

# Department for Correctional Services

Financial report  
for the year ended  
30 June 2019



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## To the Chief Executive Department for Correctional Services

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 2019.

### Opinion

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 2019, its financial performance and its cash flows for the then year ended in accordance with the Treasurer's Instructions promulgated 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- 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* have been met.

I believe that the audit evidence 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**

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.



Andrew Richardson

**Auditor-General**

16 September 2019

## 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 2019 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.



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David Brown  
Chief Executive

9 September 2019



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Chris Sexton  
Executive Director, People & Business  
Services

9 September 2019

**Department for Correctional Services**  
**Statement of Comprehensive Income**  
*For the year ended 30 June 2019*

	Note	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Employee benefit expenses	2.3	225 590	224 474
Supplies and services	3.1	100 961	94 192
Depreciation and amortisation	3.2	21 632	20 681
Accommodation and associated lease costs		12 443	12 163
Payments to prisoners		4 309	4 227
Grants		292	626
Net loss from disposal of non-current assets	4.6	2 098	-
Impairment loss on receivables		320	-
Other expenses	3.3	845	851
<b>Total expenses</b>		<b>368 490</b>	<b>357 214</b>
<b>Income</b>			
Prison labour	4.2	5 802	5 194
Resources received free of charge	4.5	2 147	2 058
Salaries and goods and services recoups		1 957	1 933
Interest revenue		-	1
Commonwealth grants and payments	4.3	767	767
Canteen and kitchen sales	4.4	1 004	1 126
Net gain from the disposal of non-current and other assets	4.6	-	10
Other income	4.7	2 467	2 489
<b>Total income</b>		<b>14 144</b>	<b>13 578</b>
<b>Net cost of providing services</b>		<b>354 346</b>	<b>343 636</b>
<b>Revenues from / (payments to) SA Government:</b>			
Revenues from SA Government	4.1	356 544	362 041
Payments to SA Government	4.1	-	(37 368)
<b>Net result</b>		<b>2 198</b>	<b>(18 963)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus	5.1	60 384	11 399
<b>Total comprehensive result</b>		<b>62 582</b>	<b>(7 564)</b>

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 2019*

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	19 573	28 063
Receivables	6.2	4 498	4 503
Inventory	5.5	1 896	1 844
<b>Total current assets</b>		<b>25 967</b>	<b>34 410</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	671 442	571 768
Capital works in progress	5.2	39 029	52 553
Intangible assets	5.3	2 593	2 593
Biological assets	5.4	414	350
<b>Total non-current assets</b>		<b>713 478</b>	<b>627 264</b>
<b>Total assets</b>		<b>739 445</b>	<b>661 674</b>
<b>Current liabilities</b>			
Payables	7.1	23 732	23 062
Employee benefits	2.4	28 874	21 241
Provisions	7.2	3 311	3 118
<b>Total current liabilities</b>		<b>55 917</b>	<b>47 421</b>
<b>Non-current liabilities</b>			
Payables	7.1	3 552	3 120
Employee benefits	2.4	37 108	32 418
Provisions	7.2	26 714	25 049
<b>Total non-current liabilities</b>		<b>67 374</b>	<b>60 587</b>
<b>Total liabilities</b>		<b>123 291</b>	<b>108 008</b>
<b>Net assets</b>		<b>616 154</b>	<b>553 666</b>
<b>Equity</b>			
Retained earnings	8.1	68 177	66 061
Prisoner amenities reserve	8.1	201	213
Asset revaluation surplus	8.1	382 308	321 924
Contributed capital	8.1	165 468	165 468
<b>Total equity</b>		<b>616 154</b>	<b>553 666</b>

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 2019

		Prisoner amenities reserve	Asset revaluation surplus	Contributed capital	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2017</b>		126	310 525	145 305	85 111	541 067
Net result for 2017-18		-	-	-	(18 963)	(18 963)
Gain on revaluation of land and buildings during 2017-18		-	11 394	-	-	11 394
Gain on revaluation of olives & citrus grove during 2017-18		-	5	-	-	5
Total comprehensive result for 2017-18		-	11 399	-	(18 963)	(7 564)
Net changes in reserves		87	-	-	(87)	-
Transactions with SA Government as owner:						
Capital contribution received		-	-	20 163	-	20 163
<b>Balance at 30 June 2018</b>	8.1	<b>213</b>	<b>321 924</b>	<b>165 468</b>	<b>66 061</b>	<b>553 666</b>
Adjustments on initial adoption of AASB 9		-	-	-	(94)	(94)
<b>Adjusted balance at 1 July 2018</b>		<b>213</b>	<b>321 924</b>	<b>165 468</b>	<b>65 967</b>	<b>553 572</b>
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 2018-19		-	280	-	-	280
Total comprehensive result for 2018-19		-	60 384	-	2 198	62 582
Net changes in reserves		(12)	-	-	12	-
Transactions with SA Government as owner:						
<b>Balance at 30 June 2019</b>	8.1	<b>201</b>	<b>382 308</b>	<b>165 468</b>	<b>68 177</b>	<b>616 154</b>

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 2019

		2019	2018
		(Outflows) Inflows	(Outflows) Inflows
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefit payments		(210 958)	(201 473)
Supplies and services		(125 778)	(119 088)
Prisoner payments		(4 309)	(4 227)
Grants		(292)	(626)
Payments for Paid Parental Leave Scheme		(288)	(156)
Other payments		(1 165)	(826)
<b>Cash used in operations</b>		<u>(342 790)</u>	<u>(326 396)</u>
<b>Cash inflows</b>			
Receipts from prison labour		5 802	5 194
Interest received		-	1
GST recovered from the ATO		13 300	13 486
Receipts for Paid Parental Leave Scheme		303	163
Other receipts		7 503	6 627
<b>Cash generated from operations</b>		<u>26 908</u>	<u>25 471</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		356 544	362 041
Payments to SA Government		-	(37 368)
<b>Cash generated from SA Government</b>		<u>356 544</u>	<u>324 673</u>
<b>Net cash provided by operating activities</b>	8.2	<u>40 662</u>	<u>23 748</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(49 224)	(66 802)
<b>Cash used in investing activities</b>		<u>(49 224)</u>	<u>(66 802)</u>
<b>Cash inflows</b>			
Proceeds from sale of property, plant and equipment		72	47
<b>Cash generated from investing activities</b>		<u>72</u>	<u>47</u>
<b>Net cash used in investing activities</b>		<u>(49 152)</u>	<u>(66 755)</u>
<b>Cash flows from financing activities</b>			
<b>Cash inflows</b>			
Capital contributions from SA Government		-	20 163
<b>Cash generated from financing activities</b>		<u>-</u>	<u>20 163</u>
<b>Net cash provided by financing activities</b>		<u>-</u>	<u>20 163</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(8 490)</u>	<u>(22 844)</u>
Cash and cash equivalents at the beginning of the reporting period		28 063	50 907
<b>Cash and cash equivalents at the end of the reporting period</b>	6.1	<u>19 573</u>	<u>28 063</u>

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 2019*

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**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

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# Department for Correctional Services

## Notes to and forming part of the financial statements

For the year ended 30 June 2019

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### 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 2018-19 financial statements the Department adopted AASB 9 – *Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 19. Further information is provided in note 9.

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 Goods and Services Tax 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 2019*

**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 expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2018 and 30 June 2019.

**Expenses and income by program**

For the year ended 30 June

	Custodial Services		Community Based Services	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Expenses</b>				
Employee benefit expenses	158 551	163 765	35 234	31 791
Supplies and services	77 588	71 671	9 245	9 628
Depreciation and amortisation	20 283	19 339	608	608
Accommodation and associated lease costs	8 590	8 610	3 810	3 514
Payments to prisoners	3 624	3 486	-	-
Grants	-	-	-	-
Net gain/(loss) from disposal of non-current assets	2 092	-	-	-
Impairment loss on receivables	320	-	-	-
Other expenses	798	643	38	117
<b>Total expenses</b>	<b>271 846</b>	<b>267 514</b>	<b>48 935</b>	<b>45 658</b>
<b>Income</b>				
Prison labour	-	-	-	-
Resources received free of charge	1 584	1 526	285	271
Salaries and goods and services recoups	181	245	1 712	1 604
Interest revenue	-	1	-	-
Commonwealth grants and payments	-	-	100	100
Canteen and kitchen sales	1 004	1 126	-	-
Net gain/(loss) from the disposal of non-current and other assets	-	(25)	-	-
Other income	1 436	2 370	321	47
<b>Total income</b>	<b>4 205</b>	<b>5 243</b>	<b>2 418</b>	<b>2 022</b>
<b>Net cost of providing services</b>	<b>267 641</b>	<b>262 271</b>	<b>46 517</b>	<b>43 636</b>
<b>Revenues from / (payments to) SA Government</b>				
Revenues from SA Government	269 301	273 625	46 805	47 417
Payments to SA Government	-	(28 242)	-	(4 894)
<b>Net result</b>	<b>1 660</b>	<b>(16 888)</b>	<b>288</b>	<b>(1 113)</b>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

Expenses and income by program (continued)

As at 30 June

	Rehabilitation and Reparation Services		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Expenses</b>				
Employee benefit expenses	31 805	28 918	225 590	224 474
Supplies and services	14 128	12 893	100 961	94 192
Depreciation and amortisation	741	734	21 632	20 681
Accommodation and associated lease costs	43	39	12 443	12 163
Payments to prisoners	685	741	4 309	4 227
Grants	292	626	292	626
Net gain/(loss) from disposal of non-current assets	6	-	2 098	-
Impairment loss on receivables	-	-	320	-
Other expenses	9	91	845	851
<b>Total expenses</b>	<b>47 709</b>	<b>44 042</b>	<b>368 490</b>	<b>357 214</b>
<b>Income</b>				
Prison labour	5 802	5 194	5 802	5 194
Resources received free of charge	278	261	2 147	2 058
Salaries and goods and services recoups	64	84	1 957	1 933
Interest revenue	-	-	-	1
Commonwealth grants and payments	667	667	767	767
Canteen and kitchen sales	-	-	1 004	1 126
Net gain/(loss) from the disposal of non-current and other assets	-	35	-	10
Other income	710	72	2 467	2 489
<b>Total income</b>	<b>7 521</b>	<b>6 313</b>	<b>14 144</b>	<b>13 578</b>
<b>Net cost of providing services</b>	<b>40 188</b>	<b>37 729</b>	<b>354 346</b>	<b>343 636</b>
<b>Revenues from / (payments to) SA Government</b>				
Revenues from SA Government	40 438	40 999	356 544	362 041
Payments to SA Government	-	(4 232)	-	(37 368)
<b>Net result</b>	<b>250</b>	<b>(962)</b>	<b>2 198</b>	<b>(18 963)</b>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

**Assets and liabilities by program**

As at 30 June

	Custodial Services		Community Based Services		Rehabilitation and Reparation Services	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Current assets</b>						
Cash and cash equivalents	16	19	3	3	1	1
Receivables	642	339	-	-	-	-
Inventory	376	327	-	-	1 142	1 187
<b>Total current assets</b>	<b>1 034</b>	<b>685</b>	<b>3</b>	<b>3</b>	<b>1 143</b>	<b>1 188</b>
<b>Non-current assets</b>						
Property, plant and equipment	644 375	546 324	10 868	9 294	13 968	13 338
Capital works in progress	37 232	52 058	16	20	221	5
Intangible assets	2 593	2 593	-	-	-	-
Biological assets	-	-	-	-	414	350
<b>Total non-current assets</b>	<b>684 200</b>	<b>600 975</b>	<b>10 884</b>	<b>9 314</b>	<b>14 603</b>	<b>13 693</b>
<b>Total assets</b>	<b>685 234</b>	<b>601 660</b>	<b>10 887</b>	<b>9 317</b>	<b>15 746</b>	<b>14 881</b>
<b>Current liabilities</b>						
Payables	16 373	16 389	576	554	1 522	716
Employee benefits	22 665	16 210	4 335	3 167	1 874	1 864
Provisions	2 327	2 262	517	448	467	408
<b>Total current liabilities</b>	<b>41 365</b>	<b>34 861</b>	<b>5 428</b>	<b>4 169</b>	<b>3 863</b>	<b>2 988</b>
<b>Non-current liabilities</b>						
Payables	2 451	2 217	86	75	228	97
Employee benefits	26 081	22 879	5 796	4 995	5 231	4 544
Provisions	18 775	20 697	4 172	2 279	3 767	2 073
<b>Total non-current liabilities</b>	<b>47 307</b>	<b>45 793</b>	<b>10 054</b>	<b>7 349</b>	<b>9 226</b>	<b>6 714</b>
<b>Total liabilities</b>	<b>88 672</b>	<b>80 654</b>	<b>15 482</b>	<b>11 518</b>	<b>13 089</b>	<b>9 702</b>
<b>Net assets</b>	<b>596 562</b>	<b>521 006</b>	<b>(4 595)</b>	<b>(2 201)</b>	<b>2 657</b>	<b>5 179</b>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

**Assets and liabilities by program (continued)**

As at 30 June

	General / Not Attributable		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Current assets</b>				
Cash and cash equivalents	19 553	28 040	19 573	28 063
Receivables	3 856	4 164	4 498	4 503
Inventory	378	330	1 896	1 844
<b>Total current assets</b>	<b>23 787</b>	<b>32 534</b>	<b>25 967</b>	<b>34 410</b>
<b>Non-current assets</b>				
Property, plant and equipment	2 231	2 812	671 442	571 768
Capital works in progress	1 560	470	39 029	52 553
Intangible assets	-	-	2 593	2 593
Biological assets	-	-	414	350
<b>Total non-current assets</b>	<b>3 791</b>	<b>3 282</b>	<b>713 478</b>	<b>627 264</b>
<b>Total assets</b>	<b>27 578</b>	<b>35 816</b>	<b>739 445</b>	<b>661 674</b>
<b>Current liabilities</b>				
Payables	5 261	5 403	23 732	23 062
Employee benefits	-	-	28 874	21 241
Provisions	-	-	3 311	3 118
<b>Total current liabilities</b>	<b>5 261</b>	<b>5 403</b>	<b>55 917</b>	<b>47 421</b>
<b>Non-current liabilities</b>				
Payables	787	731	3 552	3 120
Employee benefits	-	-	37 108	32 418
Provisions	-	-	26 714	25 049
<b>Total non-current liabilities</b>	<b>787</b>	<b>731</b>	<b>67 374</b>	<b>60 587</b>
<b>Total liabilities</b>	<b>6 048</b>	<b>6 134</b>	<b>123 291</b>	<b>108 008</b>
<b>Net assets</b>	<b>21 530</b>	<b>29 682</b>	<b>616 154</b>	<b>553 666</b>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

**1.3. Budget performance**

The budget performance table compares the Department's outcomes against budget information presented to Parliament (2018-19 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 2019 \$'000	Actual 2019 \$'000	Variance \$'000
<b>Statement of Comprehensive Income</b>				
<b>Expenses</b>				
Employee benefit expenses	(a)	201 696	225 590	(23 894)
Supplies and services		112 049	100 961	11 088
Depreciation and amortisation		21 119	21 632	(513)
Accommodation and associated lease costs		7 830	12 443	(4 613)
Payments to prisoners		3 922	4 309	(387)
Grants		700	292	408
Net loss from disposal of non-current assets		-	2 098	(2 098)
Impairment loss on receivables		-	320	(320)
Other expenses		774	845	(71)
<b>Total expenses</b>		<b>348 090</b>	<b>368 490</b>	<b>(20 400)</b>
<b>Income</b>				
Prison labour		7 777	5 802	(1 975)
Resources received free of charge		-	2 147	2 147
Salaries and goods and services recoups		179	1 957	1 778
Commonwealth grants and payments		767	767	-
Canteen and kitchen sales		1 202	1 004	(198)
Other income		2 070	2 467	397
<b>Total income</b>		<b>11 995</b>	<b>14 144</b>	<b>2 149</b>
<b>Net cost of providing services</b>		<b>336 095</b>	<b>354 346</b>	<b>(18 251)</b>
<b>Revenues from / (payments to) SA Government</b>				
Revenues from SA Government		339 527	356 544	17 017
<b>Total net revenues from SA Government</b>		<b>339 527</b>	<b>356 544</b>	<b>17 017</b>
<b>Net result</b>		<b>3 432</b>	<b>2 198</b>	<b>(1 234)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net results</i>				
Changes in revaluation surplus		-	60 384	60 384
<b>Total other comprehensive income</b>		<b>-</b>	<b>60 384</b>	<b>60 384</b>
<b>Total comprehensive result</b>		<b>3 432</b>	<b>62 582</b>	<b>59 150</b>

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 over expenditure of \$24.2 million in employee benefits expenses comprises the following:

- \$9.5 million relating to TVSP payments;
- \$6.5 million relating to revaluations of employee leave entitlements (\$5.2 million) and worker compensation related payments (\$1.3 million) based on actuarial assessments, refer note 11.1 and
- \$5.0 million in penalty and leave payments associated with unplanned activities in prisons with the majority relating to hospital watches, prison escorts and constant observations.

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

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**1.3. Budget performance (continued)**

	Note	Original budget	Actual	Variance
		2019 \$'000	2019 \$'000	\$'000
<b>Investing expenditure summary</b>				
Total new projects		-	2 381	(2 381)
Total existing projects		38 350	40 620	(2 270)
Total Annual Programs		2 491	6 570	(4 079)
<b>Total investing expenditure</b>		<b>40 841</b>	<b>49 571</b>	<b>(8 730)</b>

**Total new projects**

- The variance primarily relates to early works expenditure associated with the Yatala Labour Prison 270 Bed expansion (\$1.8m), and transition of Electronic Security Systems from Analogue to Digital project (\$0.6m). The original budget was held centrally by the Department of Treasury and Finance.

**Total existing projects**

- The variance is primarily due to the additional costs associated with the Port Augusta 128 bed project (\$1.9m).

**Total Annual Programs**

- The variance is primarily due to the original budget not including an adjustment to the revised budget of \$1.2m, and addition costs associated with a number of capital projects including the Adelaide Women's Prison Accommodation refurbishment.

**1.4. Significant transactions with government related entities**

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

- Approximately 80% of lease payments relate to accommodation supplied by DPTI and cars supplies by Fleet SA.

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

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**2. Boards, Committees and Employees**

**2.1. 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*.

	2019	2018
	\$'000	\$'000
Salaries and other short term employee benefits	1 558	1 315
Post-employment benefits	160	156
<b>Total compensation</b>	<b>1 718</b>	<b>1 471</b>

**Transactions with key management personnel and other related parties**

The Department had no significant transactions with government related entities except with the Department of Treasury and Finance for appropriation funding received. The Department has no significant transactions with key management person or other related parties.

**2.2. Boards and committee members**

Members during the 2019 financial year were.

**Parole Board of South Australia**

Frances Nelson QC (Presiding Member)  
 Timothy Bourne (Deputy Presiding Member)  
 Stephen Ey (Deputy Presiding Member) (appointed September 2018)  
 Kevin Hill (Deputy Member) (appointed September 2018)  
 Nora Bloor  
 Garth Dodd  
 Denis Edmonds

Terence Groom (retired October 2018)  
 David Haebich (retired October 2018)  
 Andrew Kyprianou  
 Susan MacDonald \*  
 Katherine McLachlan  
 Dr Maria Naso \* (appointed September 2018)  
 Dr Kenneth Peter O'Brien (retired October 2018)

**Serious Offender Committee**

Vanessa Swan \* (Co-Chair)  
 Mignon Bruce \* (appointed June 2019)  
 Carmen Bryan \*  
 Jane Farrin \*  
 Danielle Hamann \* (retired June 2019)  
 Ryan Harber \* (Co-Chair) (appointed February 2019)  
 Caroline Holmstrom (appointed July 2018)  
 Darren Hosking \*  
 Rebecca Hughes \* (appointed February 2019)  
 Matt Jansons \* (appointed June 2019)  
 Joanne Leonello \*  
 Sylvia Lowczak \* (appointed October 2018)  
 Andy Mangel \* (appointed December 2018)

Stacey McCallum \*  
 Hayley Mills \* (Co-Chair) (retired February 2019)  
 Alicia Murphy \* (retired June 2019)  
 Jon Oliver \* (retired June 2019)  
 Robert Richardson \* (retired June 2019)  
 Trevor Richardson \*  
 Emma Roesch \*  
 Anthony Shillabeer \* (retired June 2019)  
 Jodie Sloan (retired June 2019)  
 Paul Taggart \* (retired June 2019)  
 Brenton Williams \* (retired November 2018)  
 Kitlian Wong \*

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

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**2.2. Boards and committee members (continued)**

**DCS Audit and Risk Management Committee**

Joe Ullianich (Independent Chairperson)	Michael Reynolds * (resigned May 2019)
Jacqui Casey *	Vanessa Swan *
Angela Gransden *	

**Better Prisons Advisory Panel - established and members appointed January 2019**

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 Panel - established and members appointed January 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, government employees did not receive any remuneration for board/committee duties during the financial year, excepting Maria Naso (Parole Board of South Australia).

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

	2019	2018
\$0 - \$19 999	55	20
\$20 000 - \$39 999	2	6
\$40 000 - \$59 999	5	2
\$60 000 - \$79 999	-	1
\$80 000 - \$99 999	1	-
<b>Total number of members</b>	<b>63</b>	<b>29</b>

The total remuneration received or receivable by members was \$446 310 (\$350 000). 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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**2.3. Employee benefits expenses**

**Employee benefits expenses**

	2019	2018
	\$'000	\$'000
Salaries and wages	159 807	155 756
Annual leave	17 156	16 394
Employment on-costs - superannuation <sup>(1)</sup>	16 601	16 408
Employment on-costs - payroll tax	10 023	9 692
Long service leave	8 520	5 564
TVSPs (refer below)	9 126	-
Workers compensation <sup>(2)</sup>	4 695	9 588
Skills and experience retention leave	646	605
Additional Compensation	(984)	10 467
<b>Total employee benefit expenses</b>	<b>225 590</b>	<b>224 474</b>

(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 \$2.84 million (\$7.68 million) resulting from the annual actuarial assessment (refer also to Note 7.2).

**Remuneration of employees**

	Executive		Employees		Total	
	2019 Number	2018 Number	2019 Number	2018 Number	2019 Number	2018 Number
The number of employees whose remuneration received or receivable falls within the following bands:						
\$149 000 to \$151 000*	N/A	-	N/A	2	-	2
\$151 001 to \$171 000	3	-	8	14	11	14
\$171 001 to \$191 000	3	4	4	2	7	6
\$191 001 to \$211 000	1	2	3	-	4	2
\$211 001 to \$231 000	2	1	-	-	2	1
\$251 001 to \$271 000	1	3	-	-	1	3
\$271 001 to \$291 000	-	-	1	-	1	-
\$291 001 to \$311 000	1	-	-	-	1	-
\$331 001 to \$351 000	-	1	-	-	-	1
\$351 001 to \$371 000	1	-	-	-	1	-
<b>Total</b>	<b>12</b>	<b>11</b>	<b>16</b>	<b>18</b>	<b>28</b>	<b>29</b>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

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. The total remuneration received by these employees for the year was \$5.47 million (\$5.33 million).

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
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**2.3. Employee benefits expenses (continued)**

**Targeted voluntary separation packages (TVSP)**

As at 30 June 2019, 126 (0) had accepted a TVSP of which 34 had departed.

	2019 \$'000	2018 \$'000
Amount paid to separated employees:		
Accrued Targeted Voluntary Separation Packages	6 946	
Targeted Voluntary Separation Packages	2 180	-
	<u>9 126</u>	
Leave paid to those employees	465	-
	<u>9 591</u>	-
Less:		
Recovery from the Department of Treasury and Finance	(9 617)	-
<b>Net cost to the Department</b>	<b><u>(26)</u></b>	<b>-</b>

**2.4. Employee benefits liability**

	2019 \$'000	2018 \$'000
<b>Current</b>		
Annual leave	14 902	14 768
Accrued TVSP's	6 995	-
Accrued salaries and wages	3 328	3 582
Long service leave	3 069	2 318
Skills and experience retention leave	576	569
Unclaimed salaries and wages	4	4
<b>Total current employee benefits</b>	<b><u>28 874</u></b>	<b><u>21 241</u></b>
<b>Non-current</b>		
Long service leave	35 289	30 802
Annual leave	1 583	1 359
Skills and experience retention leave	236	257
<b>Total non-current employee benefits</b>	<b><u>37 108</u></b>	<b><u>32 418</u></b>
<b>Total employee benefits</b>	<b><u>65 982</u></b>	<b><u>53 659</u></b>

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.

Unclaimed salaries and wages have been included as a current liability for employee benefits.

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.

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
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**2.4. Employee benefits liability (continued)**

**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.

**3. Expenses**

**3.1. Supplies and services**

	2019	2018
	\$'000	\$'000
Contracts <sup>(1)</sup>	40 577	37 305
Offender related costs	10 834	10 827
Utilities	9 937	9 752
Cost of goods sold - prison industries	5 792	5 343
Works and equipment costs	6 498	6 031
IT costs	6 051	5 043
Workers compensation	2 491	2 275
Shared Services SA processing <sup>(2)</sup>	2 274	2 077
Staff related costs	2 053	2 113
Insurance charges	1 816	1 710
Travel expenses	1 349	1 516
Cost of goods sold - canteen and kitchen sales	1 008	1 114
Materials and consumables	582	724
Contracted staff	700	541
Board and committee fees	410	320
Consultants	151	102
WHS expenses	296	273
Sundry other expenses <sup>(3)</sup>	8 142	7 126
<b>Total supplies and services</b>	<b>100 961</b>	<b>94 192</b>

<sup>(1)</sup> The main contracts for the Department include the Mount Gambier prison management, prisoner movement and in-court management and Electronic Monitoring System South Australia.

<sup>(2)</sup> Includes resources provided free of charge \$2.147 million (\$2.058 million) expensed at fair value.

<sup>(3)</sup> Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA of \$147 800 (\$129 000). 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.

**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.	2019	No.	2018
		\$'000		\$'000
Above \$10 000	3	151	3	102
<b>Total paid / payable to the consultants engaged</b>	<b>3</b>	<b>151</b>	<b>3</b>	<b>102</b>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
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**3.2. Depreciation and amortisation**

	2019	2018
	\$'000	\$'000
<b>Depreciation</b>		
Buildings	20 223	19 171
Plant and equipment	354	331
<b>Total depreciation</b>	<u>20 577</u>	<u>19 502</u>
<b>Amortisation</b>		
Leasehold improvements	1 055	1 042
Intangibles assets	-	137
<b>Total amortisation</b>	<u>1 055</u>	<u>1 179</u>
<b>Total depreciation and amortisation</b>	<u><u>21 632</u></u>	<u><u>20 681</u></u>

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 and intangible assets such as software licences, 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.

**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/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets 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.

**3.3. Other expenses**

	2019	2018
	\$'000	\$'000
Bank charges	23	23
Fringe benefits tax	503	426
Other	319	402
<b>Total other expenses</b>	<u>845</u>	<u>851</u>

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2019*

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**4. Income**

**4.1. Revenues from / (payments to) SA Government**

	2019	2018
	\$'000	\$'000
<b>Revenues from SA Government</b>		
Appropriations from the Consolidated Account Pursuant to the <i>Appropriation Act</i>	339 527	321 338
Other revenues from the Consolidated Account	7 400	40 703
TVSP Recovery	9 617	-
<b>Total revenues from SA Government</b>	<b>356 544</b>	<b>362 041</b>
<b>Payments to SA Government</b>		
Return of surplus cash pursuant to the cash alignment policy	-	37 368
<b>Total payments to SA Government</b>	<b>-</b>	<b>37 368</b>

**Appropriations**

Appropriations are recognised on receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

Total revenues from Government consist of \$356.5 million (\$362.0 million) for operational funding and capital projects. For details on the expenditure associated with the operational funding received refer to Notes 2.3, 3.1 and 3.3. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

**Department for Correctional Services**  
**Notes to and forming part of the financial statements**  
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**4.2. Net income / (loss) from prison labour**

	Yatala Labour Prison		Mobilong Prison		Cadell Training Centre		Adelaide Women's Prison/ Adelaide Pre-Release Centre	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sales income</b>								
Internal sales	499	426	637	783	782	866	400	507
External sales	529	527	579	421	431	331	2 270	2 419
<b>Total sales income</b>	<b>1 028</b>	<b>953</b>	<b>1 216</b>	<b>1 204</b>	<b>1 213</b>	<b>1 197</b>	<b>2 670</b>	<b>2 926</b>
Cost of goods sold	(432)	(440)	(772)	(661)	(574)	(528)	(2 266)	(2 359)
<b>Gross profit</b>	<b>596</b>	<b>513</b>	<b>444</b>	<b>543</b>	<b>639</b>	<b>669</b>	<b>404</b>	<b>567</b>
Other income	-	(4)	7	2	56	40	-	-
Other expenses	(1 984)	(2 101)	(1 926)	(2 395)	(1 439)	(1 475)	(993)	(1 082)
<b>Net income / (loss)</b>	<b>(1 388)</b>	<b>(1 592)</b>	<b>(1 475)</b>	<b>(1 850)</b>	<b>(744)</b>	<b>(766)</b>	<b>(589)</b>	<b>(515)</b>

	Port Augusta Prison		Port Lincoln Prison		Total	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sales income</b>						
Internal sales	158	43	34	4	2 510	2 629
External sales	1 655	1 255	338	241	5 802	5 194
<b>Total sales income</b>	<b>1 813</b>	<b>1 298</b>	<b>372</b>	<b>245</b>	<b>8 312</b>	<b>7 823</b>
Cost of goods sold	(1 578)	(1 161)	(48)	(194)	(5 670)	(5 343)
<b>Gross profit</b>	<b>235</b>	<b>137</b>	<b>324</b>	<b>51</b>	<b>2 642</b>	<b>2 480</b>
Other income	1	1	3	18	67	57
Other expenses	(1 955)	(2 110)	(639)	(572)	(8 936)	(9 735)
<b>Net income / (loss)</b>	<b>(1 719)</b>	<b>(1 972)</b>	<b>(312)</b>	<b>(503)</b>	<b>(6 227)</b>	<b>(7 198)</b>

Internal sales include \$25 000 (\$42 000) 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**  
**Notes to and forming part of the financial statements**  
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**4.3. Commonwealth grants and payments**

	2019	2018
	\$'000	\$'000
Commonwealth revenue	767	767
<b>Total Commonwealth revenue</b>	<b>767</b>	<b>767</b>

Commonwealth revenue is for the Remote Areas Program and the Women's Safety Package.

**4.4. Canteen and kitchen sales**

	2019	2018
	\$'000	\$'000
Canteen and kitchen sales	1 004	1 126
Cost of goods sold	(1 008)	(1 114)
<b>Net result of canteen and kitchen sales</b>	<b>(4)</b>	<b>12</b>

**4.5. Resources received free of charge**

	2019	2018
	\$'000	\$'000
Services received free of charge – Shared Services SA	2 147	2 058
<b>Total resources received free of charge</b>	<b>2 147</b>	<b>2 058</b>

**4.6. Net gain(loss) from the disposal of property, plant and equipment**

	2019	2018
	\$'000	\$'000
<b>Land and buildings</b>		
Proceeds from disposal	-	-
Less net book value of assets disposed (written off)	(2 062)	-
<b>Net gain/ (loss) from disposal of land and buildings</b>	<b>(2 062)</b>	<b>-</b>
<b>Plant and equipment</b>		
Proceeds from disposal	4	47
Less net book value of assets disposed	(40)	(37)
<b>Net gain/ (loss) from disposal of plant and equipment</b>	<b>(36)</b>	<b>10</b>
<b>Total assets</b>		
Proceeds from disposal	4	47
Less net book value of assets disposed	(2 102)	(37)
<b>Total net gain/ (loss) from disposal of non-current assets</b>	<b>(2 098)</b>	<b>10</b>

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.

**Department for Correctional Services**  
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**4.7. Other income**

	2019	2018
	\$'000	\$'000
<b>Other income received from SA Government entities</b>		
Grants received	328	384
Revenue from recoveries	292	342
Internally generated assets	33	58
<b>Total other income - SA Government entities</b>	<b>653</b>	<b>784</b>
<b>Other income received from entities external to the SA Government</b>		
Prisoner telephone receipts	1 670	1 551
Net revaluation increment (decrement) from valuation of Biological Assets	23	-
Other	121	154
<b>Total other income - Non-SA Government entities</b>	<b>1 814</b>	<b>1 705</b>
<b>Total other income</b>	<b>2 467</b>	<b>2 489</b>

Other income is recognised on receipt.

**5. Non-financial assets**

**5.1. Property, plant and equipment**

	2019	2018
	\$'000	\$'000
<b>Land and buildings</b>		
Land at fair value (existing use)	158 264	90 370
Buildings at fair value	1 004 710	938 313
Accumulated depreciation	(497 195)	(463 293)
<b>Total land and buildings</b>	<b>665 779</b>	<b>565 390</b>
<b>Leasehold improvements</b>		
Leasehold improvements (deemed fair value)	12 570	12 529
Accumulated amortisation	(9 736)	(8 682)
<b>Total leasehold improvements</b>	<b>2 834</b>	<b>3 847</b>
<b>Plant and equipment</b>		
Plant and equipment at cost (deemed fair value)	6 434	6 203
Accumulated depreciation	(4 103)	(3 890)
<b>Total plant and equipment</b>	<b>2 331</b>	<b>2 313</b>
<b>Bearer plants</b>		
Bearer plants at cost (deemed fair value)	498	218
<b>Total bearer plants</b>	<b>498</b>	<b>218</b>
<b>Total property, plant and equipment</b>	<b>671 442</b>	<b>571 768</b>

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

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**5.1. Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment 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	60 104	-	-	280	60 384
Depreciation and amortisation	(20 223)	(1 055)	(354)	-	(21 632)
Other	-	-	(68)	-	(68)
Transfers between asset classes	12	-	(12)	-	-
<b>Carrying amount at the end of the period</b>	<b>665 779</b>	<b>2 834</b>	<b>2 331</b>	<b>498</b>	<b>671 442</b>

Reconciliation of property, plant and equipment during 2017-18

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Bearer plants \$'000	Total \$'000
Carrying amount at the beginning of the period	513 383	4 443	1 948	213	519 987
Acquisitions	50	-	637	-	687
Transfers from capital works in progress	59 734	446	96	-	60 276
Disposals	-	-	(37)	-	(37)
Revaluation increment/(decrement)	11 394	-	-	5	11 399
Depreciation and amortisation	(19 171)	(1 042)	(331)	-	(20 544)
<b>Carrying amount at the end of the period</b>	<b>565 390</b>	<b>3 847</b>	<b>2 313</b>	<b>218</b>	<b>571 768</b>

**5.2. Capital works in progress**

	2019 \$'000	2018 \$'000
Capital works in progress	39 029	52 553
<b>Total capital works in progress</b>	<b>39 029</b>	<b>52 553</b>

Reconciliation of capital works in progress during 2018-19

	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the period	52 553	48 213
Additions	49 243	64 616
Transfers to property, plant and equipment	(62 764)	(60 276)
Expense of prior year capital costs	(3)	-
<b>Carrying amount at the end of the period</b>	<b>39 029</b>	<b>52 553</b>

**Department for Correctional Services**  
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**5.2. Capital works in progress (continued)**

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 the transfer of \$48 million for the completion of Mount Gambier Prison and \$8 million for Port Augusta Prison accommodation offset by works in progress expenditure for additional accommodation projects at Adelaide Women's Prison of \$22 million, Mount Gambier Prison of \$9 million and Port Augusta Prison of \$9 million.

**5.3. Intangible assets**

	2019	2018
	\$'000	\$'000
<b>Water licences</b>		
Water licences	2 593	2 593
<b>Total water licences</b>	<b>2 593</b>	<b>2 593</b>
<b>Total intangibles</b>	<b>2 593</b>	<b>2 593</b>

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.

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**5.4. Biological assets**

	2019	2018
	\$'000	\$'000
Livestock	414	350
<b>Total biological assets</b>	<b>414</b>	<b>350</b>

**Reconciliation of biological assets (livestock)**

	2019	2018
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>350</b>	<b>330</b>
Increases due to purchases	-	4
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	97	50
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	17	-
Decreases due to sales	(50)	(34)
<b>Carrying amount at the end of the period</b>	<b>414</b>	<b>350</b>

Currently there are 259 (220) 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.

**5.5. Inventory**

	2019	2018
	\$'000	\$'000
Current - held for distribution:		
Stores	754	658
<b>Total inventories held for distribution</b>	<b>754</b>	<b>658</b>
Current - other than those held for distribution:		
Raw materials and work in progress	753	769
Finished goods	128	121
Stores	261	296
<b>Total current inventories other than those held for distribution</b>	<b>1 142</b>	<b>1 186</b>
<b>Total inventories</b>	<b>1 896</b>	<b>1 844</b>

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.

**Department for Correctional Services**  
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**6. Financial assets**

**6.1. Cash and cash equivalents**

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	19 538	28 027
Prison imprest accounts	27	27
Petty cash	8	9
<b>Total cash and cash equivalents</b>	<b>19 573</b>	<b>28 063</b>

**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 Account, its use must be approved by the Treasurer. The Department does not earn interest on its deposits with the Treasurer.

**6.2. Receivables**

	2019	2018
	\$'000	\$'000
<b>Current:</b>		
Receivables	1 359	889
Less allowance for doubtful debts	(410)	-
	<b>949</b>	<b>889</b>
Accrued revenue	23	160
GST receivable	3 442	3 378
Prepayments	84	76
<b>Total receivables</b>	<b>4 498</b>	<b>4 503</b>

Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, 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.

The Department does not have any material interest bearing assets and liabilities and is not exposed to any interest rate risk.

Refer to Note 11 for further information on risk management.

**Impairment of receivables**

	2019	2018
	\$'000	\$'000
Balance at 30 June 2018 under AASB 139	-	-
Adjustments on initial adoption of AASB 9	94	-
<b>Carrying amount at the beginning of the period</b>	<b>94</b>	<b>-</b>
Increase/(decrease) in the provision	320	-
Amounts written off	(4)	-
<b>Carrying amount at end of the period</b>	<b>410</b>	<b>-</b>

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 2.4

**7.1. Payables**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors <sup>(1)</sup>	15 392	15 628
Accruals	4 366	3 550
Employment on-costs	3 943	3 856
Paid Parental Leave Scheme payable	31	28
<b>Total current payables</b>	<b>23 732</b>	<b>23 062</b>
<b>Non-current</b>		
Employment on-costs	3 552	3 120
<b>Total non-current payables</b>	<b>3 552</b>	<b>3 120</b>
<b>Total payables</b>	<b>27 284</b>	<b>26 182</b>

<sup>(1)</sup> Creditors include \$7.4 million (\$8.8 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.

**Employment on costs**

Employment on-costs include payroll tax, WorkCover 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 remained the same as the 2018 rate (41%). The average factor for the calculation of employer superannuation on-costs has changed from the 2018 rate (9.9%) to 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. Provisions**

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Workers' compensation - medical and other costs	2 021	1 958
Workers' compensation - income maintenance	1 135	951
Additional compensation	155	209
<b>Total current provisions</b>	<b>3 311</b>	<b>3 118</b>
<b>Non-current</b>		
Workers' compensation - medical and other costs	11 576	9 252
Workers' compensation - income maintenance	5 810	5 539
Additional compensation	9 328	10 258
<b>Total non-current provisions</b>	<b>26 714</b>	<b>25 049</b>
<b>Total provisions</b>	<b>30 025</b>	<b>28 167</b>
<b>Movement In Provisions</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Workers' compensation:</b>		
Carrying amount at the beginning of the period	17 700	10 017
Workers' compensation payments	(456)	(3 142)
Increase in provision	3 298	10 825
<b>Carrying amount at the end of the period</b>	<b>20 542</b>	<b>17 700</b>
<b>Additional compensation:</b>		
Carrying amount at the beginning of the period	10 467	-
(Decrease)/ increase in provision	(984)	10 467
<b>Carrying amount at the end of the period</b>	<b>9 483</b>	<b>10 467</b>

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 2019 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 2019. No risk margin is included in this estimate.

The increase in the workers' compensation liability in 2019 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.

**Department for Correctional Services**  
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**7.2. Provisions (continued)**

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

Following changes in 2018 to relevant Public Sector Enterprise Agreements, the Department has recognised an Additional Compensation provision as at 30 June 2019.

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 2019 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.

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.

**8.2. Cash flow**

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.

<b>Cash Flow Reconciliation</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	19 573	28 063
Balance as per the Statement of Cash Flows	<u>19 573</u>	<u>28 063</u>
<b>Reconciliation of net cash provided by operating activities to net cost of providing services</b>		
Net cash provided by operating activities	40 662	23 748
Less revenues from SA Government	(356 544)	(362 041)
Add payments to SA Government	-	37 368
<b>Add / (less) non-cash items</b>		
Net gain/(loss) from the disposal of non-current and other assets	(2 098)	10
Depreciation and amortisation	(21 632)	(20 681)
<b>Movement in assets and liabilities</b>		
Increase in receivables	89	1 085
Increase in inventories	52	247
Increase in biological assets	64	20
(Increase) in payables	(758)	(1 125)
(Increase) in employee benefits	(12 323)	(4 117)
(Increase) in provisions	(1 858)	(18 150)
<b>Net cost of providing services</b>	<u><b>(354 346)</b></u>	<u><b>(343 636)</b></u>

**Department for Correctional Services**  
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**9. Changes in accounting policy**

**9.1. Treasurer's Instructions (Accounting Policy Statements)**

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- removal of the additional requirement to report a statement of equity for administered items.
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.4.

**Department for Correctional Services**  
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**9.2. AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Department adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the Treasurer's Instructions (Accounting Policy Statements), AASB 9 *Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

The total impact on the Department's retained earnings at 1 July 2018 is reflected in the table below:

	<b>2018</b>
	<b>\$'000</b>
<b>Closing retained earnings 30 June 2018 – AASB 139</b>	<b>-</b>
Increase in provision for receivables	(94)
<b>Opening retained earnings 1 July 2018 – AASB 9</b>	<b>(94)</b>

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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**

	2019	2018
	\$'000	\$'000
Within one year	54 418	35 401
Later than one year but not later than five years	167 067	92 987
Later than five years	49 161	16 085
<b>Total contract service commitments</b>	<b>270 646</b>	<b>144 473</b>

The prisoner movement and in-court management contract was extended for a further 5 years from 1 February 2016 and is due to expire on 31 January 2021.

The electronic monitoring system contract was renewed on 20 January 2019 for a 3 year period and is due to expire on 19 January 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, commenced 1 January 2018 and is due to expire on 30 June 2021.

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.

A new contract for the management of the Adelaide Remand Centre operations was entered into on 18 March 2019 with SERCO Australia Pty Ltd. The contract was awarded for a period of 7 years to commence 14 August 2019 and will expire 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 2018-19 prisoner populations.
- are exclusive of GST.

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**10.1. Unrecognised contractual commitments (continued)**

**Operating lease commitments**

	2019 \$'000	2018 \$'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	5 012	5 450
Later than one year but not later than five years	6 478	7 258
Later than five years	2 557	1 292
<b>Total operating lease commitments</b>	<b>14 047</b>	<b>14 000</b>

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments (less any lease incentives) are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

The Department's operating leases are for office accommodation and motor vehicles. Office accommodation is leased from Building Management - Accommodation and Property Services, a branch of the Department of Planning, Transport and Infrastructure. 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 \$240 000 (\$126 000).

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:

	2019 \$'000	2018 \$'000
Balance at the beginning of the period	1 067	740
Prisoner monies receipts	8 928	8 801
Prisoner monies payments	(8 963)	(8 474)
<b>Balance at the end of the period</b>	<b>1 032</b>	<b>1 067</b>

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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.

*Treasurer's Instructions (Accounting Policy Statements) 2019* issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards and Statements not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The impacts on the Department are outlined below.

**AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities**

The Department will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities* from 1 July 2019.

**Objective**

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

**Impact on 2019-20 financial statements**

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Department.

**AASB 16 – Leases**

The Department will adopt AASB 16 – *Leases* from 1 July 2019.

**Objective**

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 *Leases* replaces AASB 117 *Leases* and *Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives* and *Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

**Impact on 2019-20 financial statements**

The Department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements) 2019*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The Department has estimated the impact of this change and the results as at 1 July 2019. The amounts disclosed are current estimates only. The Department is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

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**10.4. Impact of standards and statements not yet effective (continued)**

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the Department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

The estimated impact is set out below.

	<b>as at 1 July 2019 \$'000</b>
<b><u>Assets</u></b>	
Right-of-use assets	30 421
<b><u>Liabilities</u></b>	
Lease liabilities	(30 421)
<b>Net impact on equity</b>	<b>-</b>

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense 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.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	<b>2020 \$'000</b>
Depreciation and amortisation	4 781
Supplies and services	(5 056)
Borrowing costs	636
<b>Net impact on net cost of providing services</b>	<b>361</b>

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**10.4. Impact of standards and statements not yet effective (continued)**

***Related accounting policies***

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the Department must adopt for the transition from AASB 117 *Leases* to AASB 16 *Leases*. These requirements include that the Department will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the Department will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

**10.5. 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 2018 (2.5%) to 2019 (1.25%).

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 net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$3.7 million and employee benefits expense of \$3.7 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 actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and reduced the salary inflation rate from 3% to 2.2% for annual leave and skills, experience and retention leave liability.

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.

**Revaluation**

**Valuation of land and buildings**

Every three years, sites are inspected and a full revaluation of the Department's land and buildings is performed. A 'desk-top' valuation is performed for the two interim years. This involves the use of existing asset values and the application of various indices. 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.

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**11.2. Fair value (continued)**

The valuer arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size and location. Fair value of land classified as restricted in use was determined using an adjusted market price of surrounding unrestricted land.

The valuer used depreciated replacement cost for specialised buildings, due to there not being an active market. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature and restricted use of the assets; their size, condition and location. The valuation was based on an assessment of useful life and asset condition.

For revalued assets, an impairment loss is offset against the revaluation surplus.

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.

**Fair value hierarchy**

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 2019**

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
<b>Recurring fair value measurements</b>			
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
<b>Total recurring fair value measurements</b>	<b>160 443</b>	<b>511 413</b>	<b>671 856</b>
<b>Total fair value measurements</b>	<b>160 443</b>	<b>511 413</b>	<b>671 856</b>

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**11.2. Fair value (continued)**

**Fair value classification – non-financial assets at 30 June 2018**

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
<b>Recurring fair value measurements</b>			
Buildings - specialised	-	473 607	473 607
Buildings - non-specialised	1 413	-	1 413
Land	90 370	-	90 370
Leasehold improvements	-	3 847	3 847
Plant and equipment	-	2 313	2 313
Bearer plants	218	-	218
Biological assets	350	-	350
<b>Total recurring fair value measurements</b>	<b>92 351</b>	<b>479 767</b>	<b>572 118</b>
<b>Total fair value measurements</b>	<b>92 351</b>	<b>479 767</b>	<b>572 118</b>

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 2019 and 2018, 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 2019**

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 3.2.

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 2019**

	Specialised buildings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>473 607</b>	<b>3 847</b>	<b>2 313</b>	<b>479 767</b>
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)
<b>Carrying amount at the end of the period</b>	<b>506 248</b>	<b>2 834</b>	<b>2 331</b>	<b>511 413</b>

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**11.2. Fair value (continued)**

**Reconciliation of level 3 recurring fair value measurements at 30 June 2018**

	Specialised buildings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>423 144</b>	<b>4 443</b>	<b>1 948</b>	<b>429 535</b>
Additions	50	-	637	687
Disposals	-	-	(37)	(37)
Transfer from work in progress	59 714	446	96	60 256
Losses for the period recognised in net result:				
Depreciation and amortisation	(19 071)	(1 042)	(331)	(20 444)
<b>Total losses recognised in net result</b>	<b>(19 071)</b>	<b>(1 042)</b>	<b>(331)</b>	<b>(20 444)</b>
Gains for the period recognised in other comprehensive income (OCI)				
Revaluation increments	9 770	-	-	9 770
<b>Total gains recognised in OCI</b>	<b>9 770</b>	<b>-</b>	<b>-</b>	<b>9 770</b>
<b>Carrying amount at the end of the period</b>	<b>473 607</b>	<b>3 847</b>	<b>2 313</b>	<b>479 767</b>

**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 32 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. The current plantation comprises 6.23 hectares of existing trees that are currently productive.

**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.

**Department for Correctional Services**  
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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 is exposed to financial risk – liquidity risk, credit risk and market risk.

**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 appropriations 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 and market risk**

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Department.

**Impairment of Financial Assets**

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.

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**11.3. Financial instruments (continued)**

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

	Debtor gross carrying amount \$'000	Loss % \$'000	Lifetime expected losses \$'000
<b>2019</b>			
Current (not past due)	464	5%	25
1 - 30 days past due	190	14%	26
31 - 60 days past due	172	21%	36
61 - 90 days past due	64	75%	48
More than 90 days past due	463	59%	275
<b>Loss allowance</b>	<b>1 353</b>	<b>30%</b>	<b>410</b>
<b>2018</b>			
Current (not past due)	288	0%	-
1 - 30 days past due	102	0%	-
31 - 60 days past due	32	0%	-
61 - 90 days past due	263	0%	-
More than 90 days past due	-	0%	-
<b>Loss allowance</b>	<b>685</b>	<b>0%</b>	<b>-</b>

Market risk for the Department is primarily through interest rate risk. The Department currently holds no interest bearing financial instruments and is not exposed to any market risk.

**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.

**Fair value**

The Department does not recognise any financial assets or financial liabilities at fair value but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these. Refer to Notes 6.2 and 7.1.

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**11.3. Financial instruments (continued)**

**Maturity analysis**

The following table discloses the maturity analysis of financial assets and financial liabilities.

	2019 Contractual maturities			
	Carrying amount	Current	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	19 573	19 573	-	-
Receivables <sup>(1)</sup>	562	562	-	-
<b>Total financial assets</b>	<b>20 135</b>	<b>20 135</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Payables <sup>(1)</sup>	19 641	19 630	3	8
<b>Total financial liabilities</b>	<b>19 641</b>	<b>19 630</b>	<b>3</b>	<b>8</b>

	2018 Contractual maturities			
	Carrying amount	Current	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	28 063	28 063	-	-
Receivables <sup>(1)</sup>	1 049	1 049	-	-
<b>Total financial assets</b>	<b>29 112</b>	<b>29 112</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Payables <sup>(1)</sup>	19 073	19 062	3	8
<b>Total financial liabilities</b>	<b>19 073</b>	<b>19 062</b>	<b>3</b>	<b>8</b>

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

**Department for Correctional Services**  
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**12. Disclosure of administered items**

	2019	2018
	\$'000	\$'000
<b>Administered expenses</b>		
Victims of Crime Levy payments	230	242
Prisoner Compensation Quarantine Fund	-	49
<b>Total administered expenses</b>	<u>230</u>	<u>291</u>
<b>Administered income</b>		
Revenues from Victims of Crime Levy	230	242
Mobilong Inmate Charity Fund	1	1
Prisoner Compensation Quarantine Fund	-	1
<b>Total administered income</b>	<u>231</u>	<u>244</u>
<b>Net result</b>	<u>1</u>	<u>(47)</u>
<b>Administered current assets</b>		
Cash	22	26
<b>Total administered assets</b>	<u>22</u>	<u>26</u>
<b>Administered current liabilities</b>		
Victims of Crime Levy payables	16	22
<b>Total administered liabilities</b>	<u>16</u>	<u>22</u>
<b>Net administered assets</b>	<u>6</u>	<u>4</u>
<b>Administered equity</b>		
Retained earnings	5	4
<b>Total administered equity</b>	<u>5</u>	<u>4</u>
<b>Changes in equity</b>		
Balance at 1 July	4	51
Net result	1	(47)
<b>Balance at 30 June</b>	<u>5</u>	<u>4</u>

**Department for Correctional Services**  
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**12. Disclosure of administered items (continued)**

	2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
<b>Cash flows from operating activities</b>		
<b>Cash outflows</b>		
Victims of Crime Levy payments	(235)	(241)
Prisoner Compensation Quarantine Fund	-	(49)
<b>Total administered expenses</b>	<u>(235)</u>	<u>(290)</u>
<b>Cash inflows</b>		
Victims of Crime Levy	230	242
Mobilong Inmate Charity Fund	1	1
Prisoner Compensation Quarantine Fund	-	1
<b>Total administered income</b>	<u>231</u>	<u>244</u>
<b>Net cash used in operating activities</b>	<u>(4)</u>	<u>(46)</u>
<b>Net decrease in cash</b>	(4)	(46)
Cash at 1 July	26	72
<b>Cash at 30 June</b>	<u>22</u>	<u>26</u>

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.