment*	85	85
<b>Balance as at 30 June 2020</b>	<b>396,980</b>	<b>396,980</b>
 <b>Balance as at 1 July 2020</b>	 396,980	 396,980
Operating result	64,617	64,617
Transfer out to other Queensland Government entity (Note 11)	(50,000)	(50,000)
<b>Balance as at 30 June 2021</b>	<b>411,597</b>	<b>411,597</b>

\* Derecognition of \$0.085M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16 which was applied for the first time in 2019-20.

The accompanying notes form part of these statements.

## Statement of cash flows

for the year ended 30 June 2021

		2021	2020
	Note	Actual	Actual
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Levy		35,863	37,640
Claim recoveries		274	451
GST input tax credits from Australian Taxation Office (ATO)		565	629
GST collected from customers		2	1
Other revenue		57	62
<i>Outflows:</i>			
Gross claims incurred		(35,545)	(20,680)
Employee expenses		(1,890)	(1,825)
Supplies and services		(795)	(828)
GST paid to suppliers		(550)	(598)
GST remitted to ATO		(2)	(2)
Other expenses		(67)	(34)
<b>Net cash (used in) / provided by operating activities</b>	CF-1	<b>(2,088)</b>	<b>14,816</b>
<b>Cash flows from investing activities</b>			
<i>Inflow:</i>			
Proceeds from sale of other financial assets		-	7,500
<i>Outflow:</i>			
Payments for other financial assets		(6,000)	(7,500)
<b>Net cash used in investing activities</b>		<b>(6,000)</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(8,088)</b>	<b>14,816</b>
Cash and cash equivalents at beginning of financial year		17,466	2,650
<b>Cash and cash equivalents at end of financial year</b>		<b>9,378</b>	<b>17,466</b>

*The accompanying notes form part of these statements.*

*Cash represents cash at bank and cheques receipted but not banked at 30 June.*

## Note to the Statement of cash flows

for the year ended 30 June 2021

### CF-1 Reconciliation of operating result to net cash from operating activities

	Note	2021 \$'000	2020 \$'000
Operating result		64,617	8,675
<i>Non-cash items included in operating result:</i>			
Net fair value (gains)/losses on other financial assets		(60,438)	4,742
Depreciation and amortisation		433	519
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in prepayments		(14)	-
(Increase)/decrease in receivables and claim recoveries	8,10	3,495	6,227
Increase/(decrease) in current payables		19	124
Increase/(decrease) in unearned levies		(848)	(918)
Increase/(decrease) in outstanding claims liability	10	(9,308)	(4,568)
Increase/(decrease) in accrued employee benefits		(44)	15
<b>Net cash (used in) / provided by operating activities</b>		<b>(2,088)</b>	<b>14,816</b>

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.



# Notes to and forming part of the financial statements

for the year ended 30 June 2021

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION

### (a) General information

The Nominal Defendant is an independent statutory body reporting to the Treasurer and Minister of Investment established under the *Motor Accident Insurance Act 1994* (the Act).

The head office and principal place of business of the Nominal Defendant is Level 26, 1 William St, Brisbane, QLD 4000.

### (b) Compliance with prescribed requirements

The Nominal Defendant is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020.

### (c) Currency and rounding

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

### (d) Comparatives

Comparative information reflects the audited 2019-20 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

### (e) 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 expected to be settled within 12 months after the reporting date, or where the Nominal Defendant does not have a right to defer settlement beyond the 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at Nominal Defendant's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

### (f) Judgements and assumptions

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.

The Nominal Defendant places high reliance on actuarial estimates provided by Queensland Government State Actuary's Office (the Actuary), in calculating the recoveries on outstanding claims and the outstanding claims liability as at 30 June (**Notes 4 and 10**).

# Notes to and forming part of the financial statements

for the year ended 30 June 2021

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

Areas requiring a higher degree of judgement and assumptions that have a significant effect are outlined in the following statement notes:

- Levy income (**Note 3**), and
- Fair value measurement of other financial assets (**Note 12**).

### (g) Authorisation of financial statements for issue

The financial statements are authorised for issue by the Insurance Commissioner and the Director Finance, Procurement and Systems at the date of signing the Management Certificate.

### (h) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

## 2. OBJECTIVES OF THE NOMINAL DEFENDANT

The Nominal Defendant acts as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

## 3. LEVY

Levy income consists of the Nominal Defendant levy received to fund the estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years pursuant to the Act.

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) in accordance with sections 27 and 29 of the Act based on a levy on gross premiums collected for CTP motor vehicle insurance policies. Under current arrangements, the levies are payable on a weekly basis.

The Nominal Defendant levy as set out in Part 2 of the Act is treated as “premium” in accordance with the provisions of AASB 1023.

The levy is recognised in the Statement of Comprehensive Income when it has been earned on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the DTMR and having regard to the term of the CTP premium. Levies received but not earned as at 30 June are recorded as unearned levies in the Statement of Financial Position and then systematically recognised as revenue in the Statement of Comprehensive Income when earned over time.

The Nominal Defendant levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 4. NET CLAIMS INCURRED

	2021			2020		
	\$'000			\$'000		
Gross claims incurred	26,237			16,112		
Reinsurance and other recoveries	2,840			5,101		
<b>Total net claims incurred</b>	<b>29,077</b>			<b>21,213</b>		
<b>(a) Claims development</b>						
<b>Attributable to Nominal Defendant</b>						
	2021			2020		
	Current	Prior	Total	Current	Prior	Total
	Year	Years		Year	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	35,538	(5,028)	30,510	38,110	(23,978)	14,132
Discount	(853)	(1,164)	(2,017)	(607)	3,158	2,551
<b>Provisions made (Note 10)</b>	<b>34,685</b>	<b>(6,192)</b>	<b>28,493</b>	<b>37,503</b>	<b>(20,820)</b>	<b>16,683</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	632	(3,451)	(2,819)	680	(6,202)	(5,522)
Discount	(15)	(9)	(24)	(11)	432	421
	617	(3,460)	(2,843)	669	(5,770)	(5,101)
<b>Net claims incurred</b>	<b>34,068</b>	<b>(2,732)</b>	<b>31,336</b>	<b>36,834</b>	<b>(15,050)</b>	<b>21,784</b>

<b>Attributable to FAI</b>						
	2021			2020		
	Current	Prior	Total	Current	Prior	Total
	Year	Years		Year	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	-	(2,268)	(2,268)	-	(627)	(627)
Discount	-	12	12	-	56	56
<b>Provisions made (Note 10)</b>	<b>-</b>	<b>(2,256)</b>	<b>(2,256)</b>	<b>-</b>	<b>(571)</b>	<b>(571)</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	-	3	3	-	-	-
Discount	-	-	-	-	-	-
	-	3	3	-	-	-
<b>Net claims incurred</b>	<b>-</b>	<b>(2,259)</b>	<b>(2,259)</b>	<b>-</b>	<b>(571)</b>	<b>(571)</b>

<b>Total gross claims incurred</b>	<b>34,685</b>	<b>(8,448)</b>	<b>26,237</b>	<b>37,503</b>	<b>(21,391)</b>	<b>16,112</b>
<b>Total recoveries</b>	<b>617</b>	<b>(3,457)</b>	<b>(2,840)</b>	<b>669</b>	<b>(5,770)</b>	<b>(5,101)</b>
<b>Total net claims incurred</b>	<b>34,068</b>	<b>(4,991)</b>	<b>29,077</b>	<b>36,834</b>	<b>(15,621)</b>	<b>21,213</b>

Current year claims relate to risks borne in the current reporting year. Prior years claims relate to a reassessment of the risks borne in all previous reporting years.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 4. NET CLAIMS INCURRED – continued

#### (b) Claims reconciliation

	Nominal Defendant		FAI		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross claims incurred and related expenses</b>						
Claims and associated settlement costs	32,590	20,614	2,955	66	35,545	20,680
Movement in outstanding claims liability	(4,097)	(3,931)	(5,211)	(637)	(9,308)	(4,568)
<b>Total gross claims incurred</b>	<b>28,493</b>	<b>16,683</b>	<b>(2,256)</b>	<b>(571)</b>	<b>26,237</b>	<b>16,112</b>
<b>Reinsurance and other recoveries</b>						
Reinsurance and other recoveries	271	451	3	-	274	451
Movement in other recoveries receivable	(3,114)	(5,552)	-	-	(3,114)	(5,552)
<b>Total recoveries</b>	<b>(2,843)</b>	<b>(5,101)</b>	<b>3</b>	<b>-</b>	<b>(2,840)</b>	<b>(5,101)</b>
<b>Net claims incurred</b>	<b>31,336</b>	<b>21,784</b>	<b>(2,259)</b>	<b>(571)</b>	<b>29,077</b>	<b>21,213</b>

#### Gross claims

Gross claims comprise amounts required to be paid on behalf of those insured, and movement in amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.

Claims expenses are recognised in the Statement of Comprehensive Income as the costs are incurred, which is usually the point in time when the event giving rise to the claim occurs.

#### Reinsurance and other recoveries

Reinsurance and other recoveries on outstanding claims have been actuarially calculated as at 30 June by the Actuary. It is recognised as revenue and a receivable in the Statement of Comprehensive Income and Statement of Financial Position for claims incurred but not yet paid and incurred but not yet reported claims, respectively.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (**Note 10**). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

#### FAI General Insurance Company Limited (FAI)

Under the *Motor Accident Insurance Act 1994*, the Nominal Defendant is required to meet any outstanding CTP claims in the event of the insolvency of a licensed CTP insurer. The Nominal Defendant has now finalised all claims relating to FAI following the insolvency of the HIH Group of companies in March 2001. Therefore outstanding claims liability attributable to FAI is nil as at 30 June 2021.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 5. EMPLOYEE EXPENSES

	2021 \$'000	2020 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages*	1,419	1,485
Employer superannuation contributions	194	197
Leave levies	186	187
Employee related expenses	3	8
<b>Total</b>	<b>1,802</b>	<b>1,877</b>

\*2019-20 Wages and salaries includes \$18,520 of \$1,250 one-off, pro-rata payments for 14.82 full-time equivalent employees (announced in September 2019).

The number of employees, including both full-time employees and part-time employees, measured on a full-time equivalent basis is 14 as at 30 June 2021 (based on pay fortnight ending 2 July 2021) and 15 for 30 June 2020 (reflecting Minimum Obligatory Human Resource Information).

#### **Wages, salaries and sick leave**

Salaries and wages expense is recognised in the Statement of Comprehensive Income when the services are rendered. Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted.

Sick leave is non-vesting and an expense is recognised when the leave is taken.

#### **Annual and long service leave**

No provision is recognised for liabilities in relation to annual and long service leave 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*.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the Nominal Defendant to cover the cost of employees' annual leave and long service leave. The levies are expensed in the period in which they are payable.

#### **Superannuation**

Employer superannuation contributions are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Contributions for accumulation plans are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreements or other conditions of employment.

The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary.

Key management personnel and remuneration disclosures are detailed in **Note 18**.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 6. SUPPLIES AND SERVICES

	2021 \$'000	2020 \$'000
QIC management fee	3,369	3,347
Corporate services fee	487	455
Rent	202	203
IT related expense	161	151
Queensland Treasury Actuarial fees	107	104
Supplies and consumables	37	62
Consultants and contractors	82	51
<b>Total</b>	<b>4,445</b>	<b>4,373</b>

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

Under AASB 16 *Leases*, lease arrangements with substantive substitution rights or of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. The Nominal Defendant's office accommodation falls under government-wide framework arrangements which are exempt under AASB 16 as the arrangements are categorised as procurement of services rather than as leases because the Department of Energy and Public Works has substantive substitution rights over the assets. As such, accommodation costs incurred by the Nominal Defendant are recognised under "Rent" expense.

### 7. OTHER EXPENSES

	2021 \$'000	2020 \$'000
Queensland Audit Office - external audit fees	41	54
Insurance premiums - QGIF	2	1
<b>Total</b>	<b>43</b>	<b>55</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$41,200 (2020: \$53,680 including costs of engaging an actuarial specialist).

### 8. RECEIVABLES

	2021 \$'000	2020 \$'000
Accrued ND levy	-	396
GST receivable	48	63
Leave reimbursements	38	8
<b>Total</b>	<b>86</b>	<b>467</b>

Receivables are recognised at the amounts due at the time of service delivery or when they are legally payable to the Nominal Defendant. Settlement of these amounts is generally required within 30 days. The collectability of receivables is assessed periodically and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 8. RECEIVABLES – continued

The Nominal Defendant's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 13** for the Nominal Defendant's credit risk disclosures. Where the Nominal Defendant has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

It is not the policy of the Nominal Defendant to recognise the debt or potential income accruing as the result of judgements granted in favour of it for legal costs and claims against uninsured owners and/or drivers. The resultant receipts are immaterial when compared to the Nominal Defendant's other sources of income and are recognised in the financial statements in the period in which they are received. The outstanding recoveries are reviewed on an ongoing basis by the Nominal Defendant.

### 9. INTANGIBLES

	2021 \$'000	2020 \$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: Accumulated amortisation	(3,634)	(3,201)
<b>Carrying amount at 30 June</b>	<b>-</b>	<b>433</b>
<i>Represented by movements in carrying amount:</i>		
Carrying amount at 1 July	433	952
Amortisation	(433)	(519)
<b>Carrying amount at 30 June</b>	<b>-</b>	<b>433</b>

Intangible assets with a historical cost or other value greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed.

The Nominal Defendant's only intangible asset is a software system. There is no active market for the intangible asset. As such, the asset is recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Costs associated with the development of the internally generated software have been capitalised and expenditure on research activities have been expensed in the period in which they were incurred.

The intangible asset has a finite useful life and is amortised on a straight-line basis over its estimated useful life to the Nominal Defendant, commencing from the date the asset became available for use. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The asset has been fully amortised over its estimated useful life of 7 years and is still in use.

A review of asset useful life and assessment for impairment indicators is performed annually. Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset. During the financial year 2020-21, the Nominal Defendant did not identify any impairment events.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 10. NET OUTSTANDING CLAIMS

	Nominal Defendant		FAI		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross outstanding claims	130,021	133,330	-	5,223	130,021	138,553
Claims settlement costs	12,491	11,261	-	-	12,491	11,261
	142,512	144,591	-	5,223	142,512	149,814
Discount to present value	(4,656)	(2,638)	-	(12)	(4,656)	(2,650)
<b>Gross outstanding claims liability</b>	<b>137,856</b>	<b>141,953</b>	<b>-</b>	<b>5,211</b>	<b>137,856</b>	<b>147,164</b>
<i>Represented by</i>						
Current	38,735	42,700	-	3,772	38,735	46,472
Non-current	99,121	99,253	-	1,439	99,121	100,692
<b>Gross outstanding claims liability</b>	<b>137,856</b>	<b>141,953</b>	<b>-</b>	<b>5,211</b>	<b>137,856</b>	<b>147,164</b>
Reinsurance and other recoveries	5,115	8,205	-	-	5,115	8,205
Discount to present value	(268)	(244)	-	-	(268)	(244)
<b>Reinsurance and other recoveries</b>	<b>4,847</b>	<b>7,961</b>	<b>-</b>	<b>-</b>	<b>4,847</b>	<b>7,961</b>
<i>Represented by</i>						
Current	692	769	-	-	692	769
Non-current	4,155	7,192	-	-	4,155	7,192
<b>Reinsurance and other recoveries</b>	<b>4,847</b>	<b>7,961</b>	<b>-</b>	<b>-</b>	<b>4,847</b>	<b>7,961</b>
<b>Net outstanding claims</b>	<b>133,009</b>	<b>133,992</b>	<b>-</b>	<b>5,211</b>	<b>133,009</b>	<b>139,203</b>
Central estimate	133,009	133,992	-	4,492	133,009	138,484
Risk margin	-	-	-	719	0	719
<b>Net outstanding claims</b>	<b>133,009</b>	<b>133,992</b>	<b>-</b>	<b>5,211</b>	<b>133,009</b>	<b>139,203</b>

#### (a) Reconciliation of movement in the discounted net outstanding claims

	Nominal Defendant		FAI		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	133,992	132,371	5,211	5,848	139,203	138,219
<b>Prior periods</b>						
Claim payments	(32,176)	(19,798)	(2,952)	(66)	(35,128)	(19,864)
Claims handling expenses	(3,334)	(3,398)	-	-	(3,334)	(3,398)
Discount unwind	172	1,020	9	58	181	1,078
Risk margin release	-	-	(473)	(10)	(473)	(10)
Effect of changes in assumptions and experience	431	(12,672)	(1,795)	(619)	(1,364)	(13,291)
<b>Current period</b>						
Provision for current period	33,924	36,469	-	-	33,924	36,469
<b>Net outstanding claims</b>	<b>133,009</b>	<b>133,992</b>	<b>-</b>	<b>5,211</b>	<b>133,009</b>	<b>139,203</b>
Reinsurance and other recoveries	(4,847)	(7,961)	-	-	(4,847)	(7,961)
<b>Gross outstanding claims</b>	<b>137,856</b>	<b>141,953</b>	<b>-</b>	<b>5,211</b>	<b>137,856</b>	<b>147,164</b>

The liability for outstanding claims has been actuarially calculated as at 30 June by the Actuary.



## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 10. NET OUTSTANDING CLAIMS – continued

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends. The liability for outstanding claims is measured as the present value of the expected future payments. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation.

#### ***FAI General Insurance Company Limited (FAI)***

Under the *Motor Accident Insurance Act 1994*, the Nominal Defendant is required to meet any outstanding CTP claims in the event of the insolvency of a licensed CTP insurer. The Nominal Defendant has now finalised all claims relating to FAI following the insolvency of the HIH Group of companies in March 2001. Therefore outstanding claims liability attributable to FAI is nil as at 30 June 2021.

#### **(b) Actuarial assumptions**

The following assumptions have been made in determining the net outstanding claims liability.

	Nominal Defendant		FAI	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Inflation rate	2.61%	2.41%	N/A	2.10%
Discount rate	0.99%	0.60%	N/A	0.25%
Claims handling expenses	10.00%	9.00%	N/A	0.00%
Risk margin	0.00%	0.00%	N/A	16.00%
Weighted average expected term to settlement	3.4 years	3.1 years	N/A	0.9 years

As there is nil outstanding claims liability attributable to FAI as at 30 June 2021, the actuarial assumptions are not applicable. A risk margin of 16% of the net central estimate was applied to FAI in 2020 and was intended to provide an approximately 75% probability of sufficiency for the outstanding claims liability.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 10. NET OUTSTANDING CLAIMS – continued

#### (c) Impact of changes in key variables on net outstanding claims

The following table illustrates how a change in some key valuation assumptions in section (b) above affects the net outstanding claims and shows an analysis of the profit/(loss) and equity changes in these assumptions. Note that the table is illustrative only, and is not intended to cover the range of potential variations.

##### Attributable to the Nominal Defendant

Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss)	Equity	Profit/(loss)	Equity
		2021 \$'000	2021 \$'000	2020 \$'000	2020 \$'000
Inflation rate	+1%	(4,771)	(4,771)	(4,462)	(4,462)
	-1%	4,503	4,503	4,216	4,216
Discount rate	+1%	4,042	4,042	3,767	3,767
	-1%	(4,372)	(4,372)	(4,073)	(4,073)
Claims handling expenses	+1%	(1,209)	(1,209)	(1,229)	(1,229)
	-1%	1,209	1,209	1,229	1,229
Weighted average term to settlement	+0.5 years	(963)	(963)	(1,316)	(1,316)
	-0.5 years	956	956	1,303	1,303

##### Attributable to FAI

Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss)	Equity	Profit/(loss)	Equity
		2021 \$'000	2021 \$'000	2020 \$'000	2020 \$'000
Inflation rate	+1%	-	-	(54)	(54)
	-1%	-	-	53	53
Discount rate	+1%	-	-	47	47
	-1%	-	-	(49)	(49)
Claims handling expenses	+1%	-	-	(52)	(52)
	-1%	-	-	52	52
Risk margin	+1%	-	-	(45)	(45)
	-1%	-	-	45	45
Weighted average term to settlement	+0.5 years	-	-	(54)	(54)
	-0.5 years	-	-	54	54

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 10. NET OUTSTANDING CLAIMS – continued

#### (d) Nature and extent of risks arising from claims liabilities

The Nominal Defendant ensures that it is fully funded to enable it to meet its obligations under the Act. This is facilitated by an actuarially derived levy which is incorporated in the CTP premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

The Nominal Defendant did not enter into a contract for reinsurance cover for the 2019-20 and 2020-21 financial years. This was based on considerations of the cost of reinsurance and the Nominal Defendant's exposure to large loss claims.

### 11. EQUITY

In accordance with *Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*, non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities are adjusted against Contributed Equity. To the extent this causes the Contributed Equity to reduce below zero, the balance is adjusted against Accumulated surplus.

Effective 10 February 2021, the Nominal Defendant transferred \$50 million to the National Injury Insurance Scheme Fund, Queensland (NIISQ Fund) as approved by the Treasurer, Minister for Infrastructure and Planning under section 95 of the *National Injury Insurance Scheme (Queensland) Act 2016* (the Act). The Act commenced on 1 July 2016 and established the National Injury Insurance Scheme, Queensland (NIISQ), The National Injury Insurance Agency, Queensland (NIIAQ) and the NIISQ Fund.

The decrease in net assets as a result of the transfer has been accounted for as a transaction with owners as owners and is disclosed in the Statement of Changes in Equity as a \$50M decrease in accumulated surplus.

### 12. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable input.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued.

The Nominal Defendant recognises other financial assets invested with QIC at fair value through profit or loss. The fair value is measured at market value based on closing unit prices of QIC unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 12. FAIR VALUE MEASUREMENT – continued

While the units in the trust have redemption prices and are able to be traded, the market would not be considered active for level 1, therefore, they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the fund manager. Classification of instruments into fair value hierarchy levels is reviewed annually. There were no transfers of assets between fair value hierarchy levels during the period.

The fair value of receivables and payables is assumed to approximate the value of the original transaction.

The carrying amount for cash assets represents the fair value.

### 13. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

The Nominal Defendant has the following categories of financial assets and financial liabilities:

Category	Note	2021 \$'000	2020 \$'000
<b>Financial assets</b>			
Cash and cash equivalents		9,378	17,466
Receivables (amortised cost)	8	86	467
Other financial assets (FVTPL)		549,496	533,058
<b>Total</b>		<b>558,960</b>	<b>550,991</b>
<b>Financial liabilities</b>			
Current payables (amortised cost)		297	278
<b>Total</b>		<b>297</b>	<b>278</b>

The Nominal Defendant's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

Nominal Defendant's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

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

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 13. FINANCIAL RISK DISCLOSURES - continued

#### (b) Financial risk management

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

Risk exposure is measured using a variety of methods:

<b>Risk Exposure</b>	<b>Measurement Method</b>
Credit risk	Earnings at risk
Liquidity risk	Maturity analysis
Market risk	Sensitivity analysis

#### (i) Credit risk

Credit risk exposure refers to the situation where the Nominal Defendant may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Notes 8** and **13(a)** represents the Nominal Defendant's maximum exposure to credit risk at balance date.

The Nominal Defendant seeks to reduce the exposure to credit risk in the following manner:

- invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding Nominal Defendant's future cash requirements and to agree the investment mandate;
- all funds owed are monitored on a timely basis; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole-of-government banking arrangement managed by Queensland Treasury.

The Nominal Defendant does not expect any material credit losses in relation to its receivables disclosed in **Note 8**. The debtor group comprises of Queensland and Australian Government entities and are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

#### (ii) Liquidity risk

Liquidity risk refers to the situation where the Nominal Defendant may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Nominal Defendant is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. The Nominal Defendant manages its exposure to liquidity risk by ensuring that the Nominal Defendant has sufficient funds available to meet its liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 13. FINANCIAL RISK DISCLOSURES - continued

#### (iii) Market risk

Market risk is 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 of currency risk, interest rate risk and other price risk.

The significant market risks to the Nominal Defendant relate to its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to Nominal Defendant's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three-year return forecasts.

#### (c) Market risk sensitivity analysis

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of the Nominal Defendant's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

The Nominal Defendant's sensitivity to these possible changes are shown in the table below.

	2021				2020			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
Investments	%	%	\$'000	\$'000	%	%	\$'000	\$'000
QIC Cash fund	-	-	-	-	-0.23	0.23	(110)	110
QIC Short Term Income Fund	-1.00	1.00	(849)	849	-	-	-	-
QIC Australian Fixed Interest Fund	-0.25	0.25	(207)	207	-0.51	0.52	(705)	719
QIC Long Term Diversified Fund	-11.00	11.00	(41,989)	41,989	-11.00	10.00	(38,168)	34,698
<b>Total</b>			<b>(43,045)</b>	<b>43,045</b>			<b>(38,983)</b>	<b>35,527</b>

The interest rate risk associated with the Nominal Defendant's cash and cash equivalents is immaterial.

### 14. CONTINGENCIES

The Nominal Defendant did not have any contingent assets or liabilities at 30 June 2021.

### 15. EVENTS OCCURRING AFTER THE REPORTING DATE

The Nominal Defendant has not had any material events occur after 30 June 2021.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 16. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

Australian accounting standards and interpretations with future effective dates are either not applicable to the Nominal Defendant's activities or have no material impact.

#### **AASB 17 Insurance Contracts**

The Australian Accounting Standards Board (AASB) has issued a new standard which establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. AASB 17 requires all insurance contracts to be accounted for in a consistent manner and measures insurance contracts either under the general model or a simplified version of this called 'premium allocation approach'.

During 2020 the AASB issued amendments to AASB 17 to address concerns and implementation challenges that were identified after AASB 17 was published. The amendments defer the date of initial application of AASB 17 to annual reporting periods beginning on or after 1 January 2023. The AASB has temporarily excluded not-for-profit public sector entities from the scope of AASB 17 to allow for specific consideration surrounding applicability and suitability of this new standard. As such, the Nominal Defendant is yet to commence analysing changes in recognition, measurement, presentation, and disclosure of its insurance contracts against this new standard and to form conclusions about significant impacts. The Nominal Defendant will continue to monitor updates from the AASB in this regard.

### 17. BUDGETARY REPORTING DISCLOSURES

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

As the 2020-21 original budget presented to parliament does not include a budgeted Statement of Financial Position or budgeted Statement of Cash Flows, no disclosure of budget to actual variance is required under AASB 1055 for these statements and no explanation of variances are provided.

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity.

#### **Explanations of major variances**

##### **Statement of Comprehensive Income**

<i>Reinsurance and other recoveries</i>	The decrease in reinsurance and other recoveries reflects the movement in claim recoveries on outstanding claims as at 30 June. The outstanding claims liability is based on actuarial assessment.
<i>Net fair value losses/gains on other financial assets</i>	The increase in net fair value gain on other financial assets is primarily due to higher than expected earnings on investments as a result of improvements in global equity markets.
<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of \$6.7 million lower than anticipated claims costs and \$1.3 million lower than anticipated movement in outstanding claims liability. The outstanding claims liability is based on actuarial assessment.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2020-21.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 18. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The Treasurer and Minister of Investment is identified as part of ND's KMP, consistent with additional guidance included in the revised version of *AASB124 Related Party Disclosures*.

The following details for non-Ministerial key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2020-21 and 2019-20. All key management personnel also provide services to the Motor Accident Insurance Commission (MAIC) and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The Insurance Commissioner also provides services to the National Injury Insurance Scheme (Queensland) (NIISQ) as Chief Executive Officer commencing 2 June 2021. The remuneration disclosed below relates to their service as a KMP of the Nominal Defendant for the period. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.
General Manager MAIC	Leads and manages the strategies, policies and performance with respect to the Nominal Defendant claims unit.
Director Finance, Procurement and Systems	Responsible for the efficient, effective and economic financial administration and procurement of the Nominal Defendant and oversight of the development and maintenance of the core business system for the organisation.
Director Policy, Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis, reporting and business intelligence functions for the Nominal Defendant.

#### Remuneration policies

The Treasurer's ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Nominal Defendant does not bear any cost of remuneration of Ministers. The majority of ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers are 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.

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



## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 18. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

Remuneration packages for KMP comprise the following components:

- Short term employee benefits which include:
  - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

#### Remuneration expense

The following disclosures focus on the expenses incurred solely by the Nominal Defendant that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

#### 1 July 2020 to 30 June 2021

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	49	1	5	-	55
General Manager MAIC	47	1	5	-	53
Director Finance, Procurement and Systems	30	1	4	-	35
Director Policy, Performance and Improvement	17	-	2	-	19
Director Analytics	15	-	2	-	17

\*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 18. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

1 July 2019 to 30 June 2020

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	47	1	5	-	53
General Manager MAIC	47	1	5	-	53
Director Finance, Procurement and Systems	29	1	4	-	34
Director Policy, Performance and Improvement	20	-	2	-	22
Director Analytics	15	-	2	-	17

\*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.

No KMP remuneration packages were provided for performance or bonus payments.

### 19. RELATED PARTY TRANSACTIONS

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of the Nominal Defendant.

#### Transactions with other Queensland Government-controlled entities

The Nominal Defendant received corporate support and actuarial services from Queensland Treasury, and incurred management fees from QIC for the management of the QIC unlisted unit trusts. These supplies and services are disclosed in **Note 6**.

The Nominal Defendant received levy income from the Department of Transport and Main Roads in accordance with the Act. These are disclosed in **Note 3**.

The Nominal Defendant made claim payments of \$1.8 million to Workcover in 2020-2021, which are included in the claims and associated settlement costs disclosed in **Note 4**.

The Insurance Commissioner was appointed as Chief Executive Officer of the National Injury Insurance Scheme (Queensland) (NIISQ) on 2 June 2021, and provided services to them as a related party from that date.

## Notes to and forming part of the financial statements

for the year ended 30 June 2021

### 20. TAXATION

The Nominal Defendant is a statutory 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 Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to **Note 8**).

### 21. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

#### Accounting standards applied for the first time

The Nominal Defendant applied AASB 1059 *Service Concession Arrangements: Grantors* for the first time 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 Nominal Defendant does not currently have any arrangements that would fall within the scope of AASB 1059.

No other accounting standards or interpretations that apply to the Nominal Defendant for the first time in 2020-21 have any material impact on the financial statements.

#### Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

### 22. IMPACT OF COVID-19 PANDEMIC

The Nominal Defendant has not identified any significant impacts of COVID-19 on the financial report as at 30 June 2021.

The impact of the COVID-19 pandemic on the market value of Nominal Defendant's other financial assets in 2019-20 are reflected in the fair value of the financial assets as reported in the comparative figures in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 12 & 13**.

### 23. CLIMATE RISK DISCLOSURE

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

# Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2021 and of the financial position of the Nominal Defendant at the end of that year; and

We acknowledge responsibility under section 7 and section 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.



L LEE  
B.Com, CA  
Director Finance, Procurement and Systems  
24 August 2021



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
24 August 2021

# Independent auditor's report

To the Insurance Commissioner of Nominal Defendant

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Nominal Defendant.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2021, 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 as at 30 June 2021, 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 Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the 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 Standard 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.

### Responsibilities of the Insurance Commissioner for the financial report

The Insurance Commissioner 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 Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner 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. This is not done for the purpose of expressing an opinion on the effectiveness of the 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 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 Insurance Commissioner 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.

## **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 2021:

- 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 entity's transactions and account balances to enable the preparation of a true and fair financial report.



Paul Christensen  
as delegate of the Auditor-General

26 August 2021

Queensland Audit Office  
Brisbane