

Department for Correctional Services

Financial report
for the year ended
30 June 2020



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To the Chief Executive Department for Correctional Services

Opinion

I have audited the financial report of the Department for Correctional Services for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Correctional Services as at 30 June 2020, its financial performance and its cash flows for year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, People and Business Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and 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 for Correctional Services. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issue under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Correctional Services for the financial year ended 30 June 2020.

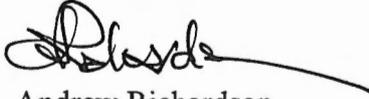
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department for Correctional Services' internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, 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 the audit.

A handwritten signature in black ink, appearing to read "A. Richardson", with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

7 September 2020

Department for Correctional Services

Financial Statements

For the year ended 30 June 2020

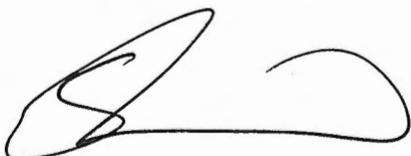
Department for Correctional Services
Statement of Certification
For the year ended 30 June 2020

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Department for Correctional Services:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Department; and
- present a true and fair view of the financial position of the Department for Correctional Services as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Department for Correctional Services for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



David Brown
Chief Executive

3 September 2020



Chris Sexton
Executive Director, People & Business
Services

3 September 2020

Department for Correctional Services
Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriation	2.1	368 372	346 927
Prison labour	2.2	5 881	5 802
Commonwealth-sourced grants and funding	2.3	3 008	767
Intra-government transfers	2.4	6 768	9 617
Canteen and kitchen sales	2.5	733	1 004
Resources received free of charge	2.6	1 942	2 147
Other income	2.8	2 554	2 467
Salaries and goods and services recoups		1 533	1 957
Total income		390 791	370 688
Expenses			
Employee benefit expenses	3.3	201 691	225 590
Supplies and services	4.1	124 109	113 404
Depreciation and amortisation	4.2	22 812	21 632
Payments to prisoners		4 221	4 309
Grants		366	292
Borrowing costs	4.3	240	-
Net loss from disposal of non-current assets	2.7	27	2 098
Impairment loss on receivables		(30)	320
Other expenses	4.4	777	845
Total expenses		354 213	368 490
Net result		36 578	2 198
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus	5.1	-	60 384
Total comprehensive result		36 578	62 582

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

Department for Correctional Services
Statement of Financial Position
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	23 471	19 573
Receivables	6.2	3 835	4 498
Inventory	5.7	2 068	1 896
Total current assets		29 374	25 967
Non-current assets			
Property, plant and equipment	5.1	703 018	671 442
Capital works in progress	5.4	33 250	39 029
Intangible assets	5.5	2 593	2 593
Biological assets	5.6	414	414
Total non-current assets		739 275	713 478
Total assets		768 649	739 445
Current liabilities			
Payables	7.1	15 813	23 732
Employee benefits	3.4	22 667	28 874
Provisions	7.3	3 868	3 311
Financial liabilities	7.2	1 502	-
Total current liabilities		43 850	55 917
Non-current liabilities			
Payables	7.1	3 247	3 552
Employee benefits	3.4	33 209	37 108
Provisions	7.3	26 168	26 714
Financial liabilities	7.2	8 952	-
Total non-current liabilities		71 576	67 374
Total liabilities		115 426	123 291
Net assets		653 223	616 154
Equity			
Retained earnings	8.1	105 331	68 177
Prisoner amenities reserve	8.1	116	201
Asset revaluation surplus	8.1	382 308	382 308
Contributed capital	8.1	165 468	165 468
Total equity		653 223	616 154

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Department for Correctional Services
Statement of Changes in Equity
For the year ended 30 June 2020

		Prisoner amenities reserve	Asset revaluation surplus	Contributed capital	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018		213	321 924	165 468	66 061	553 666
Adjustments on initial adoption of AASB 9		-	-	-	(94)	(94)
Adjusted balance at 1 July 2018		213	321 924	165 468	65 967	553 572
Net result for 2018-19		-	-	-	2 198	2 198
Gain on revaluation of land and buildings during 2018-19		-	60 104	-	-	60 104
Gain on revaluation of olives & citrus grove during 2017-18		-	280	-	-	280
Total comprehensive result for 2018-19		-	60 384	-	2 198	62 582
Net changes in reserves		(12)	-	-	12	-
Capital contribution received		-	-	-	-	-
Balance at 30 June 2019	8.1	201	382 308	165 468	68 177	616 154
Error correction		-	-	-	491	491
Adjusted balance at 1 July 2019		201	382 308	165 468	68 668	616 645
Net result for 2019-20		-	-	-	36 578	36 578
Gain on revaluation of land and buildings during 2019-20		-	-	-	-	-
Gain on revaluation of olives & citrus grove during 2019-20		-	-	-	-	-
Total comprehensive result for 2019-20		-	-	-	36 578	36 578
Net changes in reserves		(85)	-	-	85	-
Transactions with SA Government as owner:						
Capital contribution received		-	-	-	-	-
Balance at 30 June 2020	8.1	116	382 308	165 468	105 331	653 223

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Department for Correctional Services
Statement of Cash Flows
For the year ended 30 June 2020

		2020	2019
		(Outflows) Inflows	(Outflows) Inflows
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Appropriation		375 142	356 544
Receipts from prison labour		5 881	5 802
GST recovered from the ATO		14 710	13 300
Receipts for Paid Parental Leave Scheme		244	303
Other receipts		9 136	7 503
Cash generated from operations		405 113	383 452
Cash outflows			
Employee benefit payments		(212 576)	(210 958)
Supplies and services		(145 084)	(125 778)
Prisoner payments		(4 221)	(4 309)
Grants		(366)	(292)
Interest paid		(240)	-
Payments for Paid Parental Leave Scheme		(260)	(288)
Other payments		(745)	(1 165)
Cash used in operations		(363 492)	(342 790)
Net cash provided by operating activities	8.2	41 621	40 662
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of property, plant and equipment		-	72
Cash generated from investing activities		-	72
Cash outflows			
Purchase of property, plant and equipment		(36 094)	(49 224)
Cash used in investing activities		(36 094)	(49 224)
Net cash used in investing activities		(36 094)	(49 152)
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(1 629)	-
Cash used in financing activities		(1 629)	-
Net cash provided by financing activities		(1 629)	-
Net (decrease) / increase in cash and cash equivalents		3 898	(8 490)
Cash and cash equivalents at the beginning of the reporting period		19 573	28 063
Cash and cash equivalents at the end of the reporting period	6.1	23 471	19 573

The accompanying notes form part of these financial statements.

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

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Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

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Department for Correctional Services

Notes to and forming part of the financial statements

For the year ended 30 June 2020

1. About the Department for Correctional Services

The Department for Correctional Services (the Department) is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

The Department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Department.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2019-20 financial statements the Department adopted AASB 15 – *Revenue from Contracts with Customers*, AASB 16 – *Leases* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in Note 9.1.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The Department's objectives are:

- to contribute to a safer community by working in partnership with other criminal justice organisations and the community to prevent crime and reduce repeat offending; and
- to safely, securely and humanely manage people ordered by the courts to serve a community based or prison sanction and provide them with opportunities to lead law-abiding productive lives.

The Department undertakes the following programs:

- **Custodial Services** - The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The Custodial Services program includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.2. Objectives and programs (continued)

- Community Based Services - The Department case manages and supervises offenders in the community on probation, parole or under home detention and bailees on supervised bail.
- Rehabilitation and Reparation Services - The Department provides a range of educational, vocational and rehabilitative activities designed to assist offenders to address their offending behaviour and provide them with opportunities to lead law abiding and productive lives.
- General / Not Attributable - Certain assets and liabilities of the Department are unable to be allocated reliably to activities.

The programs schedules present income, expenses, assets and liabilities information attributable to each of the activities for the years ended 30 June 2019 and 30 June 2020.

Income and expenses by program

For the year ended 30 June

	Custodial Services		Community Based Services	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income				
Appropriation	280 312	262 037	50 641	45 543
Prison labour	-	-	-	-
Commonwealth-sourced grants and funding	-	-	171	100
Intra-government transfers	5 151	7 264	930	1 262
Canteen and kitchen sales	733	1 004	-	-
Resources received free of charge	1 435	1 584	269	285
Other income	1 775	1 436	656	321
Salaries and goods and services recoups	167	181	1 348	1 712
Total income	289 573	273 506	54 015	49 223
Expenses				
Employee benefit expenses	136 516	158 551	34 430	35 234
Supplies and services	101 345	86 178	11 791	13 055
Depreciation and amortisation	19 721	20 283	2 321	608
Payments to prisoners	3 583	3 624	-	-
Grants	-	-	-	-
Borrowing costs	(120)	-	382	-
Net loss from disposal of non-current assets	-	2 092	27	-
Impairment loss on receivables	(30)	320	-	-
Other expenses	721	798	38	38
Total expenses	261 736	271 846	48 989	48 935
Net result	27 837	1 660	5 026	288

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.2. Objectives and programs (continued)

Income and expenses by program (continued)

	Rehabilitation and Reparation Services		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income				
Appropriation	37 419	39 347	368 372	346 927
Prison labour	5 881	5 802	5 881	5 802
Commonwealth-sourced grants and funding	2 837	667	3 008	767
Intra-government transfers	687	1 091	6 768	9 617
Canteen and kitchen sales	-	-	733	1 004
Resources received free of charge	238	278	1 942	2 147
Other income	123	710	2 554	2 467
Salaries and goods and services recoups	18	64	1 533	1 957
Total income	47 203	47 959	390 791	370 688
Expenses				
Employee benefit expenses	30 745	31 805	201 691	225 590
Supplies and services	10 973	14 171	124 109	113 404
Depreciation and amortisation	770	741	22 812	21 632
Payments to prisoners	638	685	4 221	4 309
Grants	366	292	366	292
Borrowing costs	(22)	-	240	-
Net loss from disposal of non-current assets	-	6	27	2 098
Impairment loss on receivables	-	-	(30)	320
Other expenses	18	9	777	845
Total expenses	43 488	47 709	354 213	368 490
Net result	3 715	250	36 578	2 198

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.2. Objectives and programs (continued)

Assets and liabilities by program

As at 30 June

	Custodial Services		Community Based Services		Rehabilitation and Reparation Services	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current assets						
Cash and cash equivalents	17	16	3	3	1	1
Receivables	521	642	-	-	-	-
Inventory	403	376	-	-	1 257	1 142
Total current assets	941	1 034	3	3	1 258	1 143
Non-current assets						
Property, plant and equipment	668 363	644 375	19 509	10 868	13 506	13 968
Capital works in progress	30 673	37 232	71	16	-	221
Intangible assets	2 593	2 593	-	-	-	-
Biological assets	-	-	-	-	414	414
Total non-current assets	701 629	684 200	19 580	10 884	13 920	14 603
Total assets	702 570	685 234	19 583	10 887	15 178	15 746
Current liabilities						
Payables	9 983	16 373	711	576	1 003	1 522
Employee benefits	18 329	22 665	3 829	4 335	509	1 874
Provisions	2 618	2 327	660	517	590	467
Financial liabilities	593	-	810	-	99	-
Total current liabilities	31 523	41 365	6 010	5 428	2 201	3 863
Non-current liabilities						
Payables	2 050	2 451	146	86	206	228
Employee benefits	22 478	26 081	5 669	5 796	5 062	5 231
Provisions	17 712	18 775	4 467	4 172	3 989	3 767
Financial liabilities	525	-	8 340	-	87	-
Total non-current liabilities	42 765	47 307	18 622	10 054	9 344	9 226
Total liabilities	74 288	88 672	24 632	15 482	11 545	13 089
Net assets	628 282	596 562	(5 049)	(4 595)	3 633	2 657

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.2. Objectives and programs (continued)

Assets and liabilities by program (continued)

	General / Not Attributable		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current assets				
Cash and cash equivalents	23 450	19 553	23 471	19 573
Receivables	3 314	3 856	3 835	4 498
Inventory	408	378	2 068	1 896
Total current assets	27 172	23 787	29 374	25 967
Non-current assets				
Property, plant and equipment	1 640	2 231	703 018	671 442
Capital works in progress	2 506	1 560	33 250	39 029
Intangible assets	-	-	2 593	2 593
Biological assets	-	-	414	414
Total non-current assets	4 146	3 791	739 275	713 478
Total assets	31 318	27 578	768 649	739 445
Current liabilities				
Payables	4 116	5 261	15 813	23 732
Employee benefits	-	-	22 667	28 874
Provisions	-	-	3 868	3 311
Financial liabilities	-	-	1 502	-
Total current liabilities	4 116	5 261	43 850	55 917
Non-current liabilities				
Payables	845	787	3 247	3 552
Employee benefits	-	-	33 209	37 108
Provisions	-	-	26 168	26 714
Financial liabilities	-	-	8 952	-
Total non-current liabilities	845	787	71 576	67 374
Total liabilities	4 961	6 048	115 426	123 291
Net assets	26 357	21 530	653 223	616 154

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.3. Impact of COVID-19 pandemic on the Department

The COVID-19 pandemic has impacted on the operations of the Department and are included under the relevant disclosure notes. The estimated key impacts in 2019-20 were:

- Increase in expenditure of \$1.8 million comprising mainly of;
 - \$0.673m salary and wages
 - \$0.547m information technology equipment
 - \$0.331m cleaning of DCS properties
 - \$0.133m protective equipment.

1.4. Budget performance

The budget performance table compares the Department's outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

As at 30 June

	Note	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Statement of Comprehensive Income				
Income				
Appropriation	(a)	341 862	368 372	26 510
Prison labour		7 413	5 881	(1 532)
Commonwealth-sourced grants and funding		171	3 008	2 837
Intra-government transfers		-	6 768	6 768
Canteen and kitchen sales		805	733	(72)
Resources received free of charge		-	1 942	1 942
Other income		2 092	2 554	462
Salaries and goods and services recoups		1 072	1 533	461
Total income		353 415	390 791	37 376
Expenses				
Employee benefit expenses	(b)	211 710	201 691	10 019
Supplies and services	(c)	111 771	124 109	(12 338)
Depreciation and amortisation		21 580	22 812	(1 232)
Payments to prisoners		4 019	4 221	(202)
Grants		718	366	352
Borrowing costs		-	240	(240)
Net loss from disposal of non-current assets		-	27	(27)
Impairment loss on receivables		-	(30)	30
Other expenses		794	777	17
Total expenses		350 592	354 213	(3 621)
Net result		2 823	36 578	40 997
Other comprehensive income				
<i>Items that will not be reclassified to net results</i>				
Changes in revaluation surplus		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive result		2 823	36 578	40 997

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

1.4. Budget performance (continued)

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- (a) The variance primarily relates to expenditure associated with the Yatala Labour Prison 270 Bed expansion (\$14.4m) and Adelaide Women's Prison (\$10.1m), funding for Audio Visual Links (\$0.5m) and iSAFE (\$0.6m). The original budget was held centrally by the Department of Treasury and Finance.
- (b) The under-expenditure of \$10 million in employee benefits expense mainly relates to:
- \$14.7 million decrease in salary expenditure following the outsourcing of the management of the Adelaide Remand Centre to SERCO Australia Pty Ltd offset by;
 - \$6.5 million relating to Targeted Voluntary Separation Payments (TVSPs).
- (c) The over-expenditure of \$12.3 million in supplies and services relates to the contract payments relating to the outsourcing of the management of the Adelaide Remand Centre to SERCO Australia Pty Ltd.

	Note	Original budget	Actual	Variance
		2020 \$'000	2020 \$'000	\$'000
Investing expenditure summary				
Total new projects		3 200	3 200	-
Total existing projects		3 800	28 416	(24 616)
Total Annual Programs		2 812	4 976	(2 164)
Total investing expenditure		9 812	36 592	(26 780)

Total existing projects

- The variance primarily relates to the Yatala Labour Prison 270 bed expansion (\$12.0m) and the Adelaide Women's Prison 40 beds, gatehouse and infrastructure upgrade (\$13.9m). Original budget for these projects was initially held by DTF central contingencies.

Total Annual Programs

- The variance is primarily due to additional costs associated with a number of capital projects including the Adelaide Women's Prison accommodation refurbishment.

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- Lease payments relate to cars supplied by Fleet SA, and 100% of accommodation service payments to the Department for Planning, Transport and Infrastructure (DPTI). The expenses for these items are listed in Note 4.1.

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

2. Income

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Appropriation from the Consolidated Account Pursuant to the <i>Appropriation Act</i>	343 310	339 527
Other revenues from the Consolidated Account	25 062	7 400
Net appropriations	368 372	346 927

Appropriation

Appropriation is recognised on receipt.

The total appropriation consists of \$343.3 million (\$339.5 million) for operational funding and for capital projects. The original amount appropriated to the Department under the annual *Appropriation Act* was not varied and no additional funds were received from the Treasurer via the Governor's Appropriation Fund.

Department for Correctional Services
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2.2. Net income / (loss) from prison labour

	Yatala Labour Prison		Mobilong Prison		Cadell Training Centre		Adelaide Women's Prison/ Adelaide Pre-Release Centre	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales income								
Internal sales	466	499	577	637	739	782	436	400
External sales	462	529	446	579	796	431	2 116	2 270
Total sales income	928	1 028	1 023	1 216	1 535	1 213	2 552	2 670
Cost of goods sold	(410)	(432)	(635)	(772)	(480)	(574)	(2 144)	(2 266)
Gross profit	518	596	388	444	1 055	639	408	404
Other income	-	-	1	7	19	56	-	-
Other expenses	(1 976)	(1 984)	(2 059)	(1 926)	(1 433)	(1 439)	(1 120)	(993)
Net income / (loss)	(1 458)	(1 388)	(1 670)	(1 475)	(359)	(744)	(712)	(589)

	Port Augusta Prison		Port Lincoln Prison		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales income						
Internal sales	477	158	39	34	2 734	2 510
External sales	1 713	1 655	348	338	5 881	5 802
Total sales income	2 190	1 813	387	372	8 615	8 312
Cost of goods sold	(1 224)	(1 578)	(208)	(48)	(5 101)	(5 670)
Gross profit	966	235	179	324	3 514	2 642
Other income	2	1	4	3	26	67
Other expenses	(2 764)	(1 955)	(608)	(639)	(9 960)	(8 936)
Net income / (loss)	(1 796)	(1 719)	(425)	(312)	(6 420)	(6 227)

Internal sales include \$100 (\$25 000) resulting from work undertaken by prisoners for projects that are part of the capital works program.

Internal sales have been eliminated from consolidated income and are therefore not included in the Statement of Comprehensive Income.

Other expenses include employee benefits, supplies and services, offender related costs and depreciation associated with industry operations at each location.

Department for Correctional Services
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For the year ended 30 June 2020

2.3. Commonwealth-sourced grants and funding

	2020	2019
	\$'000	\$'000
Commonwealth revenue	3 008	767
Total Commonwealth revenue	3 008	767

Commonwealth revenue is for the Remote Areas Program, the Women's Safety Package and the Community Transition and Learning Centre.

Commonwealth revenue is recognised upon receipt.

2.4. Intra-government transfers

	2020	2019
	\$'000	\$'000
Recovery from the Department of Treasury and Finance for TVSPs	6 768	9 617
Total intra-government transfers	6 768	9 617

Inter-government transfers are recognised upon receipt.

2.5. Canteen and kitchen sales

	2020	2019
	\$'000	\$'000
Canteen and kitchen sales	733	1 004
Cost of goods sold	(751)	(1 008)
Net result of canteen and kitchen sales	(18)	(4)

2.6. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge – Shared Services SA	1 942	2 147
Total resources received free of charge	1 942	2 147

Department for Correctional Services
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2.7. Net loss from the disposal of property, plant and equipment

	2020	2019
	\$'000	\$'000
Land and buildings		
Proceeds from disposal	-	-
Less net book value of assets disposed (written off)	(21)	(2 062)
Net gain/ (loss) from disposal of land and buildings	<u>(21)</u>	<u>(2 062)</u>
Plant and equipment		
Proceeds from disposal	-	4
Less net book value of assets disposed	(6)	(40)
Net gain/ (loss) from disposal of plant and equipment	<u>(6)</u>	<u>(36)</u>
Total assets		
Proceeds from disposal	-	4
Less net book value of assets disposed	(27)	(2 102)
Total net gain/ (loss) from disposal of non-current assets	<u>(27)</u>	<u>(2 098)</u>

Gains/losses on disposal are recognised at the date at which control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

2.8. Other income

	2020	2019
	\$'000	\$'000
Grants received	419	328
Revenue from recoveries	359	292
Internally generated assets	6	33
Prisoner telephone receipts	1 722	1 670
Net revaluation increment (decrement) from valuation of Biological Assets	-	23
Other	48	121
Total other income	<u>2 554</u>	<u>2 467</u>

Other income is recognised on receipt.

Department for Correctional Services
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3. Boards, Committees and Employees

3.1. Key management personnel

Key management personnel of the Department include the Minister, the Chief Executive and the six members of the Executive Team who have responsibility for the strategic direction and management of the Department.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Correctional Services receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	1 636	1 558
Post-employment benefits	174	160
Total compensation	1 810	1 718

Transactions with key management personnel and other related parties

The Department has no significant transactions with key management personnel or other related parties.

3.2. Boards and committee members

Members during the 2020 financial year were.

Parole Board of South Australia

Frances Nelson QC (Presiding Member)

William Boucaut QC (First Deputy Presiding Member)
 (appointed April 2020)

Nicholas Floreani (Second Deputy Presiding Member)
 (appointed February 2020)

Kevin Hill (Deputy Member)

Nora Bloor

Garth Dodd

Denis Edmonds

Timothy Bourne (Deputy Presiding Member) (resigned
 December 2019)

Stephen Ey (Deputy Presiding Member) (resigned January
 2020)

Andrew Kyprianou (Deputy Member)

Susan MacDonald *

Katherine McLachlan

Dr Maria Naso

Serious Offender Committee

Vanessa Swan * (Chair)

Ryan Barber * (appointed July 2019)

Mignon Bruce *

Carmen Bryan * (resigned July 2019)

Sue Dighton * (appointed July 2019)

Jane Farrin *

Jamie Goldsmith *

Ryan Harber * (resigned July 2019)

Caroline Holmstrom (resigned July 2019)

Darren Hosking *

Rebecca Hughes * (appointed July 2019)

Charles Jackson * (appointed July 2019)

Matt Jansons *

David Kerr (appointed July 2019)

Joanne Leonello * (resigned July 2019)

Sylvia Lowczak *

Andy Mangel *

Stacey McCallum * (appointed July 2019)

Katrina Mifsud * (appointed July 2019)

Hayley Mills * (appointed February 2020)

Trevor Richardson *

Emma Roesch *

Shaun Stanley * (appointed July 2019)

Kitlian Wong *

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

3.2. Boards and committee members (continued)

Risk and Performance Committee

Bret Morris * (Independent Chairperson)	Annette McKee *
Julie-Anne Burgess *	Janice Shuard
Ryan Harber *	Meredith Smedley *

Better Prisons Advisory Panel - disbanded February 2020

Paul Case (Chair)	James Koulouris
Janice Shuard (Deputy Chair)	Rick Persse *
Marie Boland	Erma Ranieri *
David Brown *	Nerida Saunders *
Stuart Hocking *	Darian Shephard-Bayly *

Smokefree Prison Strategy Stage 1 - disbanded December 2019

David Brown * (Chair)	Annette McKee *
Tricia Blight *	Professor Paddy Phillips *
Marie Boland	Michelle Sced *
Jackie Bray *	Chris Sexton *
Paul Dickson *	

* In accordance with the Premier and Cabinet Circular No.016, these government employees did not receive any remuneration for board/committee duties during the financial year.

The number of members whose remuneration received or receivable falls within the following bands:

	2020	2019
\$0 - \$19 999	54	55
\$20 000 - \$39 999	2	2
\$40 000 - \$59 999	5	5
\$60 000 - \$79 999	-	-
\$80 000 - \$99 999	1	1
Total number of members	62	63

The total remuneration received or receivable by members was \$441 695 (\$446 310). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Department for Correctional Services
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3.3. Employee benefits expenses

Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	151 673	159 807
Annual leave	16 167	17 156
Employment on-costs - superannuation ⁽¹⁾	15 280	16 601
Employment on-costs - payroll tax	9 275	10 023
Targeted voluntary separation packages	6 434	9 126
Workers compensation ⁽²⁾	4 843	4 695
Long service leave ⁽³⁾	775	8 520
Skills and experience retention leave	615	646
Additional Compensation	(3 371)	(984)
Total employee benefit expenses	201 691	225 590

⁽¹⁾ The superannuation employment on-cost charge represents the Department's contributions to superannuation plans in respect of current services of current employees.

⁽²⁾ Includes the movement in workers compensation liability of \$3.38 million (\$2.84 million) resulting from the annual actuarial assessment (refer also to Note 7.3).

⁽³⁾ The decrease in the Long Service Leave expense is due to the reduction in the outstanding liability and lower revaluation adjustment associated with TVSPs taken during the year.

Remuneration of employees

	Executive		Employees		Total	
	2020 Number	2019 Number	2020 Number	2019 Number	2020 Number	2019 Number
The number of employees whose remuneration received or receivable falls within the following bands:						
\$151 000 to \$154 000*	N/A	-	N/A	-	N/A	-
\$154 001 to \$174 000	-	3	10	9	10	12
\$174 001 to \$194 000	2	3	4	5	6	8
\$194 001 to \$214 000	2	1	-	1	2	2
\$214 001 to \$234 000	1	2	1	-	2	2
\$234 001 to \$254 000	1	-	1	-	2	-
\$254 001 to \$274 000	2	1	-	-	2	1
\$274 001 to \$294 000	-	-	1	1	1	1
\$294 001 to \$314 000	-	1	-	-	-	1
\$314 001 to \$334 000	1	-	-	-	1	-
\$354 001 to \$374 000	-	1	-	-	-	1
\$394 001 to \$414 000	1	-	-	-	1	-
Total	10	12	17	16	27	28

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2019-20.

The total remuneration received by these employees for the year was \$5.55 million (\$5.47 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Department for Correctional Services
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3.3. Employee benefits expenses (continued)

Targeted voluntary separation packages (TVSP)

During the financial year 95 (126) TVSPs were accepted of which 89 (34) had departed.

	2020	2019
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	12 963	9 126
Leave paid to separated employees	4 184	465
Recovery from the Department of Treasury and Finance	(6 768)	(9 617)
Net cost to the Department	10 379	(26)

3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Annual leave	14 853	14 902
Accrued TVSPs	417	6 995
Accrued salaries and wages	4 181	3 328
Long service leave	2 698	3 069
Skills and experience retention leave	514	576
Unclaimed salaries and wages	4	4
Total current employee benefits	22 667	28 874
Non-current		
Long service leave	31 031	35 289
Annual leave	1 970	1 583
Skills and experience retention leave	208	236
Total non-current employee benefits	33 209	37 108
Total employee benefits	55 876	65 982

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability is generally expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as Note 11.1.

Department for Correctional Services
Notes to and forming part of the financial statements
For the year ended 30 June 2020

4. Expenses

Employee benefits expenses are disclosed in Note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Contracts ⁽¹⁾	55 934	40 577
Accommodation	12 678	8 223
Offender related costs	10 833	10 834
Utilities	9 367	9 937
Cost of goods sold - prison industries	5 098	5 792
Works and equipment costs	5 427	5 056
Information technology and communication charges	6 126	6 051
Short term leases	27	-
Low-value leases	26	-
Operating lease payments	-	5 662
Workers compensation	2 985	2 491
Shared Services SA processing ⁽²⁾	2 077	2 274
Staff related costs	1 480	2 053
Insurance charges	1 848	1 816
Travel expenses	1 207	1 349
Cost of goods sold - canteen and kitchen sales	751	1 008
Materials and consumables	694	582
Contracted staff	533	700
Board and committee fees	407	410
Consultants	39	151
WHS expenses	451	296
Sundry other expenses ⁽³⁾	6 121	8 142
Total supplies and services	124 109	113 404

⁽¹⁾ The main contracts for the Department include the Mount Gambier Prison management, management of the operations at the Adelaide Remand Centre, prisoner movement and in-court management and Electronic Monitoring System South Australia.

⁽²⁾ Includes resources provided free of charge \$1.942 million (\$2.147 million) expensed at fair value.

⁽³⁾ Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA of \$172 500 (\$147 800). No other services were provided by the Auditor-General's Department.

The total supplies and services amount disclosed includes GST amounts not recoverable from the Australian Taxation Office due to the Department not holding a tax invoice or payments relating to third party arrangements.

Accommodation

Most of the Department's accommodation is provided by DPTI under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of a lease as set out in AASB 16.

In prior years expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for the current year. Further details about this re-classification is set out in Note 9.1.

Department for Correctional Services
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4.1. Supplies and services (continued)

Operating lease payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term. Operating lease payments do not include payments associated with accommodation MoAA. This information is provided for 2018-19 only, as AASB 16 *Leases* does not distinguish between operating and finance leases for lessees.

	2020	2019
	\$'000	\$'000
Operating lease minimum payments	-	5 662
Total operating lease payments	-	5 662

Consultants

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	No.	2020	No.	2019
		\$'000		\$'000
Above \$10 000	1	39	3	151
Total paid / payable to the consultants engaged	1	39	3	151

4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Buildings	19 621	20 223
Plant and equipment	381	354
Right-of-use buildings	791	-
Right-of-use vehicles	919	-
Total depreciation	21 712	20 577
Amortisation		
Leasehold improvements	1 100	1 055
Total amortisation	1 100	1 055
Total depreciation and amortisation	22 812	21 632

All non-current assets having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to leasehold improvements, while depreciation is applied to tangible assets such as property, plant and equipment.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

Department for Correctional Services
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4.2. Depreciation and amortisation (continued)

Review of accounting estimates

Asset's residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

During the year, the Department reassessed the useful life of its assets and determined that no change was necessary.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
Plant and equipment	4-20
Buildings (including prisons)	Up to 60
Intangibles	3-5
Leasehold improvements	Life of lease

The useful lives of intangible assets are assessed to be either finite or infinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

4.3. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	240	-
Total borrowing costs	240	-

Refer to Note 7.2.

4.4. Other expenses

	2020	2019
	\$'000	\$'000
Bank charges	18	23
Fringe benefits tax	334	503
Other	425	319
Total other expenses	777	845

Department for Correctional Services
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5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
Land and buildings		
Land at fair value (existing use) ⁽ⁱ⁾	158 264	158 264
Buildings at fair value ⁽ⁱ⁾	1 046 261	1 004 710
Buildings at cost (deemed fair value) ⁽ⁱⁱ⁾	120	-
Accumulated depreciation	(516 817)	(497 195)
Total land and buildings	687 828	665 779
Leasehold improvements		
Leasehold improvements at fair value ⁽ⁱ⁾	12 864	12 570
Accumulated amortisation	(10 830)	(9 736)
Total leasehold improvements	2 034	2 834
Plant and equipment		
Plant and equipment at fair value ⁽ⁱ⁾	6 602	6 434
Plant and equipment at cost (deemed fair value) ⁽ⁱⁱ⁾	115	-
Accumulated depreciation	(4 400)	(4 103)
Total plant and equipment	2 317	2 331
Bearer plants		
Bearer plants at cost (deemed fair value)	498	498
Total bearer plants	498	498
Subtotal	692 677	671 442
Right-of-use buildings		
Right-of-use buildings at cost	9 622	-
Accumulated depreciation	(786)	-
Total right-of-use buildings	8 836	-
Right-of-use vehicles		
Right-of-use vehicles at cost	2 281	-
Accumulated depreciation	(776)	-
Total right-of-use vehicles	1 505	-
Total property, plant and equipment	703 018	671 442

(i), (ii) refer Note 11.2 for details of the carrying amounts of property, plant and equipment.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

Department for Correctional Services
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5.2. Property, plant and equipment owned by the Department

Property, plant and equipment owned by the Department with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Department is recorded at fair value. Detail about the Department's approach to fair value is set out in Note 11.2.

Reconciliation of property, plant and equipment owned by the Department during 2019-20

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Bearer plants \$'000	Total \$'000
Carrying amount at the beginning of the period	665 779	2 834	2 331	498	671 442
Acquisitions	120	-	115	-	235
Transfers from capital works in progress	41 550	321	258	-	42 129
Disposals	-	(21)	(6)	-	(27)
Revaluation increment/(decrement)	-	-	-	-	-
Depreciation and amortisation	(19 621)	(1 100)	(381)	-	(21 102)
Other	-	-	-	-	-
Transfers between asset classes	-	-	-	-	-
Carrying amount at the end of the period	687 828	2 034	2 317	498	692 677

Reconciliation of property, plant and equipment owned by the Department during 2018-19

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Bearer plants \$'000	Total \$'000
Carrying amount at the beginning of the period	565 390	3 847	2 313	218	571 768
Acquisitions	262	-	66	-	328
Transfers from capital works in progress	62 296	42	426	-	62 764
Disposals	(2 062)	-	(40)	-	(2 102)
Revaluation increment/(decrement)	60 104	-	-	280	60 384
Depreciation and amortisation	(20 223)	(1 055)	(354)	-	(21 632)
Other	-	-	(68)	-	(68)
Transfers between asset classes	12	-	(12)	-	-
Carrying amount at the end of the period	665 779	2 834	2 331	498	671 442

Department for Correctional Services
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5.3. Property, plant and equipment leased by the Department

Property, plant and equipment leased by the Department is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$0 (\$0).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in Note 4.1.

The Department has a limited number of leases:

- 162 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- In 2017 the Department partnered with Anglicare SA for the lease of a building located at Port Adelaide for the 'Arches' bail accommodation support program. Key aspects of the concessionary lease are \$1 annual lease payment over a 15 year term. The Department may not use the building other than for the purpose as outlined in the lease agreement.

The lease liabilities related to the right-of-use assets are disclosed in Note 7.2. The Department's maturity analysis of its lease liabilities is disclosed in Note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in Note 4.2. Cash outflows related to leases are disclosed in Note 8.2.

Impairment

Property, plant and equipment leased by the Department has been assessed for impairment. There was no indication of impairment. No impairment loss was recognised

5.4. Capital works in progress

	2020	2019
	\$'000	\$'000
Capital works in progress	33 250	39 029
Total capital works in progress	33 250	39 029

Reconciliation of capital works in progress during 2019-20

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	39 029	52 553
Additions	35 867	49 243
Transfers to property, plant and equipment	(42 129)	(62 764)
Other	491	-
Expense of prior year capital costs	(8)	(3)
Carrying amount at the end of the period	33 250	39 029

Capital works in progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as buildings, plant or equipment and are valued at cost.

The decrease in the carrying amount mainly reflects \$28 million for the completion of additional accommodation projects at Adelaide Women's Prison, \$4 million for Port Augusta Prison and \$3 million for Mount Gambier Prison offset by works in progress expenditure for additional accommodation projects at Adelaide Women's Prison of \$15 million and Yatala Labour Prison of \$12 million, and the Adelaide Remand Centre Cell Upgrade of \$3 million.

Department for Correctional Services
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5.5. Intangible assets

	2020	2019
	\$'000	\$'000
Water licences		
Water licences	2 593	2 593
Total water licences	<u>2 593</u>	<u>2 593</u>
Total intangibles	<u><u>2 593</u></u>	<u><u>2 593</u></u>

An intangible asset is an identifiable non-monetary asset without physical substance. The useful lives of intangible assets are assessed to be either finite or indefinite.

Water licences

The South Australian Government has issued water licences to the Department under the *Natural Resources Management Act 2004*. The Department acquired the licences on 1 July 2009. The licences allow access to water from River Murray for stock, domestic and irrigation purposes at the Cadell Training Centre.

The water licences have an indefinite useful life and as such are not subject to amortisation.

5.6. Biological assets

	2020	2019
	\$'000	\$'000
Livestock	414	414
Total biological assets	<u><u>414</u></u>	<u><u>414</u></u>

Reconciliation of biological assets (livestock)

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	414	350
Increases due to purchases	8	-
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	91	97
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	-	17
Decreases due to sales	<u>(99)</u>	<u>(50)</u>
Carrying amount at the end of the period	<u><u>414</u></u>	<u><u>414</u></u>

Currently there are 267 (259) cattle held at Cadell Training Centre and Port Lincoln Prison for the purpose of milk and meat production for internal use within the prison system. The cattle are at various stages of life. As at reporting date there are no commitments for the development or acquisition of livestock.

Financial risk is considered to be extremely low with any losses being absorbed in the year of exposure. No government grants have been issued in relation to the livestock.

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5.7. Inventory

	2020	2019
	\$'000	\$'000
Current - held for distribution:		
Stores	811	754
Total inventories held for distribution	811	754
Current - other than those held for distribution:		
Raw materials and work in progress	949	753
Finished goods	201	128
Stores	107	261
Total current inventories other than those held for distribution	1 257	1 142
Total inventories	2 068	1 896

Inventory include goods and other property held either for sale or distribution at nominal cost in the ordinary course of business.

Inventory in institutional stores is held for distribution at cost and is adjusted when applicable for any loss of service potential.

Inventory held in prison canteens is held for sale at nominal cost and is assigned on the basis of average cost.

Inventory held by prison industries is measured at cost.

Lock and physical security items inventory is held for distribution at cost and adjusted when applicable for any loss of service potential.

There was minimal impact on inventory held for distribution resulting from the COVID-19 pandemic.

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6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	23 427	19 538
Prison imprest accounts	32	27
Petty cash	12	8
Total cash and cash equivalents	23 471	19 573

Deposits with the Treasurer

The Department has two deposit accounts with the Treasurer: a general operating account and an Accrual Appropriation Excess Funds Account. Although the Department controls the money in the Accrual Appropriation Excess Funds Account, its use must be approved by the Treasurer. At the end of the reporting period the Department had a nil balance in the Accrual Appropriation Excess Funds. The Department does not earn interest on its deposits with the Treasurer.

6.2. Receivables

	2020	2019
	\$'000	\$'000
Current:		
Receivables	1 164	1 359
Less impairment loss on receivables	(376)	(410)
	788	949
Accrued revenue	78	23
GST receivable	2 893	3 442
Prepayments	76	84
Total current receivables	3 835	4 498
Total receivables	3 835	4 498

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. Refer to Note 11.3 for further information on risk management.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Impairment of receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	410	-
Increase/(decrease) in the provision	(30)	414
Amounts written off	(4)	(4)
Carrying amount at end of the period	376	410

Refer to Note 11.3 for details regarding credit risk and the methodology for determining impairment.

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7. Liabilities

Employee Benefits Liabilities are discussed in Note 3.4

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Creditors ⁽¹⁾	7 161	15 392
Accruals	4 697	4 366
Employment on-costs	3 940	3 943
Paid Parental Leave Scheme payable	15	31
Total current payables	<u>15 813</u>	<u>23 732</u>
Non-current		
Employment on-costs	3 247	3 552
Total non-current payables	<u>3 247</u>	<u>3 552</u>
Total payables	<u><u>19 060</u></u>	<u><u>27 284</u></u>

⁽¹⁾ Creditors include \$2.5 million (\$7.4 million) for additional prisoner accommodation projects.

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

The net amount of GST recoverable from the ATO is included as part of payables.

Employment on costs

Employment on-costs include payroll tax, Return to Work levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged

The Department makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the South Australian Superannuation Board. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate (41%) to 42%. The average factor for the calculation of employer superannuation on-costs has remained the same as the 2019 rate (9.8%). These rates are used in the employment on-cost calculation.

Paid parental leave scheme

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	1 502	-
Total current financial liabilities	<u>1 502</u>	<u>-</u>
Non-current		
Lease liabilities	8 952	-
Total non-current financial liabilities	<u>8 952</u>	<u>-</u>
Total financial liabilities	<u><u>10 454</u></u>	<u><u>-</u></u>

The Department measures financial liabilities including borrowings/debt at amortised cost.

7.3. Provisions

	2020	2019
	\$'000	\$'000
Current		
Workers' compensation - medical and other costs	2 500	2 021
Workers' compensation - income maintenance	1 340	1 135
Additional compensation	28	155
Total current provisions	<u>3 868</u>	<u>3 311</u>
Non-current		
Workers' compensation - medical and other costs	14 236	11 576
Workers' compensation - income maintenance	5 848	5 810
Additional compensation	6 084	9 328
Total non-current provisions	<u>26 168</u>	<u>26 714</u>
Total provisions	<u><u>30 036</u></u>	<u><u>30 025</u></u>
Movement in Provisions	2020	2019
	\$'000	\$'000
Workers' compensation:		
Carrying amount at the beginning of the period	20 542	17 700
Workers' compensation payments	-	(456)
Increase in provision	3 382	3 298
Carrying amount at the end of the period	<u><u>23 924</u></u>	<u><u>20 542</u></u>
Additional compensation:		
Carrying amount at the beginning of the period	9 483	10 467
(Decrease) in provision	(3 371)	(984)
Carrying amount at the end of the period	<u><u>6 112</u></u>	<u><u>9 483</u></u>

The Department is responsible for the payment of workers' compensation claims.

A liability has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June 2020. No risk margin is included in this estimate.

Department for Correctional Services
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7.3. Provisions (continued)

The increase in the workers' compensation liability in 2020 was impacted by:

- A significant reduction in the government bond rate,
- Increase in average claim size,
- Increased medical costs for known claims, and
- The reduction in the Department's relative share of incurred but not yet reported claims estimated by the actuary at a whole of government level.

There is a significant degree of uncertainty associated with estimating future claim and expense payments. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

Additional Compensation for Certain Work-Related Injuries or Illnesses (Additional Compensation provision)

The Department has recognised an Additional Compensation provision as at 30 June 2020 for certain work related injury or illness obligations arising from relevant Public Service Enterprise Agreements.

The Additional Compensation provision provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are non-serious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

The Additional Compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged by the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported (IBNR) applications. No risk margin is included in the estimate.

Key assumptions in the estimate include:

- application frequency
- the probability of applications becoming successful claims
- projections of annual claim payments
- rates of benefit continuance
- retirement age and mortality rates.

The decrease in the additional compensation liability in 2020 was impacted by:

- A significant reduction in the government bond rate,
- Decrease in average claim size,
- Decreased medical costs for known claims, and
- The reduction in the Department's relative share of incurred but not yet reported claims estimated by the actuary at a whole of government level.

There is a significant degree of uncertainty associated with this estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the Additional Compensation provision is impacted by the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

Given these uncertainties, the actual cost of Additional Compensation claims may differ materially from the estimate. The assumptions used will continue to be refined to reflect emerging experience.

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8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when the asset is derecognised.

The Prisoner Amenities Reserve reflects the funds available to purchase amenities, such as gym equipment, for the specific benefit and use of prisoners. Proceeds from the sale of canteen goods to prisoners net of the cost of certain direct expenses less any associated prisoner amenities expenditure incurred during the financial year is transferred to or from the prisoner amenities reserve at year end.

Contributed capital received represents equity contributions from the SA Government under the Appropriation Act to fund the investing activities of the Department.

	2020	2019
	\$'000	\$'000
Retained earnings	105 331	68 177
Prisoner amenities reserve	116	201
Asset revaluation surplus	382 308	382 308
Contributed capital	165 468	165 468
Carrying amount at the end of the period	653 223	616 154

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8.2. Cash flow reconciliation

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Cash Flow Reconciliation	2020	2019
	\$'000	\$'000
Leases		
Buildings	891	-
Vehicles	978	-
Total cash outflow for leases	1 869	-
	2020	2019
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Balance as per the Statement of Cash Flows	23 471	19 573
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	41 621	40 662
Add / (less) non-cash Items		
Net (loss) from the disposal of non-current and other assets	(27)	(2 098)
Depreciation and amortisation	(22 812)	(21 632)
Non-current assets in payables	(32)	-
Resources received free of charge - income	1 942	2 058
Resources provided free of charge - expense	(1 942)	(2 058)
Movement in assets and liabilities		
Increase/(decrease) in receivables	(663)	89
Increase in inventories	172	52
Increase in biological assets	-	64
(Increase)/decrease in payables	8 224	(758)
(Increase)/decrease in employee benefits	10 106	(12 323)
(Increase) in provisions	(11)	(1 858)
Net result	36 578	2 198

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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

The total impact on the Department's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2019 - AASB 117	68 668
<u>Assets</u>	
Property, Plant and Equipment	9 863
<u>Liabilities</u>	
Financial liabilities	9 863
Opening retained earnings 1 July 2019 - AASB 16	<u>68 668</u>

The Department disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$14 million under AASB 117.

The Department has accommodation services provided by DPTI under MoAA issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments were disclosed as \$2.29 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.1 applies the correct classification for both the current and comparative years.

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9.1. AASB 16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The Department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 2.14%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Department, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at Note 5.3.

9.2. AASB 15 Revenue from Contract with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

Accounting policies on transition

On transition, there was no impact on retained earnings.

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9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government. Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

Contract service commitments

	2020	2019
	\$'000	\$'000
Within one year	62 580	58 233
Later than one year but not later than five years	124 942	172 451
Later than five years	32 942	51 718
Total contract service commitments	220 464	282 402

The prisoner movement and in-court management contract was extended for a further 6 months from 31 January 2021 and is due to expire on 31 July 2021.

The electronic monitoring system contract was renewed on 20 May 2019 for a 3 year period and is due to expire on 19 May 2022.

The management of the Mount Gambier prison contract was awarded for a period of 5 years from 1 December 2017 and is due to expire on 30 November 2022.

The contract for the provision of vocational training and employment opportunities through Work Ready Release Ready, was extended for a further 2 years from 30 June 2021 and is due to expire on 30 June 2023.

The contract for the supply of Home Detention Integrated Support Services to further support offenders on Court Ordered and Release Ordered Home Detention commenced on 1 November 2017 and is due to expire 31 October 2020.

The contract for the 'Arches' bail accommodation support program commenced on 15 May 2017 and will expire 14 May 2032.

The contract for the management of the Adelaide Remand Centre was entered into on 18 March 2019 and is due to expire on 13 August 2026.

The above contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of the termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are noted above.

The above figures:

- are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, and as a result are not adjusted for inflation and where applicable are based on 2019-20 prisoner populations.
- are exclusive of GST.

The Department's contract service commitments include MoAA with DPTI for accommodation for the current year.

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10.1. Unrecognised contractual commitments (continued)

Operating lease commitments

	2020 \$'000	2019 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	1 197
Later than one year but not later than five years	-	1 094
Later than five years	-	-
Total operating lease commitments	-	2 291

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for MoAA with DPTI for accommodation. This has been reclassified and included under expenditure commitments. For more detail about the reclassification see Note 9.1.

Motor vehicles are leased from the South Australian Government Financing Authority (SAFA) through its agent Leaseplan Australia. The leases are non-cancellable and are payable monthly in advance.

The Department does not have any finance lease arrangements.

10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Department has a number of common law claims made against it by various claimants. The maximum exposure facing the Department in respect of these claims is \$245 000 (\$240 000).

These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible but not probable.

10.3. Trust funds

The Department holds prisoner monies in a trustee capacity. These monies are excluded from the financial statements as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	2020 \$'000	2019 \$'000
Balance at the beginning of the period	1 032	1 067
Prisoner monies receipts	8 482	8 928
Prisoner monies payments	(8 284)	(8 963)
Balance at the end of the period	1 230	1 032

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10.4. Impact of standards and statements not yet effective

The Department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The Department has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

10.5. COVID-19 pandemic outlook for the Department

The COVID-19 pandemic will continue to impact the operations of the Department in 2020-21. The key expected impacts are:

- continued monitoring of developments with regard to the COVID-19 pandemic.
- continue with its objectives to maintain COVID-19 free operations including expenditure on cleaning, protective equipment, information technology improvements, and training costs.

10.6. Events after the reporting period

There are no known events after balance date that affect these financial statements.

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11. Measurement and risk

11.1. Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (0.75%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has decreased the salary inflation rate from 2019 (4%) to 2020 (2.5%) for long service leave liability and reduced the salary inflation rate from 2019 (2.2%) to 2020 (2%) for annual leave and skills, experience and retention leave liability. These changes in assumptions result in a decrease in the estimated long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee benefits expense of \$2.8 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The unconditional portion of the long service leave provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

Classes of property, plant and equipment are valued as follows:

(i) Independent valuation

Assets in the Land, Buildings, Vehicle and Improvements asset classes are assessed on a case by case basis and are independently valued. In accordance with APS 116.E assets within this class will be revalued by a qualified valuer at least every 6 years.

(ii) At cost (acquisition cost)

These assets may have one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation.

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11.2. Fair value (continued)

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is reviewed by the Chief Finance Officer and audit committee each year.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Department at each reporting date.

In determining fair value, the Department has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (i.e. physically possible, legally permissible, financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

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

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11.2. Fair value (continued)

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value classification – non-financial assets at 30 June 2020

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Buildings - specialised	-	528 432	528 432
Buildings - non-specialised	1 132	-	1 132
Land	158 264	-	158 264
Leasehold improvements	-	2 034	2 034
Plant and equipment	-	2 317	2 317
Bearer plants	498	-	498
Biological assets	414	-	414
Total recurring fair value measurements	160 308	532 783	693 091
Total fair value measurements	160 308	532 783	693 091

Fair value classification – non-financial assets at 30 June 2019

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Buildings - specialised	-	506 248	506 248
Buildings - non-specialised	1 267	-	1 267
Land	158 264	-	158 264
Leasehold improvements	-	2 834	2 834
Plant and equipment	-	2 331	2 331
Bearer plants	498	-	498
Biological assets	414	-	414
Total recurring fair value measurements	160 443	511 413	671 856
Total fair value measurements	160 443	511 413	671 856

The citrus and olive groves have been recorded as a separate class of assets under AASB 116 *Property, Plant and Equipment* and not accounted for under AASB 141 *Agriculture*.

The Department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are described in Note 5.1.

During 2020 and 2019, the Department had no valuations categorised into Level 1; there were no transfers of assets between Level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Reconciliation of level 3 recurring fair value measurements at 30 June 2020

Unobservable inputs used in determining the fair value of plant and equipment and leasehold improvements are cost, useful lives and assessed condition as described in Note 4.2.

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11.2. Fair value (continued)

The following table is a reconciliation of fair value measurements using significant unobservable inputs (Level 3):

Reconciliation of level 3 recurring fair value measurements at 30 June 2020

	Specialised buildings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	506 248	2 834	2 331	511 413
Additions	120	-	115	235
Disposals	-	(21)	(6)	(27)
Transfer from work in progress	41 550	321	258	42 129
Losses for the period recognised in net result:				
Depreciation and amortisation	(19 486)	(1 100)	(381)	(20 967)
Total losses recognised in net result	(19 486)	(1 100)	(381)	(20 967)
Gains for the period recognised in other comprehensive income (OCI)				
Revaluation increments	-	-	-	-
Total gains recognised in OCI	-	-	-	-
Carrying amount at the end of the period	528 432	2 034	2 317	532 783

Reconciliation of level 3 recurring fair value measurements at 30 June 2019

	Specialised buildings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	473 607	3 847	2 313	479 767
Additions	262	-	66	328
Disposals	(2 062)	-	(40)	(2 102)
Transfer from work in progress	62 265	42	426	62 733
Transfer into level 3	12	-	(12)	-
Transfer out of level 3	-	-	(68)	(68)
Losses for the period recognised in net result:				
Depreciation and amortisation	(20 133)	(1 055)	(354)	(21 542)
Total losses recognised in net result	(20 133)	(1 055)	(354)	(21 542)
Gains for the period recognised in other comprehensive income (OCI)				
Revaluation increments	(7 703)	-	-	(7 703)
Total gains recognised in OCI	(7 703)	-	-	(7 703)
Carrying amount at the end of the period	506 248	2 834	2 331	511 413

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11.2. Fair value (continued)

Valuation of land and buildings

Every three years, sites are inspected and a full revaluation of the Department's land and buildings is performed. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then a full revaluation may be undertaken and the asset will be revalued regardless of when the last full valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

A site valuation of land and buildings was performed by independent valuer, Martin Burns of Liquid Pacific as at 30 June 2019. A review of the carrying amounts of the assets was undertaken as at 30 June 2020 and it was determined that, as there was no material change between the fair value of the assets as at 30 June 2019 and 30 June 2020, no revaluation adjustment was required at this time.

The fair value of land and buildings may be impacted by market changes due to the impact of COVID-19, however at reporting date there was insufficient market evidence to quantify this impact.

Bearer plants

The olive and citrus groves are measured at cost plus any gains arising from changes in fair value less estimated point-of-sale costs attributable to physical changes.

The olive grove is situated on approximately 16 hectares of land at the Cadell Training Centre. The grove has been developed to produce commercially viable olive oil.

The citrus grove is situated on approximately 19 hectares of land at the Cadell Training Centre. Younger trees are increasing yields each season.

Biological assets

Biological assets such as cattle are measured at fair value less estimated point-of-sales costs. The fair value is determined based on current market values of the biological assets.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost.

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11.3. Financial instruments

Financial risk management

Risk management is managed by the Department's corporate services section. Departmental risk management policies are in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer and the principles established in the Australian Standard Risk Management Principles and Guidelines.

The Department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

Liquidity risk arises from the possibility that the Department is unable to meet its financial obligations as they fall due to be settled. The continued existence of the Department is dependent on State Government policy and on continuing appropriation by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Credit risk

The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the Department.

Impairment of financial assets

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
2020			
Current (not past due)	489	6%	27
1 - 30 days past due	141	11%	16
31 - 60 days past due	76	12%	9
61 - 90 days past due	28	36%	10
More than 90 days past due	433	73%	314
Loss allowance	1 167	32%	376

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Department is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The impact of the COVID-19 pandemic on the Expected Credit Loss (ECL) estimates is insignificant.

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11.3. Financial instruments (continued)

Market risk

The Department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 Management of Foreign Currency Exposures.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The Department measures all financial instruments at amortised cost.

	2020	2020 Contractual maturities		
	Carrying amount \$'000	Current \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets				
Cash and cash equivalents	23 471	23 471	-	-
Receivables ⁽¹⁾	489	489	-	-
Total financial assets	23 960	23 960	-	-
Financial liabilities				
Payables ⁽¹⁾	11 699	11 688	2	9
Lease liabilities	10 454	1 502	1 433	7 519
Total financial liabilities	22 153	13 190	1 435	7 528
	2019	2019 Contractual maturities		
	Carrying amount \$'000	Current \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets				
Cash and cash equivalents	19 573	19 573	-	-
Receivables ⁽¹⁾	562	562	-	-
Total financial assets	20 135	20 135	-	-
Financial liabilities				
Payables ⁽¹⁾	19 641	19 630	3	8
Lease liabilities	-	-	-	-
Total financial liabilities	19 641	19 630	3	8

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

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11.3. Financial instruments (continued)

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in Note 6.2.

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12. Disclosure of administered items

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime Levy), the Mobilong Inmate Charity Fund and Prisoner Compensation Quarantine Fund. It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as Departmental income, expenses, cash inflows or cash outflows, assets or liabilities, but are recognised as administered income, expenses, cash inflows, cash outflows, assets or liabilities.

Prisoner Compensation Quarantine Fund has had no transactions in the current and previous reporting periods.

	2020 \$'000	2019 \$'000
Administered income		
Revenues from Victims of Crime Levy	215	230
Mobilong Inmate Charity Fund	1	1
Total administered income	<u>216</u>	<u>231</u>
Administered expenses		
Victims of Crime Levy payments	215	230
Total administered expenses	<u>215</u>	<u>230</u>
Net result	<u>1</u>	<u>1</u>
Administered current assets		
Cash	24	22
Total administered assets	<u>24</u>	<u>22</u>
Administered current liabilities		
Victims of Crime Levy payables	17	16
Total administered liabilities	<u>17</u>	<u>16</u>
Net administered assets	<u>7</u>	<u>6</u>
Administered equity		
Retained earnings	6	5
Total administered equity	<u>6</u>	<u>5</u>
Changes in equity		
Balance at 1 July	5	4
Net result	1	1
Balance at 30 June	<u>6</u>	<u>5</u>

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12. Disclosure of administered items (continued)

	2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
Cash flows from operating activities		
Cash inflows		
Victims of Crime Levy	215	230
Mobilong Inmate Charity Fund	1	1
Total administered income	<u>216</u>	<u>231</u>
Cash outflows		
Victims of Crime Levy payments	<u>(214)</u>	<u>(235)</u>
Total administered expenses	<u>(214)</u>	<u>(235)</u>
Net cash used in operating activities	<u>2</u>	<u>(4)</u>
Net increase/(decrease) in cash	2	(4)
Cash at 1 July	<u>22</u>	<u>26</u>
Cash at 30 June	<u><u>24</u></u>	<u><u>22</u></u>