

2018-19

ANNUAL REPORT

Queensland Productivity Commission

Contents

Foreword	01
The Queensland Productivity Commission	02
Our Organisation	03
Overview of key activities	05
Performance statement	16
Performance measures	17
Corporate matters	18
Our employees	21
Financial Statements	23
Glossary	47
Appendix A: Letter of compliance	49
Compliance checklist	50
Annual report access	52

© Queensland Productivity Commission 2019

The Queensland Productivity Commission supports and encourages the dissemination and exchange of information. However, copyright protects this document.

The Queensland Productivity Commission has no objection to this material being reproduced, made available online or electronically but only if it is recognised as the owner of the copyright and this material remains unaltered.

ISSN 2206-8724 (Print)

ISSN 2206-8732 (Online)

This report is available online and in PDF format on our website: qpc.qld.gov.au

Tel (07) 3015 5111
Email enquiry@qpc.qld.gov.au

ABN 18 872 336 955

Foreword



The Queensland Productivity Commission continues to provide value to Queensland having completed another successful year. The work of the Commission spans four main work streams: public inquiries into productivity, economic development and industry matters; advice and guidance to government departments on regulatory proposals; research into policy and regulation; and investigation of competitive neutrality complaints relating to state and local government business activities.

The Commission strives to provide value-adding policy and regulatory advice that is evidence-based and well researched. The Commission aims to apply an independent, whole-of-community perspective to complex and challenging policy issues. Our inquiry program is underpinned by comprehensive and transparent public consultation, and facilitates public confidence in the policy development process and assists in making the case for reform.

In the 2018–19 year, the Commission commenced a public inquiry into imprisonment and recidivism. That work included public consultation with more than 600 stakeholders and the publication of an issues paper and draft report. A final report will be submitted to government on 1 August 2019. The Commission also commenced a price monitoring review of the Container Refund Scheme and completed a cost-benefit analysis of establishing a pharmacy council in Queensland as a report to the parliamentary inquiry into pharmacy regulation.

The Commission's regulatory review activities included the review of approximately 250 regulatory proposals, and a well-attended training program designed to improve government departments' understanding of the regulatory impact assessment process and best practice regulatory principles. A number of competitive neutrality issues and complaints were reviewed or investigated during the year. To better inform the public and state and local government, the Commission issued guidance material on regulatory best practice and competitive neutrality.

Our body of research papers continues to grow with two papers being developed, one on the lessons learned from the inquiry into service delivery in remote and discrete Indigenous communities and another on measuring productivity in the school education sector.

The Commission has pursued internal efficiencies during the year, improving productivity while continuing to deliver high quality outcomes within budget. The organisation improved its performance by transitioning previously outsourced finance and human resources functions in-house. A dedicated tenancy information technology migration has recently been completed which has improved capability and functionality. Finally, the Commission increased its public footprint by building a greater social media presence and commenced the QPC annual productivity lecture series—kicking off with Professor Gary Banks AO.

The Commissioners would like to express their appreciation for the dedication and high-quality work of the organisation's employees. The Commission continues to grow its capability to provide best in class economic policy advice that will assist Queensland in driving growth, productivity and living standards throughout this great state. We look forward to the 2019–20 year.

A handwritten signature in black ink, reading 'Kim Wood'.

Kim Wood
PRINCIPAL COMMISSIONER

The Queensland Productivity Commission

Established in 2015, the Queensland Productivity Commission (the Commission) is an independent statutory body, operating under the *Queensland Productivity Commission Act 2015* (QPC Act).

The Commission provides advice on complex economic and regulatory issues and proposes policy reforms that aim to drive economic growth, lift productivity and improve living standards for Queenslanders.

The Commission's vision is to improve the well-being of the Queensland community through evidence-based policy and regulation. The Commission does this by providing independent, well-researched advice.

The Commission's functions are listed in Box 1 below.

The Commission contributes to the Queensland Government's *Objectives for the Community* through our independent advice to:

- **drive economic growth**, lift productivity and improve living standards
- improve the **efficiency** and **effectiveness** of government services and operations
- **assess all potential costs and benefits** of policies, including impacts on the disadvantaged and vulnerable, and on the environment.

BOX 1

The Queensland Productivity Commission's functions

- a) Facilitate and promote productivity in Queensland.
- b) Undertake inquiries about matters relating to productivity, economic development and industry in Queensland as directed by the Minister.
- c) Advise the Minister about matters relating to productivity, economic development and industry in Queensland as requested by the Minister.
- d) Conduct research and analysis of matters relating to productivity, economic development and industry in Queensland.
- e) Advise government agencies about complying with the principle of competitive neutrality.
- f) Receive, investigate and report on complaints about the alleged failures of government agencies to comply with the principle of competitive neutrality.
- g) Conduct research and analysis of, and to make recommendations about, regulatory matters as directed by the Minister.
- h) Promote public understanding of matters relating to productivity, economic development and industry.
- i) Undertake regulatory review functions.
- j) Manage oversight of the Queensland Government Regulator Performance Framework.

(a) to (h) are listed in section 9 the QPC Act; (i) is specified in the Treasurer's direction of December 2015;

(j) is specified in the Treasurer's direction of May 2019.

Our Organisation

The Board

The QPC Act provides for the Board to be made up of the Principal Commissioner and other Commissioners appointed by the Governor in Council. A maximum of three Commissioners may be appointed. Board members are appointed under the QPC Act for a term of not more than three years, and may be reappointed.

Kim Wood and Bronwyn Fredericks were Commissioners during 2018–19.



Kim Wood, Principal Commissioner

Appointed: 1 October 2015–30 September 2019

Kim joined the Commission as inaugural Principal Commissioner in October 2015. He has extensive operating experience as a CEO of both regulated

utilities and commercial trading entities. His experience has been gained in a range of diverse businesses that include all aspects of the electricity and water utility value chain, telecommunications and manufacturing. He has worked in Victoria, New South Wales, the Northern Territory and Queensland. His responsibilities have included both New Zealand and South East Asia. Along the way, he has tackled both start-ups and business recoveries. He has worked under business ownership models that include government, Australian Stock Exchange listed, and US and UK based multinational proprietors. Kim is an experienced board member, who has also served on not for profit boards.

Kim has a strong interest in leadership, business transformation, strategy development and regulated businesses. He is a regular speaker at industry events and maintains a strong interest in Australia's utility sector. Kim began his career with the Victorian State Electricity Commission. He is a qualified engineer with post graduate qualifications in business administration. He wants to help to make a difference.



Professor Bronwyn Fredericks, Commissioner

Appointed: 1 January 2019–31 October 2019

Professor Fredericks was appointed as a part-time Commissioner from December 2016 to March 2018 to lead the inquiry into

service delivery in remote and discrete Indigenous communities. In 2019, she was again appointed as a Commissioner to work on the inquiry into imprisonment and recidivism in Queensland.

In April 2018, Professor Fredericks was appointed the Pro-Vice-Chancellor (Indigenous Engagement) at the University of Queensland after several years as Pro-Vice-Chancellor (Indigenous Engagement) at Central Queensland University.

Professor Fredericks has over thirty years' experience working in the education, health care and human services sectors for state and federal governments, as well as non-government organisations, and Aboriginal and Torres Strait Islander community-controlled health services. She is a member of the Beyond Blue National Research Advisory Committee, a member of the Australian Research Council's College of Experts and is a member of the Australian Institute of Aboriginal and Torres Strait Islander Studies Research Advisory Committee. Professor Fredericks holds several distinguished roles in Indigenous research and has been a recipient of research awards and fellowships, including both Endeavour and NHMRC awards. Her research has focused on the socio-psychological aspects of chronic disease, public health interventions and Indigenous women's health issues, along with training and education.

Staff

The Commission's structure and senior staff are shown in Figure 1.

The Commission adjusts resources depending on the tasks referred by the government. As at 30 June 2019, the Commission had 24 full and part-time employees (21.4 full time equivalent (FTE)) including one Principal Commissioner and one part time Commissioner. This compares to 18.85 FTE on 30 June 2018.

Figure 1 Organisational chart, 30 June 2019



The Commission's activities focus on its four main legislated functions:

- Undertake inquiries on complex policy and regulatory issues to provide objective advice on matters vital to the productivity of the Queensland economy.
- Undertake research on policy and regulatory matters beyond the Commission's formal inquiry function.
- Assist agencies to undertake quality assessments of regulatory proposals to support good policy development, consistent with best practice principles.
- Receive, investigate and provide recommendations on competitive neutrality complaints on state and local government business activities.

Table 1 Commission's activity, January 2018 to December 2019

[illegible]

Highlights in 2017-18

UNDERTOOK AN INQUIRY

into imprisonment
and recidivism



Met with over **700** INDIVIDUALS
OR GROUPS,
held **4 public hearings** and **8 roundtables**
and received more than **95 submissions**
during public inquiries/reviews in 2018-19



Provided advice and review on
best practice regulation across
250 PROPOSALS



COMMENCED A
PRICE MONITORING
review of the Container
Refund Scheme



COMPLETED A COST-BENEFIT ANALYSIS INTO THE
establishment of a pharmacy council in Queensland.

Public inquiries and reviews

The Commission conducts public inquiries based on terms of reference provided by the Treasurer.

**A public inquiry is a robust,
evidence-based process.**

**Public consultation plays a
key role in the Commission's
inquiries. In addition, the
Commission's advice, and
the information on which
it is based, is open to
public scrutiny.**

The Commission's inquiry process provides for all stakeholders to submit their evidence and views, and for the Commission's analysis and recommendations to be publicly considered and tested (Figure 2).

This assists the Commission to identify and explore issues to inform and strengthen its advice. It also encourages 'buy in' from stakeholders for the Commission's approach and processes and, ultimately, for its findings and recommendations.

Figure 2 Public inquiry process

Open consultation is particularly important, given the wide range of people who are likely to be interested in the Commission's work.

The public inquiry model includes multiple opportunities for participants and experts to put forward their views and experiences and comment on the Commission's approach, findings and recommendations. These include:

- providing written submissions through the website
- participating in roundtables, community meetings and public hearings
- presenting views during industry and community visits.

Stakeholders can also stay in touch with the progress of an inquiry through the website and regular email updates.

Box 2 outlines the Commission's consultation framework as it applied to the imprisonment and recidivism inquiry.

BOX 2

Stakeholder consultation: Imprisonment and recidivism inquiry

The Commission has built on its efforts of previous years to further develop its engagement with stakeholders. Being able to engage effectively and openly is a key feature of the independence of the Commission and is integral to developing high-quality evidence-based policy advice.

To provide opportunities for the involvement of a wide range of stakeholders, the Commission has adopted an approach that includes a range of formal and informal consultation.

Over the course of our inquiry into imprisonment and recidivism, the Commissioners and staff conducted:

- eight public roundtables across Queensland
- public hearings in Cairns, Townsville and Brisbane
- visited four Indigenous communities
- witnessed court operations, made site visits to eight correctional facilities and observed several facilities providing housing services to ex-prisoners
- face-to-face meetings with academics, community leaders, service providers, courts, police, corrections and other government agencies.

The Commission also received 89 written submissions to this inquiry. All submissions (except confidential submissions), as well as transcripts and video of the public hearings are available on the Commission's website.

**PUBLIC HEARINGS AND FORUMS**

The Commission received 25 PRESENTATIONS through public hearings in Cairns, Townsville and Brisbane. Public forums were held in Cairns, Brisbane, Townsville, Rockhampton & Mount Isa.

**SUBMISSIONS**

The Commission received

89 written SUBMISSIONS

(46 on the draft report + 43 on the issues paper)



The Commission held over

150 MEETINGS with stakeholders including two expert workshops

**SITE VISITS**

The Commission undertook site visits to:

EIGHT correctional facilities—Lotus Glen, Helana Jones, Borallon, Arthur Gorrie, Townsville, Capricornia, Brisbane and Brisbane Women's
the Drug and Alcohol, Magistrate and Murri courts
service providers—seven crisis accommodation centres

DIRECT CONSULTATION with Aboriginal and Torres Strait Islander communities


The Commission held public forums and additional one on one meetings in **Hope Vale, Aurukun and Napranum.**

Further meetings were also held in **Yarrabah.**

Inquiries in focus



Imprisonment and Recidivism

Commenced	10 September 2018
Issues paper	12 September 2018
Draft report	1 February 2019
Final report completed	1 August 2019

In September 2018, the Queensland Government asked the Commission to examine how government resources and policies can be best used to reduce imprisonment and recidivism and improve outcomes for the community over the medium to longer term.

The draft report found that:

- while imprisonment rates have increased rapidly over the last two decades, this increase has been driven by behavioural, policy and system changes, not underlying rates of crime
- the median prison sentence is short (3.9 months) and most (65 per cent) are for non-violent offences
- every month over 1,000 prisoners are released back into the community. Over 50 per cent will be back in prison or under community supervision within two years.

It is not clear that the increasing use of prison has delivered net benefits to the Queensland community.

The draft report identified four priority areas for reform to improve outcomes for the community:

- Adopt more effective ways to deal with offending by redefining some offences where the costs of criminalisation outweigh the benefits, establishing a victim restitution and restoration process and increasing non-prison sentencing options.
- Break the cycle of reoffending by reconfiguring rehabilitation and reintegration through an effective service delivery model of throughcare and by removing regulatory and other barriers to reintegration and employment.
- Reduce interactions with the criminal justice system by increasing diversionary options and filling gaps in prevention and early intervention.
- Build a better decision-making architecture by establishing a separate justice reform office that is accountable for criminal justice system outcomes.

The final report is due to the Queensland Government by 1 August 2019. The government's response is due by February 2020.

Price monitoring review of Container Refund Scheme



Commenced	17 February 2019
Issues paper	1 May 2019
Interim report	1 August 2019
Final report	1 February 2020

On 17 February 2019, the Deputy Premier directed the Commission to monitor and report on the price impacts of the Container Refund Scheme over its first 12 months of operation.

The Commission will monitor and report on:

- the effect of the scheme on prices of beverages sold in Queensland in an eligible container
- the effect of the scheme on competition for beverages and the performance and conduct of the beverage manufacturers and retailers
- any other specific market impacts on consumers that arise from the commencement of the scheme.

An issues paper was published on 1 May 2019 to facilitate stakeholder consultation and input.

Cost-benefit analysis of establishing a pharmacy council



Commenced	26 May 2018
Final advice	24 July 2018

In May 2018, the Commission was asked to undertake a cost-benefit analysis of establishing a pharmacy council in Queensland to inform the Parliamentary Inquiry into pharmacy regulation.

The Commission considered a range of possible benefits, from service quality and availability through to improved policy advice and education and training. It also assessed the likely impact from greater enforcement of ownership restrictions.

The Commission found no evidence that Australian states with pharmacy councils have better outcomes for producers and consumers than Queensland or that more intensive enforcement of the ownership restrictions would provide consumer benefits.

The analysis found there would be a net cost to the community from establishing a pharmacy council of between \$7.7 million and \$11.1 million.

Research

The Commission undertakes research on policy and regulatory matters outside of the formal inquiry function, to support its activities and promote public discussion and understanding of policy issues in Queensland. During the year, the Commission published one research paper and completed another.

Lessons from the inquiry into service delivery to Aboriginal and Torres Strait Islander communities

The inquiry into service delivery to Aboriginal and Torres Strait Islander communities presented a range of complex and contentious policy issues. Reflecting on lessons learned in conducting the inquiry, there are three key aspects that stand out as critical to its substance and defensibility:

- The independent, public inquiry process helped deliver better advice to government.
- Consultation was a challenge but delivered a high return.
- Evidence and economics can ‘cut through’ the ideology and politics of complex social problems.

The paper provides an overview of the inquiry and explores each of these aspects.

Upcoming research—Improving measures of school education output and productivity in Queensland

This paper defines and measures output in Queensland’s school education industry and explores approaches to capturing changes in the quality of education. It concludes with a discussion of how quality-adjusted measures of output matter for productivity analysis.

Key points include:

- It is challenging to accurately measure output in non-market sectors, particularly in a way that internalises the quality of goods and services. For schooling, data on the proportion of students achieving above minimum standards on National Assessment Program—Literacy and Numeracy (NAPLAN) testing and the proportion of students receiving a senior secondary certificate can be used to adjust enrolment data for the quality of school education.
- Once adjusted for quality, school education output has grown by 23 per cent in Queensland from 2009 to 2016. This compares to raw enrolment growth of 12 per cent. Exploratory estimates for productivity indicate that Queensland’s growth per annum averages at zero per cent, compared to -1 per cent per annum for Australia.
- Strong growth in NAPLAN achievement has likely driven these results for Queensland. As these output gains are unlikely to remain consistently high, the key issue is to better understand how productivity is working in terms of inputs.

BOX 3**The Commission—engaging with the community**

Building strong, meaningful relationships with the community, industry and government stakeholders is a critical element of the Commission's business. Accordingly, during 2018-19 the Commission continued to advance its stakeholder strategy in which it made a commitment to:

- listen, involve, inform and collaborate
- be flexible in its use of communication channels
- be apolitical and independent in all mediums of engagement
- be open, transparent and respectful.

Beyond the Commission's formal consultation process, examples of this strategy action include:

QPC Productivity Lecture—The Commission held its first Productivity Lecture in October 2018 to promote public discussion of productivity-related policy matters.

Professor Gary Banks AO delivered the lecture on 'The Productivity Challenge and the PCs' covering:

- the essential role of productivity to community well-being
- the rise of a dominant policy narrative centred on redistribution rather than income creation
- progress—or rather the lack thereof—on the national productivity agenda, including for infrastructure, industrial relations, taxation, public sector services and regulation
- the respective roles of a productivity commission and government in supporting policy change to improve productivity.

The full lecture is available on the Commission's website.



Presentations to business, university and policymakers—Staff made presentations on a wide range of policy issues, including on industry policy (QUT), evidence-based policy (Griffith University), behavioural economics (Queensland Government Economic Forum) and health policy (Queensland Health SPR Conference).

Regulatory training—The Commission expanded its training of policy makers on regulatory impact analysis. Almost 300 policy makers benefitted from training in 2018-19.

Guidance notes—The Commission continued to publish guidance notes on regulatory best practice and competitive neutrality.

More options and accessibility in consultation—including publishing transcripts and video recordings of our public hearings.

Regulatory review

Regulation is often necessary to achieve desirable economic, social and environmental objectives. However, unnecessary, excessive and ineffective regulation can hinder innovation and productivity, stifle economic growth and have other unintended consequences.

Regulatory impact analysis (RIA) helps develop regulation that effectively addresses policy problems and maximises the net benefit to the community. RIA is a systematic approach to critically assessing options for implementing policy, providing an informed, objective and transparent basis for regulatory decision-making.

The Commission's Office of Best Practice Regulation (OBPR) supports agencies to apply effective and rigorous RIA in accordance with the Queensland Government Guide to Better Regulation (the Guidelines). OBPR provides advice to agencies on:

- whether regulatory proposals are excluded from further analysis, as the impacts are unlikely to be significant, or the regulatory proposal belongs to an exclusion category under the Guidelines
- whether a regulatory proposal is likely to result in significant adverse impacts and requires further analysis (Preliminary Impact Assessment (PIA) or a Regulatory Impact Statement (RIS))
- best practice RISs and the adequacy of Consultation and Decision RISs
- the regulator performance framework.

Regulatory Impact Analysis helps guide its users to analyse the impacts of a range of feasible options to address a policy problem.

This analysis provides evidence to decision-makers that any recommended regulation delivers the greatest net benefit to the Queensland community.

Assessment of regulatory proposals

Between 1 July 2018 and 30 June 2019, OBPR reviewed 250 proposals—127 requests for exclusions, 108 PIAs and 15 RISs (Table 2).

Table 2 Nature and type of review activities 2018–19

OBPR assessed exclusions		PIA and RIS submissions	
Outcome	Assessments	Outcome	Assessments
Excluded from further analysis under the Guidelines	92	Not significant/limited further analysis required	82
Not excluded, but not significant (no further analysis required)	29	Significant (RIS required)/further analysis requested	26
Not excluded, further analysis required by department	6	Consultation or Decision RIS assessed	15
TOTAL*	127	TOTAL	123

**This does not include exclusions that were self-assessed by agencies during this period.*

In 2018-19, government provided exemptions from the RIA process to nine regulatory proposals (based on data provided by government departments to Queensland Treasury).

In 2018-19, OBPR provided formal assessments of 15 RISs, twelve of which have been released:

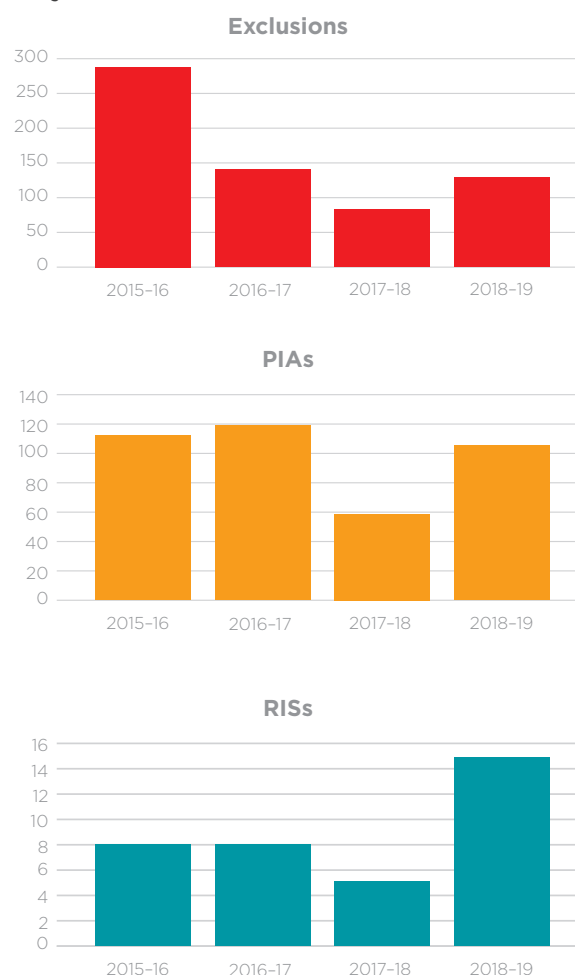
- Cattle pregnancy testing (Consultation RIS)
- Broadening and enhancing reef protection regulations (Decision RIS)
- Introduction of a fuel price reporting scheme (Consultation and Decision RISs)
- Investigation of the introduction of a portable long service leave scheme for the social and community services sector in Queensland (Consultation RIS)
- Workers Compensation entitlements for workers in the gig economy and the taxi and limousine industry in Queensland (Consultation RIS)
- Mechanical services regulation (Consultation RIS)
- Amendment of industrial cannabis legislation (Consultation RIS)
- Proposed changes to QLeave levies (Consultation RIS)
- Review of the Regulated Waste Classification and Waste-Related Environmentally Relevant Activity (ERA) frameworks (Decision RIS)
- Proposed levy structure to fund the Office of Groundwater Impact Assessment mining-related functions (Consultation RIS)
- Investigation into proposed Christmas Eve part-day public holiday (Consultation RIS).

Comparison to prior years

Timeframes for completing individual assessments vary considerably, depending on the complexity and completeness of a proposal and the timeliness of stakeholder consultation. Generally, exclusion requests are the least complex to review and RISs require the most amount of OBPR time to review and work with agencies.

Figure 3 illustrates a significant shift in the composition of regulatory assessment work since 2015-16, after new government guidelines introduced agency-assessed exclusion categories (August 2016). This has reduced the volume of exclusion requests assessed by OBPR (red), redirecting resources to more complex regulatory proposals, build agencies' capability and oversee the regulator performance framework.

Figure 3 Regulatory assessments, July 2015-June 2019



Building agencies' capability

OBPR continues to undertake periodic spot-audits of agencies' performance in self-assessing exclusions from further RIA. In 2019, OBPR reviewed agencies' compliance with agency-assessed exclusion category 'g'—regulatory proposals that are of a machinery nature. Training and guidance materials were updated considering spot-audit results.

In 2018–19, OBPR provided 12 training sessions, attended by 292 policy makers, focusing on best practice regulatory principles and how RIA is implemented in Queensland.

Regulator performance framework

In May 2019, the Queensland Government requested that the Commission support the implementation of the regulator performance framework (the framework). Under the framework, Queensland Government regulators whose regulatory activities impact business, particularly small business, are required to publicly report annually on their regulatory performance.

The OBPR is the key point of contact for regulators seeking clarification of the framework's requirements, and for external stakeholder inquiries or issues raised in relation to the regulator performance reports. All regulator performance reports, or links to them, will be collectively published on the Commission's website in early 2020.

The OBPR will undertake a review and evaluation of the framework's effectiveness, in consultation with Queensland Treasury, after two years.

Competitive neutrality

In Queensland, the competitive neutrality principle is applied to all government owned corporations (GOCs), government agencies and local governments carrying out significant business activities or activities prescribed under a regulation.

Competitive neutrality requires that a public sector business, or agency, should not have a competitive advantage (or disadvantage) over private sector operators solely due to its government ownership

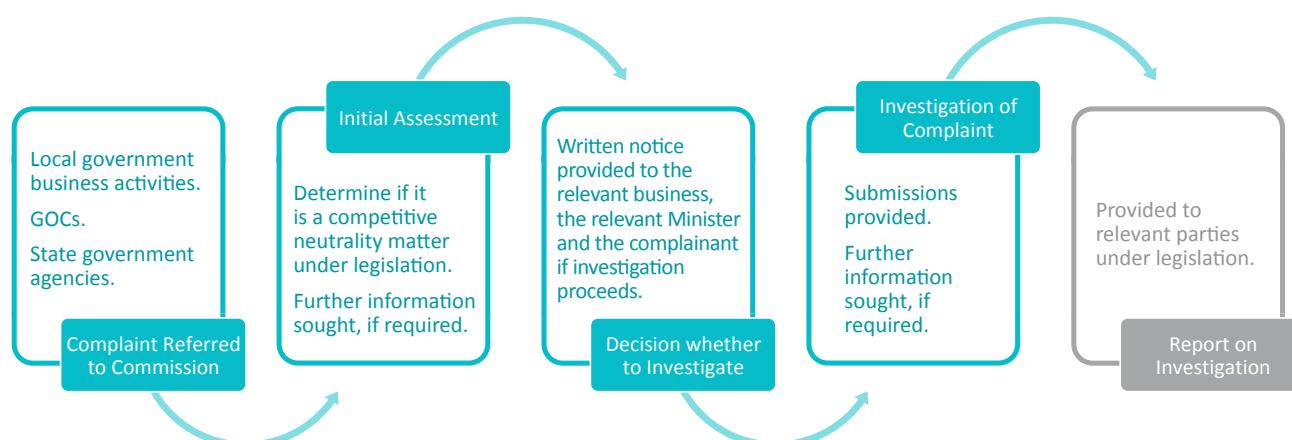
The Commission is responsible for the Queensland Government's competitive neutrality complaints mechanism.

It receives, investigates and provides recommendations on complaints about the alleged failures of government agencies complying with the principle of competitive neutrality.

The Commission also provides competitive neutrality advice to government departments and local governments.

The Commission's approach (Figure 4) is set out in the Competitive Neutrality and Queensland Government Business Activities policy¹, the National Competition Policy and Queensland Local Government policy² and other relevant legislation.³

Figure 4 Competitive neutrality process



In 2018–19, the Commission assessed several competitive neutrality matters and commenced an investigation into a local government's provision of live music entertainment and events. The investigation is expected to be completed in the second half of 2019.

¹ Published by the Queensland Government and dated July 1996.

² Published by the Queensland Government and dated July 1996.

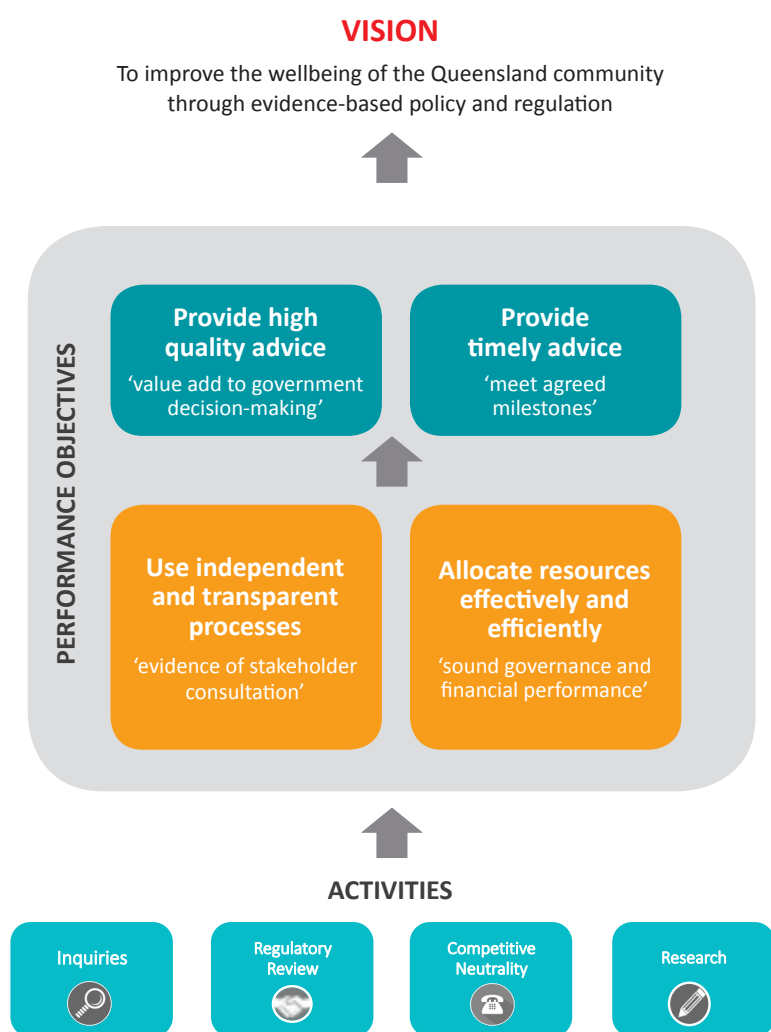
³ Including the QPC Act, the Queensland Productivity Commission Regulation 2015, the Local Government Act 2009 and the Local Government Regulation 2012.

Performance statement

The Commission's vision is to improve the well-being of the Queensland community through evidence-based policy and regulation. The Commission aims to achieve this vision through its four main activities—inquiries, regulatory review, competitive neutrality and research.

In undertaking these activities, the Commission seeks to achieve four key performance objectives—provide high quality advice, provide timely advice, use independent and transparent processes, and allocate resources efficiently and effectively. The success of the last two objectives contributes to the achievement of the first two. Delivering credible, high-quality advice based on robust analysis, which is timely and useful, adds value to the policy development process and realises the Commission's vision.

Figure 5 Performance Framework



Performance measures

Assessing the Commission's performance is complicated by the nature of the Commission's work.

First, much of the Commission's work is externally initiated. Public inquiries are undertaken by the Commission at the direction of the Queensland Government, advice on regulatory proposals is usually at the request of government agencies, and the Commission's competitive neutrality investigations are normally initiated by an external complainant.

Second, as an advisory body, performance primarily relies on the quality of the Commission's advice, which is difficult to accurately measure and there are limited direct indicators of performance.

Nevertheless, the Commission uses a suite of indirect indicators that, together with the discussion in the rest of this report, provide an overall indication of the Commission's performance (Table 3).

Table 3 Output and performance measures 2018-19

Measure	2018-19	Comment
Provide high quality advice		
Inquiry/review reports completed	4	The Commission published reports for the inquiry into imprisonment and recidivism (issues paper and draft report), the Container Refund Scheme Pricing Review (issues paper) and the Cost-benefit analysis of a pharmacy council in Queensland.
Research papers published	1	A research paper was published on the Lessons from the inquiry into service delivery to Aboriginal and Torres Strait Islander communities
Regulatory assessments	250	Assessments under the Queensland Government Guide to Better Regulation.
Competitive neutrality complaint investigations	1	Investigations are initiated by complaints by the public, and the number can vary from year to year. In 2018-19, one investigation was commenced.
Provide timely advice		
Commissioned inquiry deadlines met	100%	Milestones are sourced from terms of reference or the QPC Act. In 2018-19, all timeframes were met.
Average time to complete regulatory impact analysis assessments	12 days	Time to assess proposals varies according to complexity. On average, exclusions were assessed in 7 business days and PIAs 13 days (70% of submissions were assessed with 10 days). RISs were assessed within 30 days for most (66%) submissions. Time taken may not correspond to OBPR effort (e.g. it includes time for agencies to provide further information and where proposals are suspended).
Follow independent and transparent processes		
Meetings and roundtables with key stakeholders	>200	
Submissions received— inquiries and reviews	95	
Contributions to public debate		In 2018-19, there were over 35,000 views of the Commission's website, over 250 distinct media mentions and over 100 parliamentary mentions.
Allocate resources efficiently and effectively—managing our resources to deliver value for money		
In 2018-19, the Commission's expenditure was \$4.4 million , with a surplus achieved for the year. Expenditure, including performance against budget, is reported monthly to the Board.		
In 2018-19, the cost of the imprisonment and recidivism inquiry (including full allocation for all overheads) was approximately \$1.5 million .		

Corporate matters

Governance

Section 14 of the QPC Act establishes the Board as the governing body of the Commission.

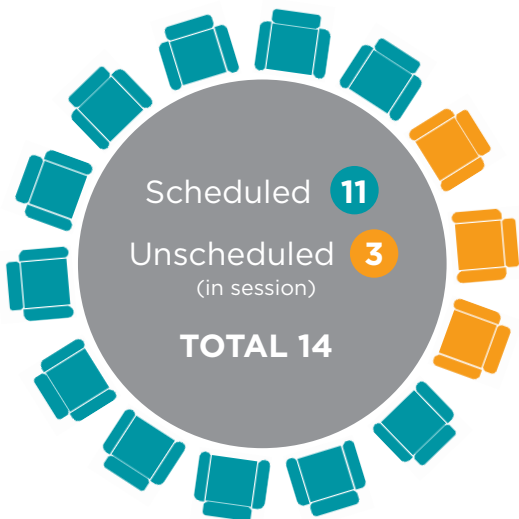
The Board comprises the Principal Commissioner and other Commissioners, as appointed by the Governor in Council. A maximum of three commissioners may be appointed.

The Board is accountable for the management and performance of the Commission in accordance with Section 15 of the QPC Act, as well as any other applicable legislation including the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*.

The Board provides strategic direction and leadership across all the Commission’s key functions and activities. Its responsibilities include:

- Ensuring the Commission performs its functions with independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness
- Ensuring the Commission’s work is evidence-based and makes a positive contribution to the long-term interests of the Queensland Community
- Performing a consultative role in the Commission’s public inquiries and actively engaging with stakeholders regarding productivity and regulatory matters.

Table 4 Board meetings, 2018-19



The Executive Director is responsible for the management of the Commission.

The Executive Director manages the Commission according to the delegation, policies and procedures approved by the Board.

The Executive Director is the primary link between the Board and Commission employees and is responsible for communicating Board policies and priorities to employees.

The Commission’s governance framework includes external accountability measures through its external audit performed by the Queensland Audit Office in accordance with the *Financial Accountability Act 2009*. The Commission has achieved unqualified financial statement audit reports since the Commission commenced operations in 2015.

Risk management and accountability


The Commission's risk management procedures are outlined in its Risk Management Policy.

The Commission remains committed to effective risk management and proactively identifies and monitors risks that may affect its ability to meet its strategic objectives. As the Commission is a small organisation, it does not have a formal audit committee, risk management committee or internal audit function to manage its strategic and operational risks. Instead, the senior management team applies the Commission's Risk Management Framework and considers areas of potential risk exposure, assesses them in terms of severity and probability, and ensures arrangements are in place to manage risks.

Over 2018–19, the Commission's Risk Management policy was reviewed and updated. An entity-wide risk register is maintained and reviewed by the senior management team on an annual basis and includes risk mitigating strategies assigned to each risk.

Corporate governance initiatives

In 2018–19 the Commission developed and executed a robust corporate work program, which included the following governance initiatives:

- Transitioned the Commission's finance and human resources function in-house and implemented a new accounting system.
 - Developed and implemented a revised Commission staff capability and performance framework, including identification of key training needs.
 - Annual review of the Commission's governance policies and artefacts to ensure appropriateness to the Commission's operations including legislative changes and other relevant directives, guidelines, standards and circulars have been appropriately reflected.
 - Performed a fraud risk assessment and formalised strategies to minimise fraud risk exposure.
 - Review of key contracts and remediation of contract performance to ensure key performance indicators were met and contracts continue to deliver value for money for the Commission.
 - Completed an IT dedicated tenancy migration project to improve IT functionality and capability.
 - Finalised a review of the QPC Stakeholder Engagement Strategy and engagement activities.
- 

Financial performance

In 2018-19, the Commission's income was \$4.5 million (largely from Queensland Government funding) and total expenditure was \$4.4 million (including \$0.2 million of costs associated with consultants including corporate services). The surplus for 2018-19 was \$95,141. As illustrated in Figure 6, wages and salaries were the largest component of the Commission's costs (79 per cent), followed by property rent, professional consultants and corporate services.

The majority of expenditure on consultants (Figure 7) related to corporate services charges, as these are contracted out to the Corporate Administration Agency for ICT services. Expenditure, including performance against budget, is reported monthly to the Board.

Figure 6 2018-19 Expenditure categories

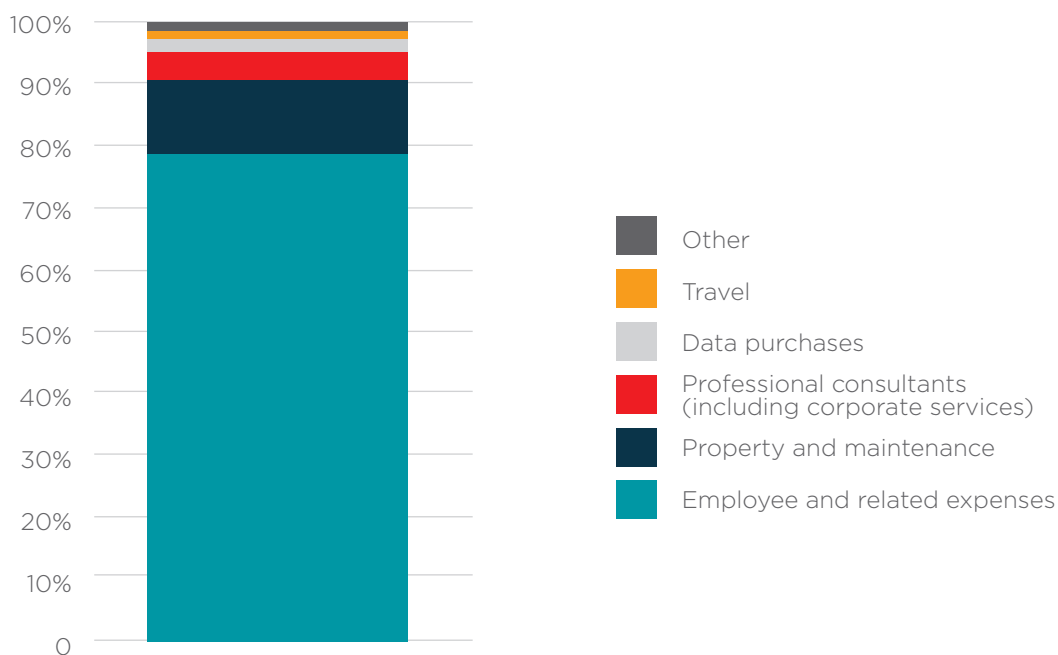
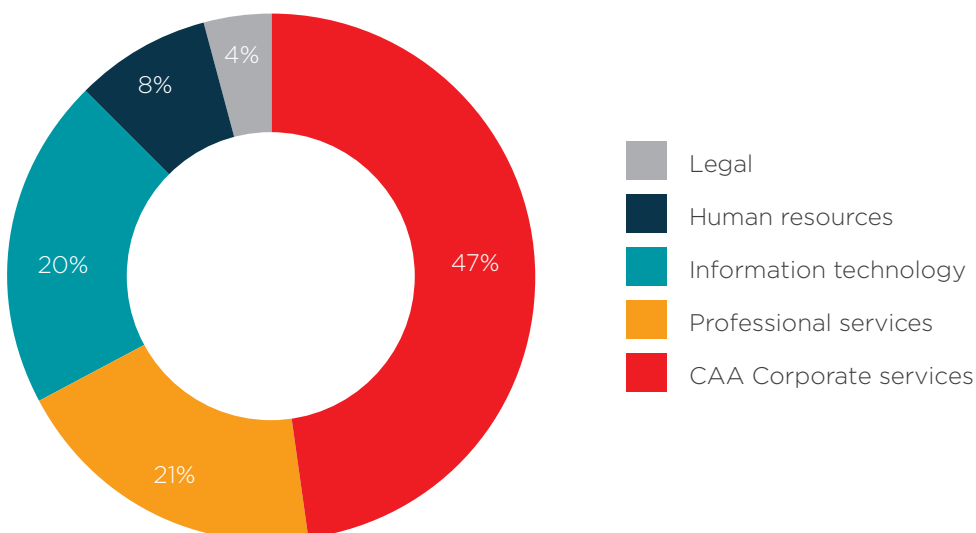


Figure 7 2018-19 Expenditure on consultants



Our employees

Workforce profile and staffing

As at 30 June 2019, the Commission had 24 full and part-time employees (21.4 FTE). This comprised one Principal Commissioner (1 FTE), one part-time Commissioner (0.2 FTE), an Executive Director (1 FTE), Economists/Analysts (16.8 FTE) and Finance and Corporate (2.4 FTE).

The Commission adjusts resources depending on the tasks referred by the government. Interchange opportunities were offered to Queensland Government employees throughout the year as well as short-term contracts to appropriately skilled external applicants. In 2018–19, the Commission had two interchange arrangements with Queensland Treasury.

In 2018–19, the Commission initiated a graduate program to build future capability.

Strategic workforce planning and performance

The Commission is keen to attract and retain capable and committed employees to maintain high-quality work.

All permanent and interchange employees are appointed through a merit-based process. Permanent vacancies (including promotions) and temporary vacancies over 12 months (other than entry level) are advertised and filled through merit-based selection. Interchange opportunities for Queensland Government employees are filled through a competitive expression of interest process.

The Commission's human resources manual sets out the terms and conditions of employment under the QPC Act.

Flexible work arrangements

The Commission provides for flexible work practices to maximise employees' productivity and help employees balance work with other commitments. These include flexible work hours, ongoing part-time work and purchased leave. Employees may also work from home (subject to organisational requirements).

Investing in the development of people

The Commission's employee capability system describes the core capabilities and expectations for Commission employees. It is designed to support and develop employees for their own professional development and to deliver high-quality outcomes. It is used as the basis for performance planning and development, as well as career conversations.

The Commission provides study and research assistance to employees seeking to undertake further study (subject to organisational requirements).

Early retirement, redundancy and retrenchment

No redundancy, early retirement and retrenchment packages were paid during the period.



Financial Statements



**Queensland Productivity Commission
Financial statements
for the year ended 30 June 2019**

Queensland Productivity Commission

Financial statements - 30 June 2019

Contents

	Page
Financial statements	
Statement of comprehensive income	26
Statement of financial position	27
Statement of changes in equity	28
Statement of cash flows	29
Notes to the financial statements	30
Management certificate	42
Independent auditor's report to the Board	43

**Queensland Productivity Commission
Statement of comprehensive income
For the year ended 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
Funding	3	4,477	4,326
Interest income		31	20
Other income		2	2
Income from continuing operations		4,510	4,348
Employee expense	4	(3,473)	(3,273)
Supplies and services	6	(942)	(1,010)
Total expenses from continuing operations		(4,415)	(4,283)
Operating result		95	65
Other comprehensive income for the year		-	-
Total comprehensive income for the year		95	65

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Queensland Productivity Commission
Statement of financial position
As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		767	568
Receivables	7	83	88
Total current assets		850	656
LIABILITIES			
Current liabilities			
Trade and other payables	8	136	116
Employee benefit obligations	9	236	157
Total current liabilities		372	273
Non-current liabilities			
Provisions	10	25	25
Total non-current liabilities		25	25
Total liabilities		397	298
Net assets		453	358
EQUITY			
Contributed equity		7	7
Accumulated surplus		446	351
Total equity		453	358

The above statement of financial position should be read in conjunction with the accompanying notes.

**Queensland Productivity Commission
Statement of changes in equity
For the year ended 30 June 2019**

	Contributed equity \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 July 2017	7	286	293
Operating result	-	65	65
Total comprehensive income for the year	-	65	65
Balance at 30 June 2018	7	351	358
Balance at 1 July 2018	7	351	358
Operating result	-	95	95
Total comprehensive income for the year	-	95	95
Balance at 30 June 2019	7	446	453

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Queensland Productivity Commission
Statement of cash flows
For the year ended 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Funding		4,479	4,328
Goods and services tax input tax credits from Australian Tax Office		74	111
Interest received		31	20
Total inflows from operating activities		4,584	4,459
Employee expenses		(3,367)	(3,342)
Supplies and services		(924)	(1,081)
Goods and services tax paid to suppliers		(94)	(95)
Total outflows from operating activities		(4,385)	(4,518)
Net cash inflow (outflow) from operating activities	15	199	(59)
Net increase (decrease) in cash and cash equivalents		199	(59)
Cash and cash equivalents at the beginning of the financial year		568	627
Cash and cash equivalents at end of year		767	568

The above statement of cash flows should be read in conjunction with the accompanying notes.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019

Contents of the notes to the financial statements

	Page
1 Objectives of the Commission	31
2 Summary of significant accounting policies	31
3 Funding	34
4 Employee expenses	34
5 Key management personnel disclosures	35
6 Supplies and services	37
7 Receivables	37
8 Trade and other payables	38
9 Employee benefit obligations	38
10 Provisions	38
11 Financial risk management	39
12 Remuneration of auditors	40
13 Commitments	40
14 Related party transactions	40
15 Cash flow information	41

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

1 Objectives of the Commission

The Commission's role is to provide independent economic and policy advice to the Queensland Government with the goal of increasing productivity, driving economic growth and improving living standards in Queensland.

The Commission's main functions include:

- Public inquiries into matters relating to productivity, economic development and industry in Queensland
- Research and advice on matters beyond the formal inquiry function
- Advice and guidance to government departments on the quality of regulatory proposals
- Investigation of competitive neutrality complaints about state and local government business activities.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they are not disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) General information

The financial statements are for the Queensland Productivity Commission ("the Commission"), as an individual entity.

The Commission is a not-for-profit independent statutory body established under the *Queensland Productivity Commission Act 2015*.

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

Queensland Productivity Commission
Level 27, 145 Ann Street
Brisbane, Queensland, 4000.

(b) Basis of preparation

These financial statements have been prepared in compliance with the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for the reporting periods beginning on or after 1 July 2018, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Commission has applied those requirements applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

The financial statements are authorised for issue by the Principal Commissioner and Executive Director at the date of signing the Management Certificate.

(i) Historical cost convention

These financial statements have been prepared under the historical cost basis.

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

(ii) Comparatives

Comparatives have been reclassified, where necessary, to enhance comparability.

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4(b)(v) and note 10.

(iv) New and amended standards adopted by the Commission

The Commission has not adopted or applied any new standards for the first time for the year ended 30 June 2019.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Commission. The Commission's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	AASB 1058 Income of Not -for -Profit Entities and AASB 15 Revenue from Contracts with Customers
Nature of change	The AASB has issued two new standards for the recognition of revenue. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. If AASB 15 is not in scope, then AASB 1058 applies.
Impact	Management has assessed the effects of applying the new standard on the Commission's financial statements and has identified no impact on the recognition of revenue going forward. The Commission receives annual grants for which there are no sufficiently specific performance obligations, so these grants will continue to be recognised as revenue upon receipt. The Commission receives no other grants, funding or other revenue that would be impacted by the new standards.
Mandatory application date/ Date of adoption by Commission	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the Commission: 1 July 2019.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(v) *New standards and interpretations not yet adopted (continued)*

Title of standard	AASB 16 Leases
Nature of change	AASB 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on the statement of financial position. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Commission's operating leases. As at the reporting date, the Commission has one non-cancellable operating lease commitment of \$1,169,000 relating to its property lease at 145 Ann Street, Brisbane Queensland (refer note 13). The Commission estimates that this will result in the recognition of a right-to-use asset of approximately \$1,133,000 and a corresponding lease liability of approximately \$1,139,000 on adoption of the new standard on 1 July 2019.
Mandatory application date/ Date of adoption by Commission	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the Commission: 1 July 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

(c) Income tax

The Commission is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the statement of financial position (refer to note 7).

(d) Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis.

(f) Rounding of amounts

Amounts included in the financial statements are in Australian dollars and have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
 (continued)

3 Funding

	2019 \$'000	2018 \$'000
State Government grants	4,477	4,326
Total revenue from continuing operations	4,477	4,326

Grants that are non-reciprocal in nature are recognised as revenue in the year in which the Commission obtains control over them, when there is reasonable assurance that the grant will be received. Reasonable assurance is considered to be achieved at the time of receipt.

The Commission receives an annual non-reciprocal grant which is provided for the purpose of supporting the strategic objectives of the Commission.

4 Employee expenses

	2019 \$'000	2018 \$'000
Employee benefits expenses		
Wages, salaries and allowances	2,661	2,462
Employer superannuation contributions	318	298
Annual leave and long service leave levies	269	266
Secondment from other Government Agencies	-	50
Employee related taxes and other expenses	225	197
	3,473	3,273

(a) Employees

The number of employees as at 30 June, including both full-time and part-time employees measured on a full-time equivalent basis reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2019	2018
Number of employees	21.40	18.85

(b) Accounting policies

(i) Wages and salaries

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

(ii) Sick leave

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

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

4 Employee expenses (continued)

(b) Accounting policies (continued)

(iii) Annual leave and long service leave

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

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, a levy is made on the Commission to cover the cost of employee's annual leave (including leave loading and on-costs), and long service leave. The levies are expended in the period in which they are payable.

(iv) Superannuation

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

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the minimum obligation under the *Superannuation Guarantee (Administration) Act 1992* or as specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

(v) Staff Retention Scheme (SRS)

Four (4) eligible staff qualified to participate in a Staff Retention Scheme, which enables staff to receive a retention payment at the completion of three years and six years of eligible service. The Commission will accrue for SRS payments once it becomes probable that the performance hurdle in relation to eligible service will be met and that the SRS will be due and payable. Refer to note 9 for further details of accrued amounts.

The liability is measured as the present value of expected future payments, with consideration given to expected future wages and salary levels. The obligation is presented as a current liability in the balance sheet if the Commission does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

5 Key management personnel disclosures

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Commission during the financial year. Further information can be found in the body of the Commission's Annual Report under the section relating to Executive Management.

Position	Position responsibility
Commissioners	Responsible for the Commission's duties and responsibilities, in accordance with the Queensland Productivity Commission Act 2015 (QPC Act). The Principal Commissioner is also the relevant Ministerial liaison.
Executive Director	Responsible for the management of the Commission in accordance with directions of the Commissioners and the QPC Act.

(a) Key management personnel compensation

Remuneration policy for the Commission's key management personnel is specified in an employment contract. Remuneration expenses for key executive management personnel comprise the following components:

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

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

5 Key management personnel disclosures (continued)

(a) Key management personnel compensation (continued)

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

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

2019	Short-term employee benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Cash salary	Non-monetary benefits				
Name	\$'000	\$'000	\$'000	Long service leave \$'000	\$'000	\$'000
Principal Commissioner	384	9	45	8	-	446
Commissioner **	46	-	4	-	-	50
Executive Director	216	9	21	7	-	253
Total key management personnel compensation	646	18	70	15	-	749

2018	Short-term employee benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Cash salary	Non-monetary benefits				
Name	\$'000	\$'000	\$'000	Long service leave \$'000	\$'000	\$'000
Principal Commissioner	384	8	45	8	-	445
Commissioner *	53	-	5	1	-	59
Executive Director (from 1 Jul 2017 to Oct 2017)	66	-	7	1	-	74
Executive Director	124	-	12	3	-	139
Total key management personnel compensation	627	8	69	13	-	717

* The position of Commissioner was filled as of December 2016, for a period of 12 months to December 2017 on a part time basis. Subsequently, the part time Commissioner was re-appointed into the role for a further period of three (3) months, from 21 December 2017 to 20 March 2018.

** The position of Commissioner has been filled as of 1 January 2019, for a period of 10 months to 31 October 2019, on a part time basis.

The terms of any Commissioner appointments are established by the Governor in Council, in accordance with section 19 of the QPC Act.

(b) Transactions with key management personnel

The Commission did not enter into any transactions with people, or entities, related to key management personnel during the financial year ended 30 June 2019 (2018: nil).

(c) Performance payments

No performance payments were made to the key management of the Commission.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

6 Supplies and services

	2019 \$'000	2018 \$'000
Corporate services	95	163
Professional fees	108	172
Travel and consultation expenses	60	71
Property and maintenance (a)	525	509
External data	91	12
Communications and media	13	39
Other	50	44
	942	1,010

(a) Property and maintenance

Property and maintenance includes operating lease payments that are representative of the pattern of benefits derived from the property sub-lease (as described in note 14), and are expensed in the period in which it is incurred.

Operating lease rental expenses comprises the minimum lease payments payable under the operating lease contract.

7 Receivables

	2019 \$'000	2018 \$'000
Goods and services (GST) receivable	29	8
Leave reimbursements	47	75
Prepayments	7	5
	83	88

(a) Classification as receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Receivables are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

(b) Risk exposure

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to receivables held by the Commission. Due to the nature of the Commission's receivables at year end, there are no impaired nor past due but not impaired receivables.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
 (continued)

8 Trade and other payables

	2019 \$'000	2018 \$'000
Current liabilities		
Trade and other payables	115	4
Accrued expenses	18	99
Payroll tax and other statutory liabilities	3	13
	<u>136</u>	<u>116</u>

Trade payables are unsecured and are usually paid within 30 days of recognition. Accrued expenses are recognised for expenses incurred but not yet invoiced.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

9 Employee benefit obligations

	2019 \$'000	2018 \$'000
Salary and wages	155	82
Annual leave levy payable	60	56
Long service leave levy payable	14	13
Superannuation	7	6
	<u>236</u>	<u>157</u>

Included in the salary and wage related accrual, is the accrual for the Staff Retention Scheme (SRS) payment in accordance with the accounting policy note described in note 4(b)(v).

10 Provisions

	2019 \$'000	2018 \$'000
Non-current liabilities		
Make good provision	<u>25</u>	<u>25</u>

The Commission is required to repaint the leased premises and repair and clean carpets at the expiry of the lease, so as to restore the premises to its original condition at the end of the lease term. A provision has been recognised for the present value of the estimated expenditure.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

11 Financial risk management

The Commission has the following categories of financial assets and financial liabilities:

	2019	2018
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	767	568
Receivables	76	83
	843	651
	2019	2018
	\$'000	\$'000
Financial liabilities		
Payables	136	116
	136	116

No financial assets and financial liabilities have been offset and presented net in the statement of financial position. Financial assets and financial liabilities are recognised in the statement of financial position when the Commission becomes party to the contractual provisions of the financial instrument. Receivables and payables are held at amortised cost.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	No sensitivity analysis has been conducted on the basis that the only Financial Instrument held by the Commission that would be impacted by a change in interest rates is cash, and a +/-1% change would result in an immaterial impact on profit for the year.	Not applicable	Cash held by a reputable bank.
Credit risk	The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.	Not applicable	No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.
Liquidity risk	The fair value of trade receivables and payables is assumed to approximate the value of the original transaction.	Fair value	Not applicable

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
 (continued)

12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor:

Queensland Audit Office

	2019 \$'000	2018 \$'000
Audit of financial statements	17	16
Total remuneration for audit services	<u>17</u>	<u>16</u>

The audit fee quoted by the QAO relating to the 2018-19 financial statements is \$17,000.

No non-audit services were provided by the QAO during the reporting period.

13 Commitments

This commitment relates to minimum lease payments in relation to the property lease contracted for at the reporting date but not recognised as a liability.

	2019 \$'000	2018 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	505	510
Later than one year but not later than five years	664	133
	<u>1,169</u>	<u>643</u>

14 Related party transactions

Transactions with other Queensland Government-controlled entities

The Commission's primary ongoing source of funding from Government (refer note 3) is provided in cash via Queensland Treasury.

The Corporate Administration Agency (CAA) provided the Commission with information system and support services under the "Shared Services Provider" model, at a cost of \$94,504 (2018: \$162,607) as detailed in note 6.

The Commission has entered into a property sub-lease with the Queensland Competition Authority (QCA) in relation to the lease of its head office premises, at a cost of \$525,312 (2018: \$509,202) as detailed in note 6.

The Commission has no option to purchase the lease item at conclusion of the lease. The sub-lease expires on 30 September 2019, with an option to extend for two (2) years. It is highly probable the option will be exercised. The option period has been included in note 13.

Queensland Productivity Commission
Notes to the financial statements
30 June 2019
(continued)

15 Cash flow information

Reconciliation of operating result to net cash inflow (outflow) from operating activities

	2019 \$'000	2018 \$'000
Operating result	95	65
Change in operating assets and liabilities:		
Decrease (increase) in receivables	5	(16)
Increase (decrease) in trade and other payables	20	(85)
Increase (decrease) in other operating liabilities	79	(23)
Net cash inflow (outflow) from operating activities	199	(59)

Queensland Productivity Commission
Management certificate
30 June 2019

These general purpose financial statements have been prepared pursuant to section 62(1)(a) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements and notes set out on pages 25 to 41 have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Productivity Commission for the year ended 30 June 2019 and of the financial position of the entity at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Kim Wood
Principal Commissioner

29 August 2019



Kristy Bogaards
Executive Director

29 August 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Productivity Commission

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Productivity Commission.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the Principal Commissioner and the Executive Director.

Basis for opinion

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

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

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

Other Information

Other information comprises the information included in the Queensland Productivity Commission's annual report for the year ended 30 June 2019 but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

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

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

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

I have nothing to report in this regard.



Responsibilities of the Board for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



29 August 2019

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Glossary

ARRs	Annual report requirements for Queensland Government agencies
CGE	Computable General Equilibrium
Commission	Queensland Productivity Commission
CAA	Corporate Administration Agency
FAA	<i>Financial Accountability Act 2009</i>
FPMS	<i>Financial and Performance Management Standard 2009</i>
GOCs	Government Owned Corporations
GRAIL	Government Research and Information Library
Guidelines	Queensland Government Guide to Better Regulation
ICT	Information and Communications Technology
ISSN	International Standard Serial Number
MFP	Multifactor Productivity
NHMRC	National Health and Medical Research Council
OBPR	Office of Best Practice Regulation
PIA	Preliminary Impact Assessment
QPC Act	<i>Queensland Productivity Commission Act 2015</i>
RIA	Regulatory Impact Analysis
RIS	Regulatory Impact Statement
VET	Vocational Education and Training

Appendix A: Letter of compliance



File Ref: DOC19/1790

30 August 2019

The Honourable Jackie Trad MP
Deputy Premier, Treasurer and Minister for
Aboriginal and Torres Strait Islander Partnerships
GPO Box 611
BRISBANE QLD 4001

Dear Deputy Premier

Annual Report 2018–19

I am pleased to submit for presentation to the Queensland Productivity Commission's Inaugural Annual Report 2018–19 and financial statements.

I certify this Annual Report complies with:

- The prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- The detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found in Appendix B of this annual report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Wood', is written over a light blue horizontal line.

Kim Wood
Principal commissioner

Encl.

2018–19 Annual Report

Compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	49
Accessibility	Table of contents Glossary	ARRs – section 9.1	Inside cover 47
	Public availability	ARRs – section 9.2	Inside cover 52
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	52
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4	Inside cover
	Information Licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5	N/A
General information	Introductory Information	ARRs – section 10.1	1-2
	Agency role and main functions	ARRs – section 10.2	2-15
	Machinery of Government changes	ARRs – section 31 and 32	N/A
	Operating environment	ARRs – section 10.3	5-17
Non-financial performance	Government's objectives for the community	ARRs – section 11.1	2
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	5-16
	Agency objectives and performance indicators	ARRs – section 11.3	17
	Agency service areas and service standards	ARRs – section 11.4	5-16
Financial performance	Summary of financial performance	ARRs – section 12.1	20, 23-45
Governance – management and structure	Organisational structure	ARRs – section 13.1	4
	Executive management	ARRs – section 13.2	4
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	N/A
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	21
	Queensland public service values	ARRs – section 13.5	21

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 14.1	18-19
	Audit committee	ARRs – section 14.2	18-19
	Internal audit	ARRs – section 14.3	18-19
	External scrutiny	ARRs – section 14.4	18-19
	Information systems and recordkeeping	ARRs – section 14.5	18-19
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	21
	Early retirement, redundancy and retrenchment	Directive No.04/18 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	21
Open Data	Statement advising publication of information	ARRs – section 16	52
	Consultancies	ARRs – section 33.1	20
	Overseas travel	ARRs – section 33.2	N/A
	Queensland Language Services Policy	ARRs – section 33.3	52
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	42
	Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	43-45

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies*

Annual report access

Additional copies

A copy of this report can be obtained by contacting us as follows:

email enquiry@qpc.qld.gov.au

Mail Executive Support
Queensland Productivity Commission
PO Box 12112
George Street
BRISBANE QLD 4003

Tel (07) 3015 5111

Fax (07) 3015 5199

This report is available on our website: qpc.qld.gov.au

Open data

Further information on the following is available through the Queensland Government's Open Data website: data.qld.gov.au:

Consultancies 2018-19

Government bodies

The Queensland Register of appointees to government bodies provides access to information about government bodies including descriptions, contact details and lists of appointees.

Translating and interpreting assistance



The Commission is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on (07) 3015 5111 and we will arrange an interpreter to effectively communicate the report to you.

Feedback

Readers are encouraged to provide feedback on the contents or structure of this report by contacting us at enquiry@qpc.qld.gov.au.

