Financial Statements

for the period 1 July 2019 to 30 June 2020

Annual Report 2019 – 2020

Queensland Corrective Services

Financial Statements

Understanding our financial statements

These financial statements enable readers to assess Queensland Corrective Services' financial results and cash flows for the reporting period 1 July 2019 to 30 June 2020, and its position as at 30 June 2020. Comparative information reflects the audited financial statements for the period 1 July 2018 to 30 June 2019.

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

General Information

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

Level 21
69 Ann Street
BRISBANE QLD 4000

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

For information in relation to the department's financial statements, please call 13 QGOV (13 74 68) or visit the departmental website www.corrections.qld.gov.au.

Statement of Comprehensive Income

for the period 1 July 2019 to 30 June 2020

	Note	2020 Actual $'000	2020 Original budget $'000	Budget variance* $'000	2019 Actual $'000
OPERATING RESULT					
Income from continuing operations					
Appropriation revenue	5	961,031	973,036	(12,005)	901,685
User charges and fees	6	9,765	14,631	(4,866)	11,213
Grants and other contributions	7	4,527	4,241	286	4,406
Other revenue	8	15,407	12,069	3,338	13,764
Total income from continuing operations		**990,730**	**1,003,977**	**(13,247)**	**931,068**
Expenses from continuing operations					
Employee expenses	9	547,269	541,535	5,734	498,781
Supplies and services	10	338,254	318,566	19,688	315,866
Grants and subsidies		313	-	313	189
Depreciation and amortisation	15/16	122,881	136,216	(13,335)	116,692
Impairment losses	12	31	-	31	217
Revaluation decrement	16	-	-	-	58,749
Other expenses	11	4,947	7,660	(2,713)	6,064
Total expenses from continuing operations		**1,013,695**	**1,003,977**	**9,718**	**996,558**
Operating result from continuing operations		**(22,965)**	**-**	**(22,965)**	**(65,490)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to operating result					
Increase in revaluation surplus	16	15,480	-	15,480	214,865
Total items that will not be reclassified to operating result		**15,480**	**-**	**15,480**	**214,865**
Total other comprehensive income		**15,480**	**-**	**15,480**	**214,865**
Total comprehensive income		**(7,485)**	**-**	**(7,485)**	**149,375**

**An explanation of major variances is included at note 25.*
The accompanying notes form part of these financial statements.

Statement of Comprehensive Income by Major Departmental Service

for the period 1 July 2019 to 30 June 2020

	Custodial Corrections		Community Corrections		Inter-departmental eliminations		Department total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
OPERATING RESULT								
Income from continuing operations								
Appropriation revenue	823,860	774,560	137,171	127,125	-	-	961,031	901,685
User charges and fees	12,322	13,380	51	44	(2,608)	(2,211)	9,765	11,213
Grants and other contributions	3,852	3,754	675	652	-	-	4,527	4,406
Other revenue	15,318	13,670	89	94	-	-	15,407	13,764
Total income from continuing operations	**855,352**	**805,364**	**137,986**	**127,915**	**(2,608)**	**(2,211)**	**990,730**	**931,068**
Expenses from continuing operations								
Employee expenses	446,866	409,144	100,458	89,687	(55)	(50)	547,269	498,781
Supplies and services	308,827	290,827	31,980	27,200	(2,553)	(2,161)	338,254	315,866
Grants and subsidies	266	161	47	28	-	-	313	189
Depreciation and amortisation	120,228	113,868	2,653	2,824	-	-	122,881	116,692
Impairment losses	28	172	3	45	-	-	31	217
Revaluation decrement	-	58,749	-	-	-	-	-	58,749
Other expenses	4,323	5,446	624	618	-	-	4,947	6,064
Total expenses from continuing operations	**880,538**	**878,367**	**135,765**	**120,402**	**(2,608)**	**(2,211)**	**1,013,695**	**996,558**
Operating result from continuing operations	**(25,186)**	**(73,003)**	**2,221**	**7,513**	**-**	**-**	**(22,965)**	**(65,490)**
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified to operating result								
Increase in revaluation surplus	15,480	214,865	-	-	-	-	15,480	214,865
Total items that will not be reclassified to operating result	**15,480**	**214,865**	**-**	**-**	**-**	**-**	**15,480**	**214,865**
Total other comprehensive income	**15,480**	**214,865**	**-**	**-**	**-**	**-**	**15,480**	**214,865**
Total comprehensive income	**(9,706)**	**141,862**	**2,221**	**7,513**	**-**	**-**	**(7,485)**	**149,375**

Statement of Financial Position

as at 30 June 2020

	Note	2020 Actual $'000	2020 Original budget $'000	Budget variance* $'000	2019 Actual $'000
Current assets					
Cash and cash equivalents		7,192	32,163	(24,971)	46,645
Receivables	12	27,614	14,789	12,825	19,254
Inventories	13	4,925	4,869	56	4,505
Other current assets	14	10,628	2,130	8,498	1,874
Total current assets		**50,359**	**53,951**	**(3,592)**	**72,278**
Non-current assets					
Property, plant and equipment	16	2,722,566	2,667,965	54,601	2,711,337
Intangible assets	15	1,186	3,593	(2,407)	1,117
Other non-current assets	14	435	686	(251)	454
Total non-current assets		**2,724,187**	**2,672,244**	**51,943**	**2,712,908**
Total assets		**2,774,546**	**2,726,195**	**48,351**	**2,785,186**
Current liabilities					
Payables	17	45,166	30,029	15,137	47,713
Accrued employee benefits	18	22,018	23,564	(1,546)	25,203
Other current liabilities	19	-	77	(77)	570
Total current liabilities		**67,184**	**53,670**	**13,514**	**73,486**
Non-current liabilities					
Payables	17	-	463	(463)	-
Other non-current liabilities	19	-	-	-	2,515
Total non-current liabilities		**-**	**463**	**(463)**	**2,515**
Total liabilities		**67,184**	**54,133**	**13,051**	**76,001**
Net assets		**2,707,362**	**2,672,062**	**35,300**	**2,709,185**
Equity					
Contributed equity		2,562,656			2,560,079
Revaluation surplus	16	230,441			214,865
Accumulated deficit		(85,735)			(65,759)
Total equity		**2,707,362**	**2,672,062**	**35,300**	**2,709,185**

**An explanation of major variances is included at note 25.*
The accompanying notes form part of these financial statements.

Statement of Assets and Liabilities by Major Departmental Service

as at 30 June 2020

	Custodial Corrections		Community Corrections		Department total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets						
Cash and cash equivalents	7,192	46,645	-	-	7,192	46,645
Receivables	24,406	17,651	3,208	1,603	27,614	19,254
Inventories	4,925	4,505	-	-	4,925	4,505
Other current assets	10,320	1,752	308	122	10,628	1,874
Total current assets	**46,843**	**70,553**	**3,516**	**1,725**	**50,359**	**72,278**
Non-current assets						
Property, plant and equipment	2,713,387	2,701,736	9,179	9,601	2,722,566	2,711,337
Intangible assets	1,186	1,117	-	-	1,186	1,117
Other non-current assets	435	454	-	-	435	454
Total non-current assets	**2,715,008**	**2,703,307**	**9,179**	**9,601**	**2,724,187**	**2,712,908**
Total assets	**2,761,851**	**2,773,860**	**12,695**	**11,326**	**2,774,546**	**2,785,186**
Current liabilities						
Payables	44,486	46,738	680	975	45,166	47,713
Accrued employee benefits	19,320	21,807	2,698	3,396	22,018	25,203
Other current liabilities	-	422	-	148	-	570
Total current liabilities	**63,806**	**68,967**	**3,378**	**4,519**	**67,184**	**73,486**
Non-current liabilities						
Other non-current liabilities	-	1,901	-	614	-	2,515
Total non-current liabilities	**-**	**1,901**	**-**	**614**	**-**	**2,515**
Total liabilities	**63,806**	**70,868**	**3,378**	**5,133**	**67,184**	**76,001**
Net assets	**2,698,045**	**2,702,992**	**9,317**	**6,193**	**2,707,362**	**2,709,185**

Statement of Changes in Equity

for the period 1 July 2019 to 30 June 2020

	Note	2020 $'000	2019 $'000
Contributed equity			
Balance as at 1 July		**2,560,079**	**2,541,989**
Transactions with owners as owners			
Appropriated equity injections	5	128,977	128,199
Appropriated equity withdrawals	5	(126,400)	(110,465)
Net transfer in from other Queensland Government entities	16	-	356
Balance as at 30 June		**2,562,656**	**2,560,079**
Accumulated deficit			
Balance as at 1 July		**(65,759)**	**(269)**
Operating result			
Operating result from continuing operations		(22,965)	(65,490)
Other			
Equity classification adjustment		(96)	-
Net effect of changes in accounting policies – derecognition of lease incentive liabilities	27(j)	3,085	-
Balance as at 30 June		**(85,735)**	**(65,759)**
Asset revaluation surplus			
Balance as at 1 July		**214,865**	-
Other comprehensive income			
Increase in asset revaluation surplus	16	15,480	214,865
Other			
Equity classification adjustment		96	-
Balance as at 30 June		**230,441**	**214,865**
Total equity as at 30 June		**2,707,362**	**2,709,185**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the period 1 July 2019 to 30 June 2020

	Note	2020 Actual $'000	2020 Original budget $'000	Budget variance* $'000	2019 Actual $'000
Cash flows from operating activities					
Inflows:					
Service appropriation receipts	5	964,866	973,036	(8,170)	908,045
User charges and fees		9,328	14,631	(5,303)	10,622
Grants and other contributions		2,802	2,341	461	2,698
GST input tax credits from ATO		44,898	-	44,898	41,671
GST collected from customers		3,361	-	3,361	3,110
Other		15,051	12,069	2,982	13,675
Outflows:					
Employee expenses		(554,659)	(541,535)	(13,124)	(497,101)
Supplies and services		(340,406)	(316,666)	(23,740)	(311,040)
Grants and subsidies		(313)	-	(313)	(189)
GST paid to suppliers		(43,250)	-	(43,250)	(43,258)
GST remitted to ATO		(3,225)	-	(3,225)	(3,051)
Other		(4,152)	(7,660)	3,508	(3,919)
Net cash provided by operating activities		**94,301**	**136,216**	**(41,915)**	**121,263**
Cash flows from investing activities					
Inflows:					
Sales of property, plant and equipment		-	-	-	10
Outflows:					
Payments for property, plant and equipment	16	(124,751)	(126,709)	1,958	(118,955)
Payments for intangibles	15	(383)	-	(383)	-
Net cash used in investing activities		**(125,134)**	**(126,709)**	**1,575**	**(118,945)**
Cash flows from financing activities					
Inflows:					
Equity injections		123,727	130,228	(6,501)	127,612
Outflows:					
Equity withdrawals		(132,347)	(139,735)	7,388	(114,701)
Net cash provided by / (used in) financing activities	5	**(8,620)**	**(9,507)**	**887**	**12,911**
Net increase/(decrease) in cash and cash equivalents		**(39,453)**	**-**	**(39,453)**	**15,229**
Cash and cash equivalents – opening balance		**46,645**	**32,163**	**14,482**	**31,416**
Cash and cash equivalents – closing balance		**7,192**	**32,163**	**(24,971)**	**46,645**

**An explanation of major variances is included at note 25.*
The accompanying notes form part of these financial statements.

Preparation information – basis of financial statement preparation

How we operate – our departmental objectives and activities

Performance for the year

Operating assets and liabilities

Other key information

1. Compliance with prescribed requirements

The department has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019.* These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

The department 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, which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.
New accounting standards applied for the first time in these financial statements are outlined in note 27(j).

2. The reporting entity

The financial statements include all income, expenses, assets, liabilities, and equity of the department. The department had no controlled entities during the reporting period. All transactions and balances internal to the department have been eliminated in full.

3. Basis of measurement

Historical cost is used as the measurement basis in this financial report, except for land and buildings, which are measured at fair value, and inventories, which are measured at the lower of cost and net realisable value.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value

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

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Net realisable value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an ordinary disposal.

4. Objectives and principal activities of the department

The objective of the department is to provide safe, modern and responsive correctional services to rehabilitate prisoners and offenders and prevent crime, making Queensland safer by providing correctional services to rehabilitate:

- prisoners, through services delivered by ***custodial corrections***.
- offenders, through services delivered by ***community corrections.***

The departmental services reported within the 2018-19 financial statements of custodial operations and probation and parole have been renamed custodial corrections and community corrections, respectively. There has been no change to comparative financial information reported within the Statement of Assets and Liabilities by Major Departmental Service or Statement of Comprehensive Income by Major Departmental Service as a result of these new naming conventions.

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

5. Appropriation receipts

Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in operating result	**2020 $'000**	**2019 $'000**
Original budgeted appropriation revenue	**973,036**	**921,224**
Supplementary amounts:		
Transfers from equity adjustment	(887)	-
Lapsed appropriation	(7,283)	(13,179)
Total appropriation received (cash)	**964,866**	**908,045**
Less: Opening balance of appropriation revenue receivable	-	(6,360)
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	1,124	-
Less: Closing balance of deferred appropriation payable to Consolidated Fund	(4,959)	(1,124)
Net appropriation revenue	**961,031**	**900,561**
Plus: Deferred appropriation payable to Consolidated Fund (expense in 2018-19)	-	1,124
Appropriation revenue recognised in Statement of Comprehensive Income	**961,031**	**901,685**
Variance between original budgeted and actual appropriation revenue	**12,005**	**19,539**
Reconciliation of payments from consolidated fund to equity adjustment		
Original budgeted equity adjustment appropriation	(9,507)	33,821
Supplementary amounts:		
Transfers to appropriation revenue	887	-
Lapsed equity adjustment	-	(20,910)
Equity adjustment receipts (payments)	**(8,620)**	**12,911**
Plus: Opening balance of equity adjustment payable	789	5,612
Less: Closing balance of equity adjustment payable	-	(789)
Plus: Closing balance of equity adjustment receivable	10,408	-
Equity adjustment recognised in contributed equity	**2,577**	**17,734**
Variation between original budgeted and actual equity adjustment appropriation	**(12,084)**	**16,087**

An explanation of major variances is included at Note 25.

Accounting policy

Appropriations provided under the Appropriation Act 2019 and the Appropriation (COVID-19) Act 2020 are recognised as revenue or equity when received. Where the department has an obligation to return unspent (or unapplied) appropriation receipts to Consolidated Fund at year end (a deferred appropriation repayable to Consolidated Fund), a liability is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with Consolidated Fund for the reporting period. Prior to 1 July 2019, any liability at the end of the financial year for deferred appropriation repayable was debited to expense under the requirements of the superseded AASB 1004 Contributions (refer Note 11). Capital appropriations are recognised as adjustments to equity.

6. User charges and fees

	2020 $'000	2019 $'000
Sales of goods – prison industries	9,730	11,179
Other	35	34
Total	**9,765**	**11,213**

Accounting policy

Revenue from the sales of goods comprise the manufacture of finished goods and are recognised on transfer of goods to the customer, which is the sole performance obligation. The adoption of Australian Accounting Standards Board AASB 15 Revenue from Contracts with Customers in 2019-20 did not change the timing of revenue recognition for the sale of these goods. Based upon experience, the amount of refunds for returned goods is not expected to be material, so the full selling price is recognised as revenue.

7. Grants and other contributions

National Housing and Homelessness Agreement (Queensland government grant)	1,768	1,640
Vocational Education and Training (Queensland government grant)	900	900
Terrorist Offender Assessment (Commonwealth grant)	-	100
Services received below fair value	1,514	1,708
Other	345	58
Total	**4,527**	**4,406**

Services received below fair value

Received from:	Item:		
Queensland Police Service	Labour costs	1,506	1,700
Department of Housing and Public Works	Archival services	8	8
Total		**1,514**	**1,708**

Accounting policy

Grants, contributions and donations are non-reciprocal transactions where the department does not directly give approximately equal value to the grantor.

The obligations of grant agreements entered are not sufficiently specific in that the department has discretion as to the nature, quantity and timing of the programs delivered. All grants are therefore accounted for under AASB 1058 Income of Not-for-Profit Entities, whereby revenue is recognised upon receipt of the grant funding.

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, the amount representing the fair value is recognised as revenue with a corresponding expense for the same amount.

Services received below fair value

The department receives intelligence and investigative services from the Queensland Police Service in support of a state-wide investigative response to crime within correctional facilities including but not limited to the investigation of deaths in custody, escapes and serious assaults on prisoners and staff.

These services are essential to the department's operations and would have been procured if they were not received for free. An equal amount to services received below fair value revenue is recognised as employee expenses.

8. Other revenue

	2020 $'000	2019 $'000
Goods and services sold to prisoners	13,893	13,039
Recovery of prisoner damage	1,253	283
Insurance compensation – loss of property	57	119
Interest	58	138
Other	146	185
Total	**15,407**	**13,764**

9. Employee expenses

	2020 $'000	2019 $'000
Employee benefits		
Wages and salaries*	405,331	373,625
Employer superannuation contributions	46,408	42,439
Annual leave levy	42,375	39,688
Sick leave expense	12,503	11,527
Long service leave levy	10,212	8,334
Termination benefits	997	906
Other employee benefits	5,742	4,504
Total employee benefits	**523,568**	**481,023**
Employee related expenses		
Worker's compensation premium	17,109	12,456
Other employee related expenses	6,592	5,302
Total employee related expenses	**23,701**	**17,758**
Total	**547,269**	**498,781**

* Wages and salaries include $2.9 million of $1,250 one-off or pro-rata payments for 2,468 employees (announced in September 2019).

The number of employees as at 30 June 2020, including full-time, part-time, and casual employees, measured on a full-time equivalent basis was 5,499 (2019: 5,054).

Accounting policy

Wages, salaries, and sick leave

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

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

Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Under the Queensland Government's Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

9. Employee expenses (continued)

Accounting policy

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by employee's conditions of employment.

Defined contribution plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

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

Worker's compensation premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised as employee related expenses.

Key management personnel and remuneration disclosures are detailed in note 20.

10. Supplies and services

	2020 $'000	2019 $'000
Outsourced works – private prison operations	106,733	102,960
Property utilities and maintenance	88,125	84,828
Offender expenses	53,416	54,346
Contractors and consultants	14,632	8,638
Office accommodation	12,804	11,991
Computer expenses	16,860	10,026
Cost of goods/services provided to prisoners	12,452	11,734
Shared services and other service contributions	8,960	7,773
Motor vehicle costs	7,109	6,742
Travel	4,361	4,979
Telecommunications	4,270	4,055
Printing, postage and stationery	3,347	3,091
Legal expenses	828	1,329
Other	4,357	3,374
Total	**338,254**	**315,866**

Accounting policy

Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods and services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant.

Office accommodation and employee housing

Payments for non-specialised commercial office and accommodation under the Queensland Government Accommodation Office (QGAO) framework and residential accommodation properties under the Government Employee Housing (GEH) program arise from non-lease arrangements with the Department of Housing and Public Works, who has substantive substitution rights over the assets used within these schemes. Payments are expensed as incurred and categorised within office accommodation and employee housing line items.

11. Other expenses

	2020 $'000	2019 $'000
Insurance premiums – Queensland Government Insurance Fund (QGIF)	3,716	3,582
Net loss from disposal of property, plant and equipment	782	930
Queensland Audit Office – external audit fees for the audit of the financial statements*	269	301
Losses – public property**	124	8
Losses – public moneys	-	1
Special payments – ex-gratia payments	3	11
Deferred appropriation payable to Consolidated Fund	-	1,124
Other	53	107
Total	**4,947**	**6,064**

* Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are $285,000 (2019: $250,000). There are no non-audit services included in this amount.

** Certain losses of public property are insured within the QGIF. The claims made in respect of these losses have yet to be assessed by QGIF and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of the claims, revenue will be recognised for the agreed settlement amount and disclosed as 'Other revenue – insurance compensation from loss of property'.

Accounting policy

Special payments include ex-gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. There were no special payments greater than $5,000 during the reporting period.

12. Receivables

	2020 $'000	2019 $'000
Trade debtors	2,102	2,241
Less: Allowance for impairment loss	(167)	(266)
Net trade debtors	**1,935**	**1,975**
GST receivable	4,364	6,098
GST payable	(335)	(286)
Net GST	**4,029**	**5,812**
Advances	284	254
Less: Allowance for impairment loss	(142)	(127)
Net advances	**142**	**127**
Annual leave reimbursements	7,726	7,989
Appropriated equity receivable	10,408	-
Long service leave reimbursements	1,531	1,289
Workers' compensation premium receivable	43	1,280
Accrued revenue	1,153	482
Other	647	300
Total	**27,614**	**19,254**

Accounting policy

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from invoice date. Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Terms are maximum of three months; no interest is charged and no security is obtained.

12. Receivables (continued)

Credit risk exposure of receivables

The maximum exposure to credit risk at reporting date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no credit enhancements relating to the department's receivables.

The department has determined that the only grouping of debtors with expected credit losses relate to employee-related advances and trade debtors associated with the supply of goods and services to non-government entities. The total receivables held in respect of these debtors is $1.344 million and the expected credit losses in relation to this grouping is $0.309 million at reporting date. The expected loss rate applied for non-government entities is 10% for debt up to 90 days past due and 50% for debt over 90 days past due. The expected loss rate applied for employee-related advances is 75% for debt up to 90 days past due and 100% for debt over 90 days past due.

The calculations reflect historically observed default rates calculated using credit losses experienced on past transactions. Other forward-looking information is not expected to materially impact the basis of calculation for expected credit losses.

The department has assessed the impact of the COVID-19 pandemic upon the collectability of receivables. Currently there is no evidence of a higher probability of default for the department's debtors which would materially increase the expected loss rates already applied to non-government entities for determining an allowance for loss. All contracts remain enforceable. Refer also note 25.

Impairment loss

Impairment loss expense for the current year regarding the department's receivables is $0.031 million. This is due to a number of loss events associated with uncertain collectability in respect of departmental debtors.

Accounting policy

The loss allowance for trade and other debtors reflects the lifetime expected credit losses and incorporates reasonable and supportable forward-looking information.

The department's other receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 120 days past due and the department has ceased enforcement activity. If the amount of debt written-off exceeds the loss allowance, the excess is recognised as an impairment loss.

Movements in loss allowances for trade debtors and advances	**2020 $'000**	**2019 $'000**
Loss allowance – opening balance	**393**	**2,023**
Increase in allowance recognised in operating result	31	217
Amounts written-off during the year	(115)	(1,847)
Loss allowance – closing balance	**309**	**393**

13. Inventories

	2020 $'000	2019 $'000
Supplies and consumables – at cost		
Bulk fuel	380	450
Bedding	353	154
Uniforms, clothing and merchandise	1,168	1,127
Total supplies and consumables	**1,901**	**1,731**
Inventory held for sale – at cost		
Raw materials	1,139	1,088
Work in progress	232	140
Finished goods	826	692
Canteen	827	854
Total inventory held for sale	**3,024**	**2,774**
Total	**4,925**	**4,505**

Accounting policy

Inventories held for sale and supplies, and consumables are valued at the lower of cost and net realisable value.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expenses as incurred.

Net realisable value is determined based on the department's normal selling pattern. Expenses associated with marketing, selling, and distribution are deducted to determine net realisable value.

14. Other current and non-current assets

	2020 $'000	2019 $'000
Current		
Prepayments – wages and salaries	6,929	-
Prepayments*	3,526	1,625
Biological assets	142	166
Other	31	83
Total	**10,628**	**1,874**
Non-current		
Biological assets	435	454
Total	**435**	**454**

* Prepayments represent payment in advance for contracted supplies and services, substantially for ICT related licences and maintenance. The expenses will be recognised over their future contract term as they are incurred.

15. Intangibles and amortisation expense

	Software purchased		Software internally generated		Software WIP		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	173	215	944	1,178	-	-	1,117	1,393
Acquisitions – purchased	124	-	-	-	259	-	383	-
Transfers between asset classes	259	-	-	-	(259)	-	-	-
Amortisation	(80)	(42)	(234)	(234)	-	-	(314)	(276)
Total carrying amount at reporting date	**476**	**173**	**710**	**944**	**-**	**-**	**1,186**	**1,117**
Gross	1,735	1,352	17,549	17,549	-	-	19,284	18,901
Less: Accumulated amortisation	(1,259)	(1,179)	(16,839)	(16,605)	-	-	(18,098)	(17,784)
Total carrying amount at reporting date	**476**	**173**	**710**	**944**	**-**	**-**	**1,186**	**1,117**

At 30 June 2020, the department holds a significant intangible asset, the Integrated Offender Management System that has a carrying amount of $0.441 million and a remaining amortisation period of three years.

The department's intangible assets are held for their expected continuing use in the delivery of public services and not for future cash flows and earnings. The impacts of COVID-19 is not expected to significantly affect the continuing use of these assets or their reported value. Refer also note 25.

Accounting policy

Intangible assets of the department comprise purchased and internally generated computer software. Intangible assets with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed.

Any training costs are expensed as incurred.

There is no active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation.

Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy below.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

All intangible assets of the department have finite useful lives and are amortised on a straight-line basis over their estimated useful life to the department. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all the department's intangible assets is zero.

For each class of intangible assets, the following useful lives are used:

Software purchased 3 – 10 years

Software internally generated 6 – 17 years

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

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the department, including discontinuing the use of software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

16. Property, plant and equipment and depreciation expense

	Plant and equipment		Buildings		Capital works in progress	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	34,720	35,351	2,308,793	2,127,361	190,078	115,317
Acquisitions (including upgrades)	528	1,019	-	-	118,562	131,378
Assets not previously recognised	11	-	-	-	-	-
Disposals	(74)	(28)	(708)	(912)	-	-
Transfers in from other Queensland Government entities*	-	356	-	-	-	-
Transfers between asset classes	5,527	4,864	73,829	77,053	(79,356)	(56,617)
Transfer to managed items	(3)	-	-	-	-	-
Net revaluation increments in revaluation surplus	-	-	13,635	214,865	-	-
Net revaluation decrements in operating deficit	-	-	-	-	-	-
Depreciation expense	(7,480)	(6,842)	(115,087)	(109,574)	-	-
Total carrying amount at reporting date	**33,229**	**34,720**	**2,280,462**	**2,308,793**	**229,284**	**190,078**
Gross	106,860	106,231	4,202,765	4,106,166	229,284	190,078
Less: Accumulated depreciation	(73,631)	(71,511)	(1,922,303)	(1,797,373)	-	-
Total carrying amount at reporting date	**33,229**	**34,720**	**2,280,462**	**2,308,793**	**229,284**	**190,078**

	Land		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	177,746	261,795	2,711,337	2,539,824
Acquisitions (including upgrades)	-	-	119,090	132,397
Assets not previously recognised	-	-	11	-
Disposals	-	-	(782)	(940)
Transfers in from other Queensland Government entities*	-	-	-	356
Transfers between asset classes	-	(25,300)	-	-
Transfer to managed items	-	-	(3)	-
Net revaluation increments in revaluation surplus	1,845	-	15,480	214,865
Net revaluation decrements in operating deficit	-	(58,749)	-	(58,749)
Depreciation expense	-	-	(122,567)	(116,416)
Total carrying amount at reporting date	**179,591**	**177,746**	**2,722,566**	**2,711,337**
Gross	179,591	177,746	4,718,500	4,580,221
Less: Accumulated depreciation	-	-	(1,995,934)	(1,868,884)
Total carrying amount at reporting date	**179,591**	**177,746**	**2,722,566**	**2,711,337**

* The Department of Justice and Attorney-General transferred information technology equipment to the department as a result of machinery-of-government changes through a Designation of Inter-Agency Transfer notice dated 8 July 2019. The value of the assets transferred as at 1 July 2018 was $0.356 million.

The department's property, plant and equipment assets are held for their expected continuing use in the delivery of public services and not for future cash flows and earnings. The impact of the COVID-19 pandemic is not expected to significantly affect the continuing use of these assets. Refer also note 25.

16. Property, plant and equipment and depreciation expense (continued)

Categorisation of assets measured at fair value

	Level 2		Level 3		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Land	13,364	13,409	166,227	164,337	179,591	177,746
Buildings	477	485	2,279,985	2,308,308	2,280,462	2,308,793
Total	**13,841**	**13,894**	**2,446,212**	**2,472,645**	**2,460,053**	**2,486,539**

Following specific appraisal of the department's building and land portfolio, effective 31 March 2019, the following transfers of assets were made during 2018-19 between fair value hierarchy levels after consideration of available observable and unobservable inputs during specific appraisal.

- $0.485 million in buildings has been transferred from Level 3 to Level 2.
- $164.337 million in buildings has been transferred from Level 2 to Level 3.

There were no transfers of assets between fair value hierarchy levels during 2019-20.

Revaluation surplus by asset class

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

	Land		Buildings		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	-	-	214,865	-	214,865	-
Equity classification adjustment*	-	-	96	-	96	-
Net revaluation increments	1,845	-	13,635	214,865	15,480	214,865
Balance at 30 June	**1,845**	**-**	**228,596**	**214,865**	**230,441**	**214,865**

* Equity reclassification between the asset revaluation surplus and accumulated deficit is due to the disposal of Non-current assets which had previously been revalued.

Basis for fair values of assets

Indices were applied to the department's land and building asset components by AssetVal (Marsh Pty Ltd) under an index-based valuation with an effective date of 30 June 2020 using a market-based assessment. AssetVal used a combination of level 2 and level 3 inputs including publicly available data on sales of similar land in nearby localities. The indexation assessment has regard to the movement of costs from the date of the last specific appraisal of land and building assets, being 30 June 2019 to the current reporting date of 30 June 2020. AssetVal has taken a more cautionary approach to defining the inputs where the comparable evidence is not zoned the same as the subject land and they determined that a degree of professional opinion is required to make an assessment as it is not directly comparable, declaring some reliance on level 3 inputs.

Asset Val provided a certificate of materiality as at 30 June 2020 and determined that there had been no material movement in the value of the department's land and building assets between the valuation date of 30 June 2019 and 30 June 2020. AssetVal have acknowledged that the COVID-19 pandemic has caused market uncertainty and the evidence available to be considered by the valuer in determination of the indices will not have been reflected in market evidence. The impact on sale prices and volumes will not be known until the market has stabilised and a new normal is evident across the marketplace. The valuation is current as at 30 June 2020 only, and the value assessed herein may change significantly over a relatively short period of time, including as a result of factors that the valuer could not reasonably have been aware of as at the date of valuation.

16. Property, plant and equipment and depreciation expense (continued)

Land

AssetVal provided indices based on an analysis of property prices across residential, commercial and vacant land sectors which indicated that prices have increased across all sectors, in all the regions where the department's land exists except Rockhampton, Cassowary Coast, Mareeba, and Mount Isa, which have seen an apparent decline in property values and Townsville which remains unchanged.

The revaluation of the land assets during 2019-20 continues to be undertaken using market data, which is a level 2 or level 3 assessment, dependent upon whether the inputs into the valuation process are observable or unobservable.

Buildings

The index-based valuation conducted by AssetVal takes into account replacement cost differences due to building construction. It also considers the difference in replacement cost for building components.

AssetVal assessed buildings by analysing data derived from information from Rawlinson's Australian Construction Handbook 2020, Costweb and the Australian Bureau of Statistics.

This data is analysed by determining the movement between 30 June 2019 (date of the most recent specific appraisal) and 30 June 2020 for the department's building assets. AssetVal have considered the Non-Residential, Residential, and Other Residential categories from Costweb, Australian Bureau of Statistics, together with the regional building price index for all construction from Rawlinson's Australian Construction Handbook. The basis of derivation of these indices was consistent with the underlying data inputs adopted for the last specific appraisal.

The revaluation of the building and land improvement assets during 2019-20 continues to be undertaken using the Cost Approach methodology.

All of the department's buildings, including land improvements in respect of correctional centres, have been assessed as specialised buildings and land improvements. The valuation of these assets is based on the fact that current use is highest and best use. A current replacement cost valuation approach has been used due to no active market for correctional centres.

Building assets, largely comprising correctional centres, were revalued by AssetVal under a specific appraisal valuation with an effective date of 30 June 2019. Specific appraisals were determined on recent construction projects, contract data for similar structure, location, cost guides, other relevant publications such as Rawlinson's rates for building and construction, and the AssetVal internal database of unit rates. These inputs are considered as significant unobservable inputs in nature, therefore specialised buildings are classified as Level 3 fair value measurements.

Accounting policy

a) What is fair value?

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

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

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

16. Property, plant and equipment and depreciation expense (continued)

Accounting policy

b) Fair value measurement hierarchy

The department does not recognise any financial assets or financial liabilities at fair value.

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

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

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

c) Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as property, plant and equipment in the following classes:

Land	*$1*
Buildings (including land improvements)	*$10,000*
Plant and equipment	*$5,000*

Items with a lesser value are expensed in the year of acquisition. Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed. Land improvements undertaken by the department are included with buildings.

d) Capital work in progress

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment constructed in-house are recorded as work in progress until completion of the project using all direct costs and, where applicable, reliable attributed indirect costs. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

e) Componentisation of complex assets

The department's complex assets are its correctional centres. Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset. Components whose value exceeds 10% of the complex asset's total cost are separately identified as significant value components. Components are separately recorded in line with the department's complex asset component structures. The complex assets are componentised to ensure a more accurate recognition of depreciation expense.

When a separately identifiable component (or group of components) of significant value is replaced, the existing component(s) is derecognised. The replacement component(s) is capitalised when it is probable that future economic benefits from the significant component will flow to the department in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed. Components are separately recorded and valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets is disclosed in note 16(l) and estimated useful lives of components included in note 16(m).

f) Cost of acquisition

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.
Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-government change or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other entity immediately prior to the transfer. Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at date of acquisition.

16. Property, plant and equipment and depreciation expense (continued)

Accounting policy

g) Measurement using historical cost

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

h) Measurement of non-current physical assets using fair value

Land and building assets are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, where applicable.

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

Property, plant and equipment classes measured at fair value are revalued on an annual basis by appraisals, undertaken by an independent professional valuer or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by a team in the department's financial services branch, which determines the specific revaluation practices and procedures. The department has an asset valuation steering committee (of which the department's Chief Finance Officer is a member) that oversees the revaluation processes managed. That committee undertakes annual reviews of the revaluation practices (after each year's revaluation exercise), and reports to the department's audit and risk management committee regarding the outcomes of, and recommendation arising from, each annual review.

i) Use of specific appraisals

Revaluations using independent professional valuers are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. This is arranged by the department's financial services branch after consultation with the department's audit and risk management committee.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs, and minimise the use of unobservable inputs, as defined in note 16 (a). Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case, revaluation is warranted).

Changes in valuation techniques were applied during the specific appraisal conducted during 2018-19. These techniques included using current market assessments and construction rates for project related costs that would apply specifically to the construction of correctional facilities. The cost loadings applied are in excess of typical cost loadings which would apply to non-specialised buildings and has resulted in higher current replacement costs for building assets. Furthermore, assessments were made over previous inclusions of site preparation costs in the value of land which resulted in the removal of the value of these costs for land assets. Previous valuation techniques were assessed as part of the revised approach and the department considers the revised valuation techniques which have been utilised to be more applicable to the specialised nature of correctional facilities.

j) Use of indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up to date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. AssetVal (Marsh Pty Ltd) supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to AssetVal. AssetVal provides assurance of its robustness, validity and appropriateness for application to the relevant assets.

Indices used are also tested for reasonableness by comparing the results against other relevant indices, industry indicators and market information. Through this process, which is undertaken annually, the department assesses and confirms the relevance and suitability of indices provided by AssetVal based on the department's own particular circumstances.

k) Accounting for changes in fair value

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

16. Property, plant and equipment and depreciation expense (continued)

Accounting policy

l) Depreciation of property, plant and equipment

Property, plant and equipment (excluding land) is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less any estimated residual value, progressively over its estimated useful life to the department. Land is not depreciated as it has an unlimited useful life.

Key Judgment: *Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the department.*

Separately identifiable components of complex assets are depreciated according to the useful lives of each component, as doing so results in a material impact on the depreciation expense reported.

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

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

The depreciable amount of improvements to or on leasehold land, is allocated progressively over the estimated useful lives of the improvements, or the unexpired period of the lease, whichever is shorter. The unexpired period of a lease includes any option period where exercise of the option is reasonably certain.
For the department's depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

m) Depreciation rates

Key estimates: *For each class of depreciable assets, the following useful lives are used (including significant identifiable components).*

Class	*Useful life*	*Class*	*Useful life*
Building:		*Plant and equipment:*	
Substructure	*10 – 86 years*	*Leasehold improvements*	*3 – 24 years*
Superstructure	*10 – 86 years*	*Computer equipment*	*2 – 15 years*
Roof	*10 – 86 years*	*Plant and machinery*	*4 – 38 years*
Finishes	*10 – 74 years*	*Other plant and equipment*	*3 – 45 years*
Fittings	*10 – 74 years*		
Services	*10 – 66 years*		
External Services	*10 – 78 years*		
Air Conditioning	*12 – 70 years*		
Light and Power	*10 – 70 years*		
Security Services	*10 – 65 years*		
Vacuum Drainage	*18 – 83 years*		

Where appropriate, the depreciation rates applied to assets are determined on an individual basis.

n) Indicators of impairment and determining recoverable amount

All property, plant and equipment assets are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB 13 Fair Value Measurement. If an indicator of possible impairment exists, the department determines the asset's recoverable amount under AASB 136 Impairment of Assets. Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use, subject to the following:

As a not-for-profit entity, property, plant and equipment of the department is held for the continuing use of its service capacity and not for the generation of cash flows. Such assets are typically specialised in nature. In accordance with AASB 136, where such assets measured at fair value under AASB 13, that fair value (with no adjustment for disposal costs) is effectively deemed to be the recoverable amount. As a consequence, AASB 136 does not apply to such assets unless they are measured at cost.

For all other remaining assets measured at cost, recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use.

16. Property, plant and equipment and depreciation expense (continued)

Accounting policy

Value in use is equal to the present value of the future cash flows expected to be derived from the asset, or where the department no longer uses an asset and has made a formal decision not to reuse or replace the asset, the value in use is the present value of net disposal proceeds.

o) Recognising impairment losses

For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the Statement of Comprehensive Income as a revaluation decrement.

For assets measured at cost, an impairment loss is recognised immediately in the Statement of Comprehensive Income.

p) Reversal of impairment losses
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at fair value, to the extent the original decrease as expensed through the Statement of Comprehensive Income, the reversal is recognised in income, otherwise the reversal is treated as a revaluation increase for the class of asset through asset revaluation surplus.

For assets measured at cost, impairment losses are reversed through income.

17. Payables

	2020 $'000	2019 $'000
Trade creditor and accruals	40,207	45,800
Deferred appropriation payable to Consolidated Fund	4,959	1,124
Equity withdrawal payable	-	789
Total	**45,166**	**47,713**

Accounting policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured

18. Accrued employee benefits

	2020 $'000	2019 $'000
Salaries, wages and other related expenses outstanding	7,300	11,966
Annual leave levy payable	11,770	10,379
Long service leave levy payable	2,940	2,851
Other	8	7
Total	**22,018**	**25,203**

Accounting policy

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

19. Other current and non-current liabilities

	2020 $'000	2019 $'000
Current		
Lease incentives	-	570
Total	**-**	**570**
Non-current		
Lease incentives	-	2,515
Total	**-**	**2,515**

Lease incentive liabilities were derecognised effective 1 July 2019 – refer note 27 (j).

20. Key management personnel disclosures

Details of key management personnel (KMP)

The department's responsible Minister, the Minister for Police and Minister for Corrective Services; is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2019-20 and the comparative reporting period. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibilities
Commissioner	Overall efficient, effective and economic administration of the department.
Deputy Commissioner, Organisational Capability	Leads the development and delivery of organisational capability across the department. This includes all enabling and corporate functions, strategic planning and major reform initiatives, policy, integrity and professional standards.
Deputy Commissioner, Community Corrections and Specialist Operations	Leads the delivery of community corrections, including probation and parole and specialist services to prisoners, offenders, staff, victims, and other stakeholders.
Deputy Commissioner, Custodial Operations	Leads the delivery of custodial services in Queensland.

Remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department 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 the Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle allowances) are specified in employment contracts. Remuneration expenses for those KMP comprise the following components:

20. Key management personnel disclosures (continued)

Short-term employee expense which include:

- salaries, allowances, and leave entitlements earned and expensed for the year, or for that part of the year during which the employee occupied a KMP position.
- non-monetary benefits – consisting of provision of car parking benefits 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.

Remuneration expenses

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

1 July 2019 to 30 June 2020

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total
	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000
Commissioner	351	10	8	44	413
Deputy Commissioner, Organisational Capability	295	10	6	30	341
Deputy Commissioner, Community Corrections and Specialist Operations	285	10	6	29	330
Deputy Commissioner, Custodial Operations – to 31 January 2020	153	6	4	18	181
Deputy Commissioner, Custodial Operations – from 1 June 2020 to 30 June 2020	23	1	1	3	28
Deputy Commissioner, Custodial Operations (Acting) – from 24 January 2020 to 31 May 2020	101	3	2	7	113

20. Key management personnel disclosures (continued)

2018-19

Position	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Total
	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000
Commissioner	340	6	7	41	394
Deputy Commissioner, Organisational Capability – from 30 July 2018	253	6	5	26	290
Deputy Commissioner, Community Corrections and Specialist Operations – from 13 August 2018	232	5	5	25	267
Deputy Commissioner, Custodial Operations – from 13 August 2018	241	5	5	26	277

Performance payments

No KMP remuneration packages provide for performance or bonus payments.

Accounting policy

KMP and remuneration disclosures are made in accordance with section 3 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

21. Related party transactions

Transactions with people/entities related to KMP

Based upon KMP declarations, there have been no transactions with related parties that have materially affected the department's operating result and/or financial position.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Queensland Government for its services are appropriation revenue and equity injections, both of which are provided in cash via Queensland Treasury (refer note 5). The department also received capital works, accommodation and building maintenance services at a cost of $186.284 million from the Department of Housing and Public Works.

Note 7 outlines the services received below fair value provided by Queensland Government entities.

22. Notes to the statement of cash flows

Reconciliation of operating result to net cash provided by operating activities	**2020 $'000**	**2019 $'000**
Operating result from continuing operations	**(22,965)**	**(65,490)**
Non-cash items included in operating result:		
Depreciation and amortisation expense	122,881	116,692
Impairment losses	31	217
Doubtful debts written-off	(115)	(1,847)
Revaluation decrement	-	58,749
Net losses on disposal of property, plant and equipment	782	930
Prior year capitalised assets	(11)	(53)
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables	139	1,177
(Increase)/decrease in appropriation revenue receivable	-	6,360
Increase/(decrease) in deferred appropriation payable to consolidated fund	3,834	1,124
(Increase)/decrease in annual leave reimbursement receivable	264	(502)
(Increase)/decrease in long service leave reimbursement receivable	(242)	63
(Increase)/decrease in accrued revenue	(671)	79
(Increase)/decrease in other receivables	860	(1,297)
(Increase)/decrease in prepayments	(8,830)	447
(Increase)/decrease in other assets	96	41
(Increase)/decrease in inventories	(420)	365
Increase/(decrease) in accrued employee benefits	(3,186)	1,639
Increase/(decrease) in accounts payable	71	1,551
Increase/(decrease) in other liabilities	-	2,545
(Increase)/decrease in GST input tax credits receivable	1,734	(1,645)
Increase/(decrease) in GST payable	49	118
Net cash provided by operating activities	**94,301**	**121,263**

Changes in liabilities arising from finance activities
Details of the department's change in liability for equity withdrawals payable/receivable is detailed in note 5.

23. Commitments

Capital expenditure commitments
Material classes of capital expenditure commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

Buildings		
Payable:		
Not later than one year	59,164	109,452
Later than one year but not later than five years	-	40,241
Total	**59,164**	**149,693**
Major plant and equipment		
Payable:		
Not later than one year	589	-
Total	**589**	**-**

24. Contingencies

Litigation in progress

As at 30 June 2020, the department has received notification of a number of industrial matters which are being considered by the Queensland Industrial Relations Commission and the Industrial Court of Queensland. These matters may or may not result in subsequent litigation.

Effective 21 December 2017, Queensland Corrective Services litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Under the QGIF, the department would be able to claim back (less an excess of $10,000), the amount paid to successful litigants. This includes any cases that existed as at 21 December 2017 and cases that have arisen since that date.

25. Budgetary reporting disclosures and significant financial impacts from COVID-19

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

Significant financial impacts – COVID-19 Pandemic

The impact of the ongoing COVID-19 pandemic has brought about significant uncertainties, market volatility, and business disruption across the department's operating environment, being the State of Queensland. In consideration of the prevailing economic conditions, further assessments have been made over key judgements and assumptions in the financial report whilst acknowledging the inability to accurately predict the financial impacts arising from COVID-19. The department has made an initial assessment of the effects from COVID-19 that may impact upon the recognition and measurement of assets and liabilities within the financial report, disclosure of key judgements and uncertainties are included within the following notes:

Note 12 – Allowances for unexpected credit losses
Note 16 – Fair value measurements.

The financial impact of the COVID-19 pandemic for the department has not been significant. No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the reporting period.

Explanations of major variances – Statement of Comprehensive Income

Appropriation revenue and depreciation and amortisation

The lower depreciation of $13 million is a result of re-assessment and resultant net increase in the useful lives of building assets and timing of capitalisation for major capital works compared to budgeted depreciation profiles. The depreciation charge resulted in lower appropriate revenue to fund this item of expenditure.

Supplies and Services

Supplies and services expenditure exceeded original budget by $19 million due to fluctuations in service demands driving growth in costs compared to budgeted profiles. Computer expenses increased by $7 million as a result of additional investment in ICT capability largely to support remote based working arrangements due to the impact of COVID-19 and higher contractor costs of $6 million to support this investment in ICT capability along with a range of prison and offender related projects and initiatives.

Operating result

The operating result (deficit) of $22 million is a result of fluctuations in prisoner numbers and service demands driving growth in costs which were not anticipated within existing funding models and budgetary allocations.

25. Budgetary reporting disclosures and significant financial impacts from COVID-19 (continued)

Explanations of major variances – Statement of Financial Position

Cash and cash equivalents, receivables and payables

The lower cash balance is attributed to the timing of cash flows and the movements in receivables ($13 million), other current assets ($8 million) and payables ($15 million). Cash has also been impacted by the increase in expenses. Receivables were higher than budget due to equity injections receivable of $10 million at year end, primarily to fund costs of prison related infrastructure projects including bunk bed installation and perimeter security upgrades. Other current assets were higher than budget primarily due to the prepayment of wages and salaries of $7 million as a result of the cash flow timing impacts of payroll cut-off at year end. Payables were higher than budget due to the timing of trade creditor settlements at year end compared to original forecasts.

Explanations of major variances – Statement of Cash Flows
Good and services tax

The net cash flows associated with goods and services tax transactions during the year was $2 million, which was not budgeted for as separate line items.

Supplies and Services

Supplies and services outflows exceeded original budget by $24 million as a result of previously referred to higher supplies and services expenditure.

26. Trust transactions and balances

	2020 $'000	2019 $'000
Prisoners' trust fund		
Revenue	29,237	27,263
Expenses	28,729	27,240
Net (deficit)/surplus	**508**	**23**
Assets	5,341	4,286
Liabilities	5,341	4,286
Net assets	**-**	**-**

Accounting policy
The Prisoner's Trust holds money in trust on behalf of prisoners in custody in compliance with s.311 of the Corrective Services Act 2006.

The transactions and balances related to the above arrangements are not recognised in the financial statements because the department acts only in a custodial role. The disclosure of these notes are for the information of users. The Queensland Auditor-General performs the audit of the department's trust transactions for the reporting period.

27. Summary of other accounting policies

a) Authorisation of financial statements for issue

The financial statements are authorised for issue by the Commissioner and Chief Finance Officer at the date of signing the Management Certificate.

b) Accounting estimates and judgements

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

Receivables – note 12
Valuation of property, plant and equipment – note 16
Depreciation and amortisation – note 16

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

c) Currency and rounding

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

d) Comparatives

Comparative information reflects the audited financial statements for the period 1 July 2018 to 30 June 2019, except where restated to conform with the presentation for the period 1 July 2019 to 30 June 2020.

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 due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

f) Financial instruments

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

Cash and cash equivalents – refer Statement of Cash Flows
Receivables at amortised cost – refer note 12
Payables at amortised cost – refer note 17

No financial assets and financial liabilities have been offset and presented on a net basis on the Statement of Financial Position. The department does not enter into transactions for speculative purposes, nor for hedging. The department is exposed to credit risk in relation to its receivables, refer note 12.

g) Insurance

The department's non-current physical assets and other risks, including those relating to business interruption following natural disasters, are insured through the Queensland Government Insurance Fund. Premiums are paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

h) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

Departmental bank accounts are grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation (QTC) and do not earn interest on surplus funds, except for Canteen and Prisoner Trust operations which are interest bearing accounts. Interest earned from Canteen and Prisoner Trust operations remains with the department and is used for prisoner amenities. Interest earned on cash deposited with the Commonwealth Bank of Australia earned on average 1.77% during the reporting period. The department does not trade in foreign currency and does not undertake any hedging. The department is exposed to interest rate risk through cash deposited in interest bearing accounts.

27. Summary of other accounting policies (continued)

i) Taxation

The department is a State body as defined under the Income Tax Assessment Act 1936 and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department, GST credits receivable from, and GST payable to the ATO, are recognised (refer to note 12).

j) First-year application of new accounting standards or changes in accounting policy

The department applied AASB 16 Leases for the first time in 2019-20. The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 Leases. In 2018-19, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program.

Effective 1 July 2019, the framework agreements that govern QGAO and GEH were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore exempt from lease accounting. From 2019-20 onward, the costs for these services are expenses as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

On transition, lease incentive liabilities relating to previous operating leases in respect of the QGAO arrangements (refer note 10 and note 19) of $3.085 million were derecognised against the opening balance of accumulated deficits as at 1 July 2019. The department has not entered into other lease arrangements which would be captured under the new standard. The department has elected to recognise lease payments for short term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on the balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

The department applied AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customer for the first time in 2019-20. The department does not currently have any revenue contracts or grant agreements with a material impact in 2019-20. Any new revenue contracts or grant agreements entered into subsequently will be assessed to determine financial reporting impacts arising from AASB 1058 and AASB 15. Revenue recognition for the department's appropriations, grant and contributions will not change under AASB 1058. Revenue will continue to be recognised when the department gains control of the assets (e.g. cash or receivable). There have been no impacts as a result of the application of AASB 15.

k) Future impact of accounting standards not yet effective
At the date of authorisation of the financial report all Australian accounting standards and interpretations with future effective dates are either not applicable to the department's activities or have no material impact on the department.

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

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

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

28. Events occurring after the balance date

There were no significant matters arising after the balance date which management is aware of as at the date of signing the Management Certificate.

Queensland Corrective Services

Management Certificate

for the reporting period 1 July 2019 to 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 38 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 department for the financial year ended 30 June 2020 and of the financial position of the department at the end of that year.

The Commissioner, as the Accountable Officer of the Department, acknowledges 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.

Scott Walker CPA BCom
Acting Chief Finance Officer

28 August 2020

Peter Martin APM
Commissioner

28 August 2020

Queensland
Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Queensland Corrective Services

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Corrective Services.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009,* the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

Basis for opinion

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

I am independent of the department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 11O *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.

Queensland Audit Office
Better public services

Key audit matters

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

Valuation of specialised buildings ($2 280 million) and depreciation expense ($123 million)-Note 16

Key audit matter	How my audit addressed the key audit matter

Queensland Corrective Services' specialised buildings were material at balance date and were measured at fair value using the current replacement cost method.
 	
An external valuer performed a specific appraisal valuation of the buildings as at 30 June 2019. Indexation has subsequently been applied up to 30 June 2020.
The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation
The Department derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:
• identifying the components of buildings with separately identifiable replacement costs (known as unit rate categories)
• developing a unit rate for each of these components, including:
  o estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. $/square metre)
  o identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference.
• indexing unit rates for subsequent increases in input costs
The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of assets.
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures included, but were not limited to:
	• Assessing the appropriateness of the building components used for measuring gross replacement cost with reference to the department's asset management plans and common industry practices.
	
	• Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness using common industry practices.
	
	• Assessing the competence, capability and objectivity of the valuation specialist.
	
	• Evaluating whether unit rates were current at balance date by comparing the indices used against other publicly available information about movements in construction costs for similar assets.
	
	• Evaluating useful life estimates for reasonableness by:
	  o Reviewing management's annual assessment of useful lives.
	  o Ensuring that no component still is use has reached or exceeded its useful life.
	
	• Reviewing for assets with an inconsistent relationship between condition and remaining useful life.

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in the entity's annual report.

Those charged with governance are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Statement

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

a) I received all the information and explanations I required.

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

Prescribed requirements scope

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

JWelsh

28 August 2020

John Welsh
as delegate of the Auditor-General

Queensland Audit Office
Brisbane