



2016–17

ANNUAL REPORT

Queensland Productivity Commission



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ISSN 2206-8724 (Print)
ISSN 2206-8732 (Online)

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WEB qpc.qld.gov.au TEL (07) 3015 5111 email enquiry@qpc.qld.gov.au
ABN 18 872 336 955

Foreword

The Queensland Government is vitally interested in improving the wellbeing of all Queenslanders. The Commission supports this outcome by providing independent economic and policy advice grounded in evidence-based research and extensive stakeholder consultation.

Over 2016–17, the Commission continued to mature its operating model and grow its body of work. We welcomed Professor Fredericks to the Board, who has brought a wide set of academic, policy and engagement capabilities to the Commission's work.

A key milestone in 2016-17 was the publication of our first two inquiry final reports into electricity prices in Queensland and solar feed-in pricing. The Government responded favourably to most of the recommendations, with tangible outcomes already evident. Some recommendations may take longer to consider and implement, and some may not be accepted.

As an independent advisory body, we are one of many voices providing advice on policy issues. While our recommendations will not always be accepted, our advice will always be independent, rigorous, reflective of diverse views and add value to the policy discourse.

We received two new inquiry references in 2016-17: on manufacturing in Queensland and service delivery to Indigenous communities. Issues papers to support consultation were released for both.

The pattern of regulatory review work changed over the year with the implementation of the self-assessment regime in the new Queensland Government Guide to Better Regulation. The number of proposals submitted and assessed by the Office of Best Practice Regulation has significantly reduced, with benefits to both agencies and the Commission. A review of the first six months of the regime's operation confirms its success.

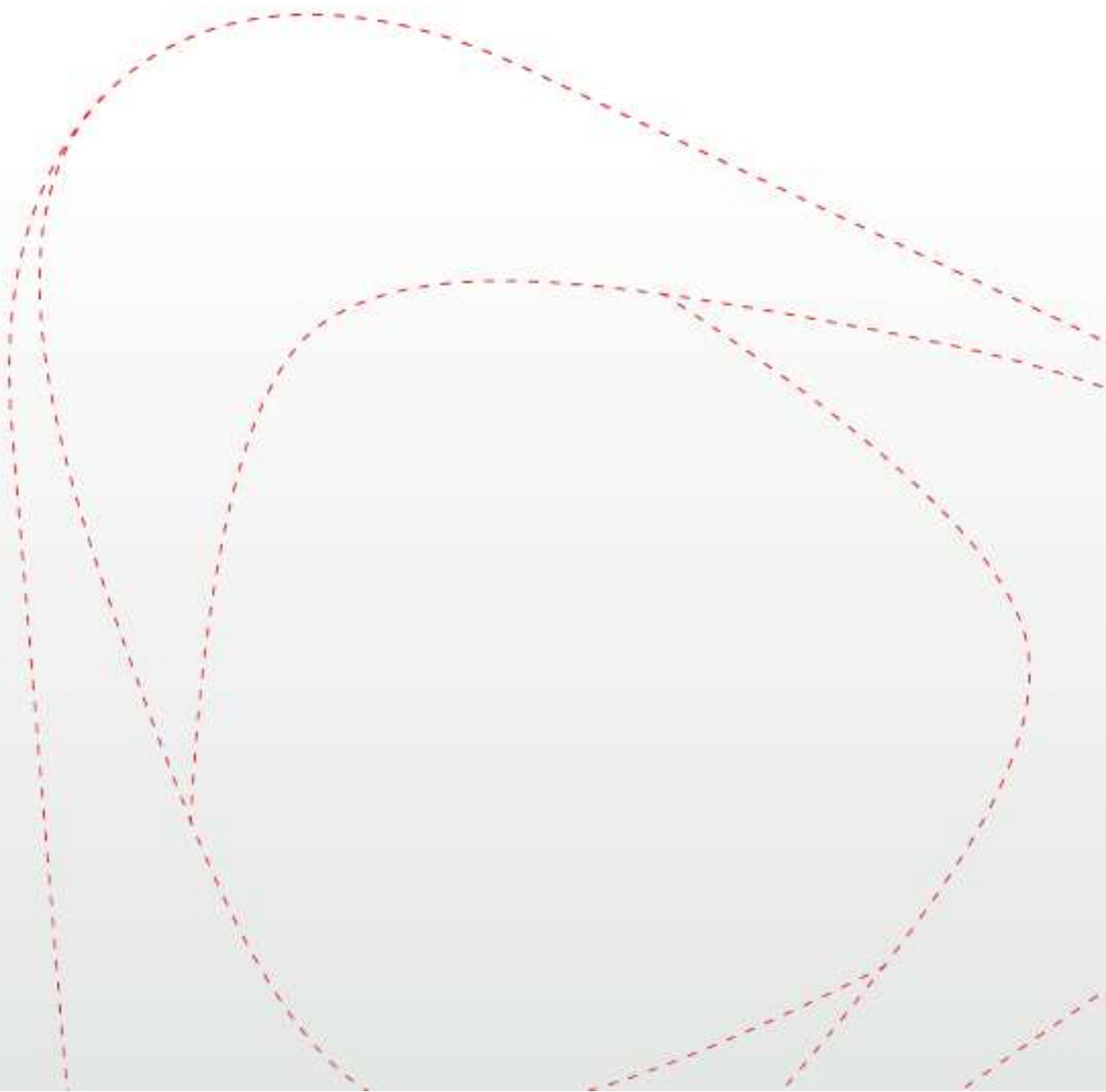
In 2016-17, the Commission provided advice on how the Government might implement recommendations from the Red Tape Reduction Advisory Council Report. Four investigations into competitive neutrality complaints were also completed.

Consultation is a core feature of all our functions and an early learning for us has been to enhance our stakeholder engagement. We have actively sought to expand the input from stakeholders, and better target communications through regional networks and social media. We will continue to provide opportunities for Queenslanders to interact with the Commission through a clear and vibrant website, community meetings, roundtables, individual and group visits, expert panels and by utilising visiting experts.

The Commission is improving its internal processes and governance to ensure practices are more resilient and transparent. Corporate support has been modestly increased, with a major discernible improvement in the Commission's operations. We continue to seek ways to take our own advice, and improve our productivity and effectiveness.

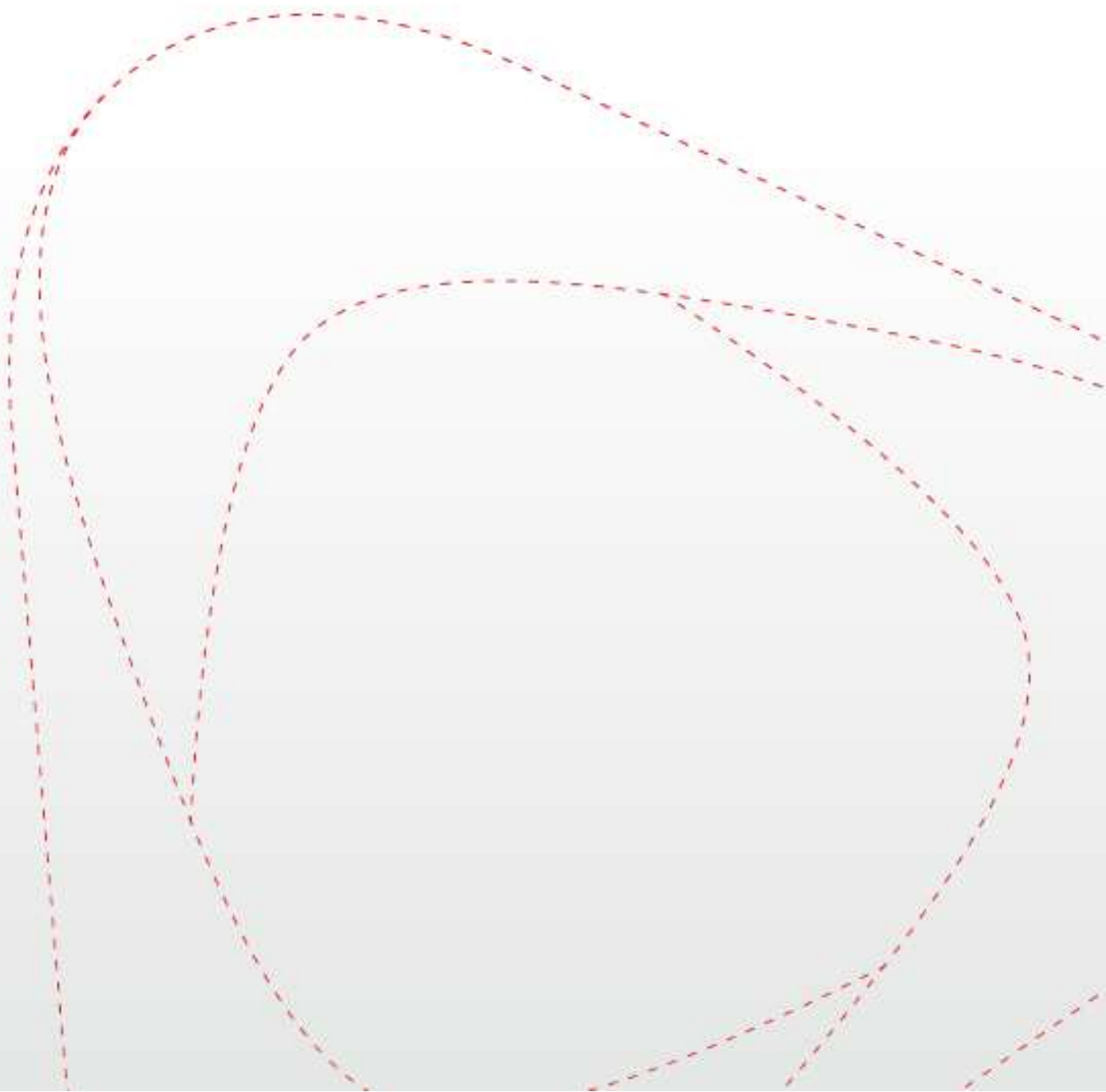
Looking ahead, the Commissioners and staff are committed to providing independent and fearless advice on economic and regulatory matters to drive growth, productivity and living standards throughout the great state of Queensland.

Kim Wood
Principal Commissioner



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The Queensland Productivity Commission

Established in 2015, the Queensland Productivity Commission (the Commission) is an independent statutory body, operating through the *Queensland Productivity Commission Act 2015* (QPC Act) to provide independent economic and policy advice to the government.

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.

Our vision is to support the Queensland Government make evidence-based policies and regulations in the long term interests of the Queensland community. We do this by providing credible, well-researched advice.

High-level objectives for 2016–17 were independence, high-quality advice, effective engagement, and capable and committed staff.

The Commission will support the Queensland Government's objectives for communities to:

- Create jobs and a diverse economy
- Deliver quality frontline services
- Build safe, caring and connected communities
- Protect the environment

by providing independent policy advice to:

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

Responsibilities



Public inquiries

Undertake inquiries on complex policy and regulatory issues to provide objective advice on matters vital to the productivity of the Queensland economy.



Research

Undertake research on policy and regulatory matters beyond the Commission's formal inquiry function.



Regulatory review

Assist agencies to undertake quality assessments of regulatory proposals to support good policy development, consistent with best practice principles.



Competitive neutrality

Receive, investigate and provide recommendations on competitive neutrality complaints on state and local government business activities.

Operating environment

Most of the Commission's work is externally directed and the scope is beyond the Commission's direct control.

The Queensland Government can direct the Commission to undertake an inquiry or review a regulatory matter. The Commission also receives complaints (and can investigate and provide advice) on the application of competitive neutrality arrangements in Queensland.

The Commission's operating principles are drawn from the QPC Act: independence, rigour, responsiveness, openness, transparency, equity, efficiency and effectiveness.

In 2016–17, the Commission commenced two public inquiries and published two inquiry final reports. It also completed a review of government agencies' compliance with new regulatory guidelines, provided advice on implementation of recommendations made by the Red Tape Reduction Advisory Council, and completed four competitive neutrality complaints. One research project was finalised and published, and 266 regulatory proposals were reviewed.

Table 1 provides an overview of the Commission's activity since its creation to the completion of current inquiries.

Table 1 Commission activity, January 2015 to December 2018

	2015–16					2016–17												2017–18						
Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Public inquiries																								
Electricity pricing																								
Solar feed-in pricing																								
Queensland manufacturing																								
Service delivery in Indigenous communities																								
Research																								
Productivity – Concepts, measurement and performance																								
Competitive neutrality																								
CITEC Confirm investigation																								
Cairns Regional Council investigation																								
Tablelands Regional Council investigation																								
Mareeba Shire Council investigation																								
Competitive neutrality investigation 5																								
Regulation review																								
Regulatory advice: Red tape reduction																								
Regulatory Impact Assessments																								
Self-assessment review																								

Organisation

The Board

The Board manages the Commission and ensures it performs its functions with independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness.

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

In December 2016, Professor Bronwyn Fredericks was appointed as a part-time Commissioner.

Kim Wood

Principal Commissioner

Appointed: 1 October 2015 – 30 September 2018



Mr Wood joined the Commission as the Principal Commissioner in October 2015. He has extensive knowledge of regulated industries and commercial operations, with hands-on leadership roles at Victoria's City West Water, GPU PowerNet and Queensland's Stanwell Corporation, as well as other electricity, water and telecommunication businesses.

He has tackled both business transformation roles and new utility start-ups, and enjoys a challenge.

He commenced his CEO roles as the Sydney-based Managing Director of GEC Plessey Telecommunications, and has also held senior roles with BellSouth Australia and Hewlett-Packard. He began his career as an engineer with the Victorian State Electricity Commission.

Professor Bronwyn Fredericks

Commissioner

Appointed: 15 December 2016 – 14 December 2017



Professor Fredericks was appointed as a part-time Commissioner in December 2016, to lead the public inquiry into service delivery in remote and discrete Indigenous communities.

Based in Rockhampton, Professor Fredericks is Pro Vice-Chancellor (Indigenous Engagement) and the BHP Billiton Mitsubishi Alliance Chair in Indigenous Engagement at the Central Queensland University.

Professor Fredericks has worked 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 Board member of the Central Queensland Region Aboriginal and Islander Community Controlled Health Organisation.

Professor Fredericks holds several distinguished roles in Indigenous research. She is a member of the Research Advisory Committee for the Australian Institute of Aboriginal and Torres Strait Islander Studies and the National Indigenous Research and Knowledges Network. 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. She has published widely in books and journals and is often asked to be a speaker at events ranging from academic conferences to community gatherings.

Staff

The Commission adjusts resources depending on the tasks referred by the government. The Commission's structure and senior staff are shown in Figure 1

As at 30 June 2017, the Commission had 22 employees (20 full time equivalent (FTE)) including two Commissioners. This compares to 12.8 FTE on 30 June 2016 (including one Commissioner).

Figure 1 Organisational chart 30 June 2017



Performance statement

The Commission provides the Queensland Government with independent advice on complex economic and regulatory issues to drive economic growth, lift productivity and improve living standards across Queensland.

The Commission seeks to deliver credible, high-quality advice based on robust analysis which is timely and useful to government. The advice aims to add value to the policy process.

Assessing the Commission's performance is complicated, because it relies on an assessment of the quality of the advice provided (as well as the costs of doing so). This can be hard to measure, although factors such as the independence, transparency and effectiveness of its processes and the experience, skills and commitment of its staff can provide some insights. Given the nature of its work, the Commission relies mainly on qualitative indicators of performance, with quantitative indicators helping to inform the assessment in some areas.

During 2016–17, the Commission sought to measure its overall performance and progress in achieving its objectives across four key areas: provide high-quality advice; provide timely advice; use independent and transparent processes; and allocate resources efficiently and effectively. The assessment of performance in 2016–17 is in Table 2.

In 2017–18, the Commission will review the processes and timeframes for competitive neutrality investigations to ensure they are more timely.

Table 2 Assessment of 2016–17 performance

Performance summary
<p>Provide high-quality advice—value add to government decision-making</p> <p>In 2016–17, the Commission provided the Queensland Government with advice on red tape reduction, undertook 266 regulatory assessments and completed four competitive neutrality investigations. It also published final reports for its completed public inquiries into electricity pricing and solar feed-in pricing, following the government's response.</p> <p>The Commission commenced two new public inquiries—one into Queensland manufacturing, and another into service delivery in remote and discrete Indigenous communities, and released two consultation papers. These inquiries will be finalised in 2017–18.</p> <p>In undertaking its work, the Commission used external policy advisers and visiting researchers to provide new insights and additional rigour to its analysis. It also used roundtables, workshops and other consultations to help inform its views and test its analysis.</p> <p>In 2016–17, the Commission's work has been referenced by a range of key stakeholders. The Commission was mentioned in the media more than 500 times, including in print, online content and through broadcasts.</p> <p>The Commission also delivered a workshop on implementing regulatory best practice principles, attended by 60 people.</p>
<p>Provide timely advice—meet agreed milestones</p> <p>Milestones are sourced from terms of reference, the QPC Act or internal agreement. In 2016-17 the timeframes for release of two final reports (Electricity pricing and Solar feed-in pricing) and two consultation papers (Queensland manufacturing and Service delivery in remote and discrete Indigenous communities) were met.</p> <p>The release of the manufacturing draft report was originally scheduled for 31 May 2017 but a direction was received to change this to the end of July 2017.</p> <p>For regulatory review, the average time to complete Requests for Exclusions was nine days, and most Preliminary Impact Assessments took 16 days.¹</p> <p>The average time to complete competitive neutrality investigations was 22 months.</p>
<p>Use independent and transparent processes—evidence of stakeholder consultation</p> <p>While the Commission's work program is largely set by the Queensland Government, it operates and reports at arm's length from government as an independent statutory body established under the QPC Act. It has its own budgetary allocation and a core group of permanent staff.</p> <p>The Commission's approach includes wide-ranging, open and transparent consultation to help identify and explore issues to inform and strengthen its advice. In 2016–17, the Commission met with over 130 stakeholders and held seven roundtables and community meetings. More than 40 submissions were received and are available on the Commission's website.</p>
<p>Allocate resources efficiently and effectively—sound governance and financial performance</p> <p>Legislative requirements outlined in the <i>Financial Accountability Act 2009</i> and <i>Financial and Performance Management Standard 2009</i> were met.</p> <p>In 2016–17, the Commission's expenditure was \$4.0 million, and a \$32,000 surplus was achieved for the year. The attributed cost (including corporate overheads) for activities was \$1.9 million for inquiries; \$1.3 million for regulatory review; and \$0.8 million for other corporate costs.</p> <p>Expenditure, including performance against budget, is reported monthly to the Board.</p>

¹ The average time taken to finalise assessments of Regulation Impact Statements is not reported for 2016–17, but will be in future.

Overview of key activities

Highlights in 2016–17



Public inquiries

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.

In 2016–17, the Treasurer directed the Commission to examine two policy areas:

Queensland manufacturing — identify policy options to improve productivity and competitiveness in Queensland's manufacturing sector (commenced 15 September 2016).

Service delivery in remote and discrete Indigenous communities — examine Queensland Government investments in services and identify what works well, and why, to improve outcomes for all remote and discrete Aboriginal and Torres Strait Islander communities (commenced 14 December 2016).

The Commission's inquiry process provides for all stakeholders to submit their evidence and views, and for Commission analysis and recommendations to be publicly considered and tested (Figure 2; Table 3). 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



In 2016–17, the Commission has focused on the way it seeks to engage with stakeholders, building on its experiences from its previous inquiries and from other agencies' approaches. Being able to engage effectively and openly is a key feature of the independence of the Commission and is integral to providing high-quality evidence-based policy advice.

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 (Box 1). These include:

- providing written or video submissions through the website
- participating in roundtables and community meetings
- industry and community visits.

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

Box 1 provides an example of the consultation process at work.

Over 2016–17, the Commissioners and staff have conducted seven roundtables and over 130 meetings and visits with individuals, organisations or groups across Queensland. Stakeholders provided more than 40 written submissions, all available on the Commission's website.

Box 1 Stakeholder consultation: Indigenous service delivery inquiry

The success of the Commission's inquiry into service delivery in remote and discrete Indigenous communities will depend heavily on the involvement of community residents, leaders and those working in service delivery.

Their input and insights help the Commission to identify and explore issues and, ultimately, strengthen the Commission's analysis and advice. This is particularly important given the wide range of people who are likely to be interested in this inquiry, the potential differences in their views, and the sensitivities around Indigenous disadvantage.

Given the distances involved, and short timeframe for reporting, the Commission developed a media strategy to provide regular updates about the inquiry through Indigenous and regional print and radio media outlets, as well as through social media. Regular email updates were sent to hundreds of individuals and organisations that registered through the Commission website or that had been identified as service providers and peak bodies.

The Commission used social media and set up facilities to upload video files onto the website to broaden the tools available to stakeholders.

As at 30 June 2017, the Commission had:

- conducted five roundtables
- visited five discrete communities
- held around 80 meetings across Queensland with a wide range of stakeholders
- received 28 submissions.

These engagements have included community residents, Indigenous businesses, service providers, academics, Indigenous councils, peak bodies, land councils, Indigenous corporations and the government.

Inquiries in focus



Queensland manufacturing

The Commission has been asked to identify policy options to improve the productivity and competitiveness of the manufacturing sector in Queensland. The inquiry's aim is to understand the key factors driving manufacturing and the potential to build on existing capacities and capabilities to take advantage of emerging markets and new opportunities.

The focus is on:

- assessing the size, nature and trends in Queensland manufacturing
- identifying challenges and prospects based on research, the feedback from consultation, and case study evidence
- setting out a plan for the Queensland Government to effectively support a competitive and productive sector.

An issues paper (November 2016) sought submissions on the challenges facing manufacturing and the effectiveness of government programs and regulation.

As at 30 June 2017, the Commission has received 13 written submissions (available on the Commission website), convened roundtables on innovation and on structural adjustment, and attended a roundtable led by the Textiles, Clothing and Footwear Industry Body. The Commission has also met with manufacturers, unions, and government representatives.

The Treasurer extended the timeframe for the inquiry by two months. The draft report is scheduled for release in July 2017, and a final report will be provided to the government in October 2017.



Service delivery in remote and discrete Indigenous communities

The Commission has been asked to examine what the Queensland Government spends on services to remote and discrete communities, and to identify what works well to improve outcomes for remote and discrete Aboriginal and Torres Strait Islander communities, and why; and what could be improved.

The focus is on:

- the levels and patterns of government investment and how these change over time
- interactions between investments made by all levels of government, non-profit organisations and third party service providers
- the range of service delivery programs and whether there is duplication or a lack of coordination across programs
- an evaluation of the design and delivery of existing government services in improving outcomes for remote and discrete Indigenous communities
- best practice approaches for evaluating the effectiveness and efficiency of service delivery.

A consultation paper (March 2017) sought feedback on the scope of the inquiry, and evidence on the issues covered.

As at 30 June 2017, the Commission has received 28 written submissions, which appear on the Commission website. The Commission has convened roundtables and community meetings in regional communities and met with community residents, leaders and those working in service delivery.

A draft report is scheduled for release in September 2017, and a final report will be provided to the government in December 2017.

Government response to completed inquiries

Once an inquiry is completed, the Commission provides a final report to the Treasurer. The Treasurer must provide a written response within six months of receiving it. After that, the Commission publishes the final report. During 2016–17, final reports for the following inquiries were published:

- **Electricity pricing** — of the 52 recommendations, the government accepted 28 in full, 11 in principle, and four in part. Two recommendations will be further considered, and seven were not accepted.
- **Solar feed-in pricing** — of the seven recommendations, the government accepted three recommendations in full, two in part, and two were not accepted.

The final reports for both inquiries are available on the Commission's website.

Table 3: Public inquiry timetable

Inquiry	Commenced	Issues paper	Draft report	Date completed	Final report published
Electricity pricing	June 2015	14 October 2015	3 February 2016	31 May 2016	20 November 2016
Solar feed-in pricing	August 2015	16 October 2015	10 March 2016	20 June 2016	19 December 2016
Manufacturing	September 2016	9 November 2016	20 July 2017	by 31 October 2017	by 30 April 2018
Indigenous service delivery	December 2016	30 March 2017	by 30 September 2017	by 22 December 2017	by 22 June 2018



Research

The Commission undertakes research on policy and regulatory matters outside of the formal inquiry function, to support the goal of increasing productivity, driving economic growth and improving living standards in Queensland.

In December 2016, the Commission released a research paper that defines productivity, identifies how it is measured, and examines Queensland's productivity performance in national and global contexts. This paper is available on the Commission's website.



Regulatory review

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

Regulatory impact analysis (RIA) is an important element in developing regulation that effectively addresses policy problems and maximises the net benefit (benefits less costs) to the community. RIA is a systematic approach to critically assessing the impacts of options for implementing policy and is an integral part of good policy making processes. It provides an informed, objective and transparent basis for regulatory decision-making.

The Queensland Government established the Office of Best Practice Regulation (OBPR) to support agencies apply effective and rigorous RIA as part of their standard policy development process.

Regulatory Impact Analysis helps guide its users to identify the impacts of a proposed regulatory change carefully and methodically.

This allows those who are designing, implementing and/or approving the regulation to fully understand the potential impacts.

RIA is implemented in Queensland through the Queensland Government Guide to Better Regulation (the Guidelines). The Guidelines set out a series of steps for agencies and OBPR to identify which proposals to change regulation would benefit from further RIA. The 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 excluded 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 Consultation Regulatory Impact Statement (RIS))
- how to develop best practice RISs and assessing the adequacy of Consultation and Decision RISs.

The OBPR also provides training on best practice regulatory principles and how RIA is implemented in Queensland, including through department workshops and presentations about the OBPR's processes and practices. In November 2016, the OBPR delivered a workshop to 60 policy officers from across government on the Guidelines and the self-assessment process.

The Queensland Government Guide to Better Regulation

In August 2016, the Queensland Government Guide to Better Regulation replaced the Regulatory Impact Statement System Guidelines as the Government's guidelines for implementing RIA in Queensland. The new guidelines streamline the RIA process by enabling agencies to determine whether certain regulatory proposals are excluded from further regulatory analysis rather than engaging with the OBPR. This has resulted in a significant change to the Commission's workload (Figure 3). During this transition, the OBPR provided advice and guidance to departments and facilitated introductory training on the self-assessment process.

During 2016–17, the Commission undertook a review of agencies' performance implementing the new Guidelines. Results of the review are expected to be available in 2017–18.

Assessment of regulatory proposals

The OBPR records all regulatory proposals submitted by government agencies for assessment. Between 1 July 2016 and 30 June 2017, the OBPR received 266 requests comprising 140 requests for exclusions, 118 PIAs and eight RISs (Figure 3 and Table 4). The OBPR took on average nine days to complete requests for exclusions and 16 days to finalise most PIAs. The timeframes for completing RISs varied considerably, reflecting the complexity of each RIS and the timeliness of stakeholder consultation.

During 2016–17, approximately 160 exclusions were self-assessed by agencies.

Figure 3 Total OBPR Assessments 2016–17

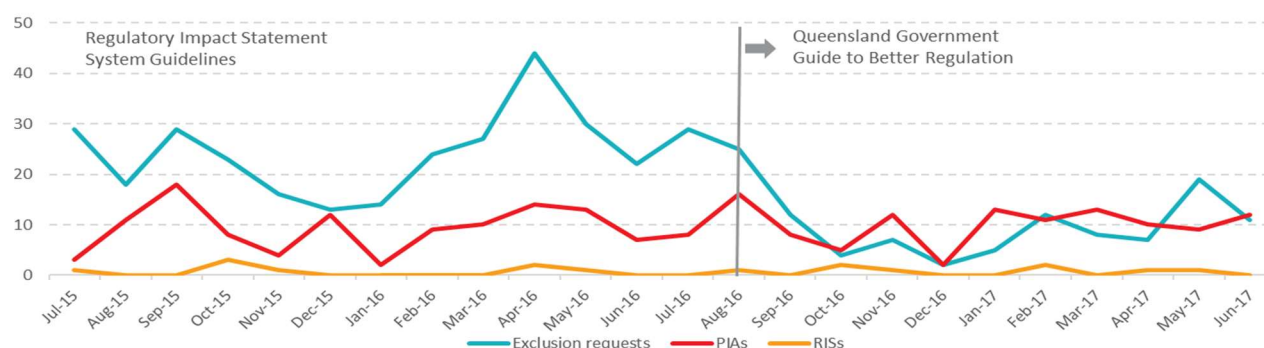


Table 4 Nature and type of review activities 2016–17

Exclusion requests sent to the OBPR*		PIA and RIS submissions	
Outcome	Assessments	Outcome	Assessments
Excluded from further analysis under the Guidelines	105	Not significant/limited further analysis required	110
Not excluded, but not significant (no further analysis required)	30	Significant (RIS required)/further analysis requested	8
Not excluded, further analysis required by department	5	Consultation or Decision RIS assessed	8
Total	140*	Total	126

*This does not include the 160 exclusions that were self-assessed by agencies during this period.

Red tape reduction

In November 2016, the Treasurer directed the Commission to provide advice in relation to recommendations from the Government’s Red Tape Reduction Advisory Council. This included providing advice to the government on:

- the development of a model of regulation that promotes self-audits and streamlined record-keeping and reporting to achieve regulatory objectives with a lower burden on small to medium enterprises
- a regulatory performance framework to monitor and provide an innovative approach to improving the performance of regulatory agencies
- targeted training programs to improve capabilities within regulatory agencies.

The Commission provided its advice to the Treasurer on 28 February 2017.



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.

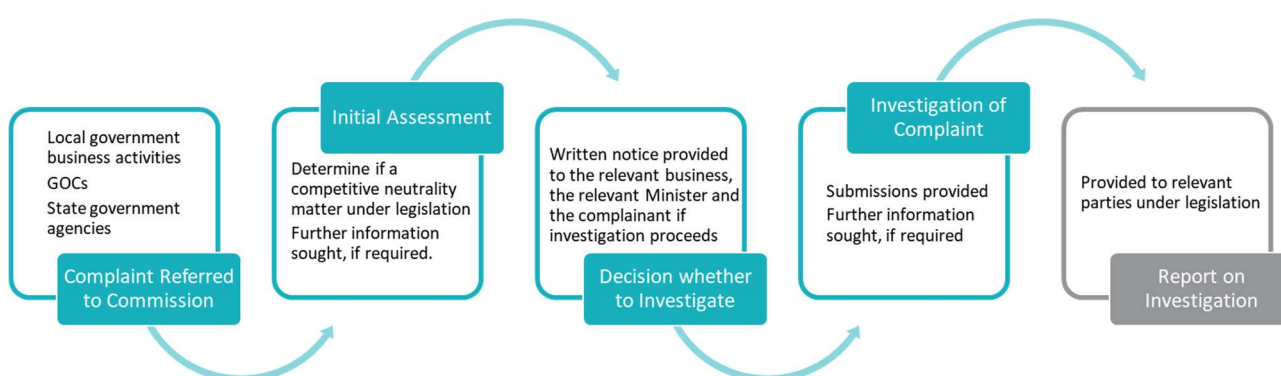
Competitive neutrality requires that a public sector business, or agency, should not have a competitive advantage (or disadvantage) over private sector operators solely due to its government ownership.

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’s approach (Figure 4) to implementing competitive neutrality, receiving complaints, undertaking investigations and providing recommendations is set out in the *Competitive Neutrality and Queensland Government Business Activities guidelines*,² and other relevant legislation.³

Figure 4 Competitive neutrality process



² Published by the Queensland Government and dated July 1996.

³ Includes the QPC Act, the *QPC Regulation 2015*, the *Local Government Act 2009* and the *Local Government Regulation 2012*.

In 2016–17, four competitive neutrality investigation reports were completed.

- The CITEC Confirm investigation related to the significant business activity of a government agency under the QPC Act
- There were investigations into the building certifying activities of three local governments under the *Local Government Act 2009* and *Local Government Regulation 2012*.

Over 2016–17, four new complaints were received by the Commission. One investigation commenced, two required no further action and a further complaint was in the initial assessment stage as at 30 June 2017.

Publications

Release date	Title
2016	
9 November	Manufacturing in Queensland, Issues paper
30 November	Electricity pricing, Final report
19 December	Solar feed-in pricing in Queensland, Final report
22 December	Research report on Productivity — Concepts, Measurement and Performance
2017	
30 March	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Consultation paper
30 March	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Snapshot
12 April	CITEC Confirm, Competitive neutrality investigation report

Reports submitted to government*

Date submitted	Title
2017	
27 February	CITEC Confirm, Competitive neutrality investigation report
28 February	Red Tape Reduction Advisory Council Recommendations, Regulatory Advice
30 June	Cairns Regional Council, Competitive neutrality investigation report
30 June	Tablelands Regional Council, Competitive neutrality investigation report
30 June	Mareeba Shire Council, Competitive neutrality investigation report

* Include both State and Local governments.

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.

Mr Kim Wood was appointed as the first Principal Commissioner in October 2015. Professor Bronwyn Fredericks was appointed as a part-time Commissioner for the period 15 December 2016 to 14 December 2017.

The Board is accountable for the management and performance of the Commission in accordance with the QPC Act, as well as any other applicable legislation including the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*. Section 15 of the QPC Act states the Board's functions are to (a) manage the Commission and (b) ensure the Commission performs its functions with independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness.

The Principal Commissioner provides strategic direction and leadership across all of the Commission's key functions and activities. This includes an:

- approval role—ensuring the Commission's work is evidence-based and makes a positive contribution to the long-term interests of the Queensland community
- consultative role—leading the Commission's public inquiries and actively engaging with stakeholders regarding productivity and regulatory matters
- performance management role—reviewing Board and organisational performance to drive continuous improvement.

Section 44 of the QPC Act states that, subject to the approval of the Principal Commissioner, the Commission may conduct meetings of the Board in the way it considers appropriate. However, minutes of all Board meetings must be kept. During 2016–17, 12 Board meetings were held (Table 5).

Table 5 Board meetings, 2016–17

	Scheduled	Special	Out-of-session	Total
Board meetings	11	0	1	12

The Executive Director is responsible for the day-to-day conduct and management of the Commission. The Executive Director administers the Commission in line with 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.

Dr Sonj Hall was the Executive Director between July 2016 and January 2017. Ms Karen Whitham was appointed in February 2017.

The Commission has developed policies and procedures to ensure Commissioners and employees carry out their duties by using best practice and in accordance with statutory requirements and core public sector values.

The focus in 2016–17 has been on maturing the corporate governance of the Commission to ensure that an appropriate and effective control environment that is fit for purpose is in place. This has included the appointment of a Chief Financial Officer and the restructure of the corporate team to increase the effectiveness of the Commission's internal finance and governance controls. Other key initiatives have included:

- review and update of key governance artefacts to ensure they are fit for purpose and based on best practice relevant to the size and complexity of the business (human resources manual, finance manual, purchasing and procurement manual, delegations manual and policies and artefacts related to conflicts of interest and risk)

- 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
- preparation of the 2016–17 Operational Plan and ICT strategy to support a well-functioning organisation
- refresh of the Commission's website to improve its functionality, reliability and security, including changing the hosting arrangements
- a new brand identity and artefacts (website, publication style and word templates) to create a fresh, coherent and unified look and feel for all corporate communication
- replacement of ICT hardware to support increased mobility, functionality and system security.

Risk management and accountability

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

As the Commission is a small organisation, it does not have a formal audit committee, risk management committee or an internal audit function to manage its strategic and operational risks. Instead, the senior management group considers areas of potential risk exposure, assesses them in terms of severity and probability, and ensures arrangements in place to mitigate key risks. The Executive Director reports annually in July to the Board regarding the status of risk management policies and issues.

Over 2016–17, the Commission's risk management policy was reviewed and updated, and new artefacts covering risk policy, risk appetite statement, risk guidelines, and a draft risk register were developed.

Financial performance

In 2016–17, the Commission's income was \$4.0 million (largely from government funding) and total expenditure was \$4.0 million (including \$0.4 million of costs associated with consultants). The surplus for 2016–17 was \$32,000. As illustrated in Figure 5, wages and salaries were the largest component of the Commission's costs (72 per cent), followed by rent and corporate services.

The majority of expenditure on consultants (Figure 6) related to corporate services charges, as these are contracted out to the Corporate Administration Agency (finance, payroll, human resources and ICT).

Expenditure, including performance against budget, is reported monthly to the Board.

Figure 5 2016–17 Expenditure categories

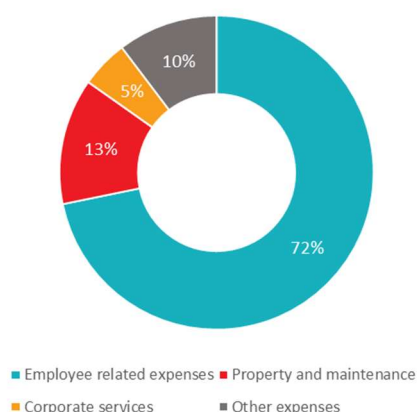
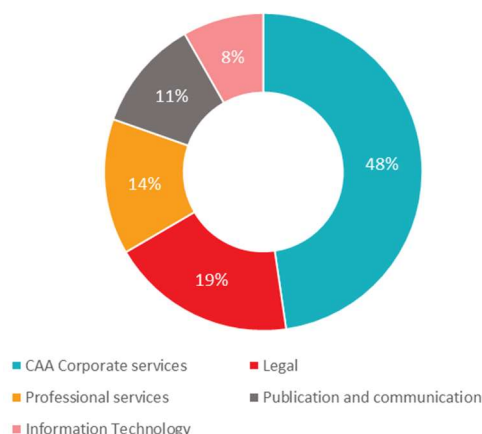


Figure 6 2016–17 Expenditure on consultants



Our employees

Workforce profile

As at 30 June 2017, the Commission had 22 staff (20 FTE). This comprised two Commissioners (1.4 FTE) and 18.6 FTE with specialist expertise in economic analysis, accounting, regulatory analysis, and competitive neutrality policy.

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. The Commission has had interchanges with Queensland Treasury and the Department of the Premier and Cabinet.

As at 30 June 2017, three staff were on secondment to the Commission from other Queensland Government agencies, and one was seconded to another agency.

Workforce planning and performance

The Commission is keen to attract and retain capable and committed employees to provide the capacity 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 and covers policies relating to workplace bullying prevention, sexual harassment, and domestic violence.

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 (up to an additional four weeks of leave per year). 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).

Over 2016–17, training opportunities utilised by staff included awareness of Indigenous culture, writing skills, and professional development to support improved communication and team work.

Early retirement, redundancy and retrenchment

During the period, no early retirement, redundancy and retrenchment packages were paid.

Financial Statements



Queensland Productivity Commission Financial Statements

for the year ended 30 June 2017

Queensland Productivity Commission Financial Statements 2016-17

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Queensland Productivity Commission

Statement of Comprehensive Income for the year ended 30 June 2017

		2017	2016
			Dec - Jun
	Notes	\$'000	\$'000
Income from Continuing Operations			
Funding and other contributions	3.	4,030	3,086
Interest		17	7
Total Income from Continuing Operations		4,047	3,093
Expenses from Continuing Operations			
Employee expenses	4.	2,882	1,951
Supplies and services	6.	1,101	888
Other expenses	7.	32	-
Total Expenses from Continuing Operations		4,015	2,839
Operating Result from Continuing Operations		32	254
Total Comprehensive Income		32	254

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 2017

	Notes	2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents	8.	627	317
Receivables	9.	53	310
Prepayments		20	-
Total Current Assets		700	627
Total Assets		700	627
Current Liabilities			
Payables and accruals	10.	202	126
Accrued employee benefits	11.	180	240
Total Current Liabilities		382	366
Non Current Liabilities			
Provisions	12.	25	-
Total Non Current Liabilities		25	-
Total Liabilities		407	366
Net Assets		293	261
Equity			
Contributed equity		7	7
Accumulated surplus		286	254
Total Equity		293	261

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 2017

	2017 \$'000	2016 \$'000
Contributed Equity		
Balance as at 1 July	7	-
<i>Transactions with Owners as Owners</i>		
Net Assets Transferred via Machinery of Government changes	-	7
Balance as at 30 June	7	7
Accumulated Surplus		
Balance as at 1 July	254	-
Total comprehensive income for the period	32	254
Balance as at 30 June	286	254
Total Equity as at 30 June	293	261

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 2017

	2017	2016
		Dec - Jun
	\$'000	\$'000
Cash flows from operating activities		
<i>Inflows:</i>		
Funding and other contributions	4,030	2,825
Goods and Services Tax collected from customers	-	11
Goods and Services Tax input tax credits from Australian Tax Office	118	107
Interest Received	17	7
Net Transfer Machinery of Government	175	-
Total inflows from operating activities	4,340	2,950
<i>Outflows:</i>		
Employee expenses	(2,874)	(1,666)
Supplies and services	(1,043)	(827)
Goods and Services Tax paid to suppliers	(113)	(136)
Goods and Services Tax remitted to ATO	-	(11)
Total outflows from operating activities	(4,030)	(2,640)
Net cash inflow/(outflow) from operating activities	310	310
Net Increase in cash and cash equivalents held	310	310
Cash and cash equivalents at beginning of the period	317	-
Net Asset Transfer (via Machinery of Government)	-	7
Cash and cash equivalents at end of the period	627	317

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

Queensland Productivity Commission

Statement of Cash Flows - continued for the year ended 30 June 2017

Notes to the Statement of Cash Flow

	2017	2016
		Dec - Jun
	\$'000	\$'000
Reconciliation of Operating Result to Net Cash from Operating Activities		
Operating surplus for the period	32	254
Changes in assets and liabilities:		
(Increase)/decrease in receivables	252	(281)
(Increase)/decrease in GST receivable	5	(29)
(Increase)/decrease in prepayments	(20)	-
Increase/(decrease) in payables	76	126
Increase/(decrease) in accrued employee benefits	(60)	240
Increase/(decrease) in make good provision	25	-
Net cash inflow/(outflow) from operating activities	310	310

Queensland Productivity Commission

NOTE INDEX

for the year ended 30 June 2017

Section 1: About the Commission and this Financial Report

Note 1: Basis of Financial Statement Preparation

Note 2: Objectives of the Commission

Section 2: Notes about our Financial Performance

Note 3: Funding and Other Contributions

Note 4: Employee Expenses

Note 5: Key Management Personnel (KMP) Disclosures

Note 6: Supplies and Services

Note 7: Other Expenses

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Note 12: Provisions

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Note 19: Commitments

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Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

1. Basis of Financial Statement Preparation

General Information

This financial report covers the Queensland Productivity Commission (the Commission). It has no controlled entities.

The Commission is an independent statutory body established under the *Queensland Productivity Commission Act 2015*.

The Commission is controlled by the state of Queensland which is the ultimate parent.

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

Level 27, 145 Ann Street
Brisbane QLD 4000

A description of the nature of the Commission's operation and its principal activities are included in Note 2.

Statement of Compliance

The 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 2016, 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.

New accounting standards early adopted and /or applied for the first time in these financial statements are outlined in Note 15.

Presentation

Currency and Rounding

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

Comparatives

Comparative information reflects the audited 2015-16 financial statements. Comparative information is for the period 1 December 2015 to 30 June 2016. Care should therefore be taken in comparing data for 2015-16, which comprises only 7 months of operation, with data for 2016-17 which is for a full year.

The Commission presents reclassified comparative information, where required, for consistency with the current year's presentation.

Current / Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Commission does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

1. Basis of Financial Statement Preparation (cont)

Basis of Measurement

The historical cost convention is used unless otherwise stated.

Historical Cost

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

Implementation of the Shared Services Initiative

The Corporate Administration Agency (CAA) provides the Commission with corporate services under the "Shared Services Provider" model. The fees and terms of the services are agreed through a Service Level Agreement, negotiated annually and include:

- Financial services, including preparation of financial statements
- Human resources recruitment and payroll
- Information systems and support

Authorisation of Financial Statements for Issue

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

2. Objectives of the Commission

The Commission's role is to provide independent economic and policy advice to the State 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.

3. Funding and Other Contributions

Government Grants

Total

2017	2016
	Dec - Jun
\$'000	\$'000

4,030	3,086
-------	-------

4,030	3,086
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Accounting Policy - Government Grants and Contributions

Grants and contributions 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.

Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

3. Funding and Other Contributions (cont)

Accounting Policy - Grants and Contributions (cont)

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

	2017 \$'000	2016 Dec - Jun \$'000
4. Employee Expenses		
<i>Employee Benefits</i>		
Wages, salaries and allowances	2,063	1,496
Employer superannuation contributions	265	164
Annual leave levy	199	135
Long service leave levy	52	43
Secondment from other Government Agencies	120	36
<i>Employee Related Expenses</i>		
Workers' compensation premium	2	21
Payroll tax	127	51
Other employee related expenses	54	5
Total	2,882	1,951

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:

	2017	2016
Number of employees:	20	12.8

Accounting Policy - Employee Benefits

Employee Benefits

Employer superannuation contributions, annual leave and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Accounting Policy - 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.

4. Employee Expenses (cont)

Accounting Policy - 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.

Accounting Policy - 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.

Accounting Policy - Superannuation

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

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates 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.

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

Accounting Policy - Staff retention Scheme (SRS)

Four (4) eligible staff have 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 11 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.

4. Employee Expenses (cont)

Accounting Policy - Workers' Compensation Premiums

The Commission pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

5. Key Management Personnel (KMP) Disclosures

(a) *Details of Key Management Personnel*

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 2016-17. 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 <i>Queensland Productivity Commission Act 2015</i> (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.

(b) *Remuneration Expenses*

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) together with fringe benefit tax applicable to the benefit.
- **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.

Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

5. Key Executive Management Personnel and Remuneration Expenses

(b) Remuneration Expenses (cont)

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.

1 July 2016 – 30 June 2017

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Principal Commissioner	382	-	8	43	-	433
Commissioner (note 1)	51	-	1	4	-	56
Executive Director	175	-	4	18	-	197
Total Remuneration	608	-	13	65	-	686

1 December 2015 – 30 June 2016 (7 months of operation)

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Principal Commissioner	186	-	4	20	-	210
Executive Director (note 2)	152	-	4	14	-	170
Total Remuneration	338	-	8	34	-	380

Note 1

The position of part-time Commissioner was filled as of December 2016, for a period of 12 months to December 2017. The terms of employment has been established by the Governor in Council, in accordance with Section 19 of the QPC Act.

Note 2

The prior year disclosure of the Executive Director's remuneration has been adjusted to reflect the accurate amount, excluding carried forward leave balances.

(c) Performance Payments

No performance payments were made to the Key Management of the Commission.

(d) Related Party Transactions

Transactions with people/entities related to KMP

The Commission did not enter into any transactions with people, or entities, related to Key Management Personnel during the financial year ended 30 June 2017.

Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

	2017	2016
	\$'000	Dec - Jun \$'000
6. Supplies and Services		
Corporate services	197	167
Professional fees	180	331
Travel	58	24
Property and maintenance	522	326
Computer and other minor equipment	91	-
Communication and Media	29	20
Insurance	4	2
Software and Computer Maintenance	11	-
Other	9	18
Total	1,101	888

7. Other Expenses		
External audit fees	32	-
Total	32	-

Total audit fees quoted by the Queensland Audit Office (QAO) relating to the 2016-17 financial statements are \$16,000 (2015-16 \$16,000). Audit fees for 2016 was incurred during the current financial year. No non-audit services were provided by the QAO during the reporting period.

	2017	2016
	\$'000	\$'000
8. Cash and Cash Equivalents		
Cash at bank	627	317
Total	627	317

Accounting Policy - 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.

9. Receivables		
Accounts receivable	-	86
Sundry receivable	-	12
Accounts Receivable Net Transfer Inc Machinery of Government	-	175
Total third party receivables	-	273
Net GST receivable	24	29
Annual leave reimbursements	29	8
Total	53	310

9. Receivables (cont)

Accounting Policy - Receivables

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

Other debtors generally arise from transactions outside the usual operating activities of the Commission and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

Disclosure - Credit Risk Exposure of Receivables

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. Receivables fall into one of the following categories when assessing collectability:

- within terms and expected to be fully collectible
- within terms but impaired
- past due date but not impaired
- past due date and impaired

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note 13.

10. Payables and Accruals

	2017 \$'000	2016 \$'000
Trade creditors	87	65
Corporate card payable	18	10
Payroll Tax Payable	17	51
Accrued Supplies and Services	80	-
Total	202	126

Accounting Policy - Payables

Trade creditors are recognised upon receipt of goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

11. Accrued Employee Benefits

Current

Salary and wage related	87	195
Annual leave levy payable	70	30
Long service leave levy payable	15	12
Superannuation	8	3
Total	180	240

Salary and wage related accruals

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.

Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
12. Provisions		
Make Good Provision	25	-
Total	25	-

Make Good Provision

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.

13. Financial Risk Disclosures

Financial Instrument Categories

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

Category	note		
Financial Assets			
Cash and cash equivalents	8.	627	317
Receivables	9.	53	310
Total		680	627
Financial Liabilities			
Financial liabilities measured at amortised costs:			
Payables	10.	202	126
Total		202	126

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

Financial Risk Management

Risk Exposure

The Commission's activities expose it to financial risk as set out in the following table:

Risk Exposure	Definition	Exposure
Credit Risk	Credit risk exposure refers to the situation where the Commission may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	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.

13. Financial Risk Disclosures (cont)

Financial Risk Management (cont)

The Commission measures risk exposure using the following method:

Risk Exposure	Measurement Method	Risk Management Strategies
Credit Risk	Ageing analysis, earnings at risk	No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

Credit Risk Exposure

Ageing of past due but not impaired financial assets are disclosed in the following tables:

2017 Financial Assets Past Due But Not Impaired

	Note	Less than 30 days \$'000	30 - 60 Days \$'000	61 - 90 Days \$'000	More than 90 Days \$'000	Total \$'000
Accounts receivable		-	-	-	-	-
		-	-	-	-	-

2016 Financial Assets Past Due But Not Impaired

	Note	Less than 30 days \$'000	30 - 60 Days \$'000	61 - 90 Days \$'000	More than 90 Days \$'000	Total \$'000
Accounts receivable		-	68	18	-	86
		-	68	18	-	86

Interest Rate Sensitivity Analysis

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.

Fair Value

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

Queensland Productivity Commission

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

13. Financial Risk Disclosures (cont)

Recognition

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.

Classification

Financial instruments are classified and measured as follows:

- Receivables - held at amortised cost
- Payables - held at amortised cost

14. Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

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

These standards will first apply to the Commission from its financial statements for 2019-20.

The Commission has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

- grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The Commission receives an annual grant for which there are no sufficiently specific performance obligations, so this grant will continue to be recognised as revenue upon receipt. The Commission receives no other grants or funding.
- a range of new disclosures will also be required by the new standards in respect of the Commission's revenue.

AASB 16 Leases

This Standard will first apply to the Commission from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 Leases, AASB interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases - Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Impact for Lessees

Unlike AASB 117 Leases, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

14. Future Impact of Accounting Standards Not Yet Effective (cont)

AASB 16 Leases (cont)

Impact for Lessees (cont)

The standard will affect primarily the accounting for the Commission's operating leases. As at the reporting date, the Commission has non- cancellable operating lease commitments of \$1,131,790, see Note 19. However the Commission has not yet determined to what extent these commitments will result in the recognition of an asset. The Commission does not intend to early adopt the standard before its effective date.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the Commission's activities, or have no material impact on the Commission.

15 First year Application of New Accounting Standards or Change in Accounting Policy

Changes in Accounting Policy

The Commission did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2016-17.

The only Australian Accounting Standard that became effective for the first time in 2016-17, and materially impacted on this financial report, is AASB 124 *Related Party Disclosures*. This standard requires note disclosures about key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement line items. As Queensland Treasury already required disclosure of KMP remuneration expenses, there was minimal impact for the Commission's disclosures compared to 2015-16. Material related party transactions are disclosed in the Notes where applicable. No comparative information is required in respect of 2015-16.

16. Taxation

The Queensland Productivity 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 (refer to Note 9).

17. Accounting Estimates and Judgements

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

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Staff retention scheme - Accrued Employee Benefits - Note 11

18. Contingent Liabilities

The Commission had contingent liabilities at 30 June 2017 in respect of the Staff Retention Scheme as detailed in Note 4 Employee Expenses. The Commission accrues for SRS payments once it becomes probable that performance hurdle in relation to eligible service will be met and that the SRS will be due and payable. As a result, the Commission has a contingent liability in relation to those payments which are not yet considered to be probable. The potential additional SRS payments are estimated to be approximately \$38,000.

19. Commitments

	2017 \$'000	2016 \$'000
Non - Cancellable Operating Lease commitments		
Not later than 1 year	489,063	115,371
Later than 1 year but not later than 5 years	642,727	-
Later than 5 years	-	-
	<u>1,131,790</u>	<u>115,371</u>

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

20. 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.

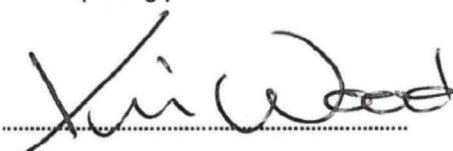
The Corporate Administration Agency (CAA) provided the Commission with corporate services under the "Shared Services Provider" model, at a cost of \$197,000 as detailed in Note 6.

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 \$522,000 as detailed in Note 6.

**Queensland Productivity Commission
Management certificate
for the year ended 30 June 2017**

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 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 2017 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

Date: 23 AUG 2017



Karen Whitham
Executive Director

Date: 23/8/17

INDEPENDENT AUDITOR'S REPORT

To the Board of the Queensland Productivity Commission

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Queensland Productivity Commission. The financial report comprises the statement of financial position as at 30 June 2017, 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.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2017, 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.

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 2017, 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 Board.
- 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 2000, for the year ended 30 June 2017:

- 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.



P Christenson FCPA
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

Glossary

ARRs	Annual report requirements for Queensland Government agencies
Commission	Queensland Productivity Commission
FAA	<i>Financial Accountability Act 2009</i>
FPMS	<i>Financial and Performance Management Standard 2009</i>
GOCs	Government Owned Corporations
Guidelines	Queensland Government Guide to Better Regulation
ISSN	International Standard Serial Number
OBPR	Office of Best Practice Regulation
PIA	Preliminary Impact Assessment
QPC Act	<i>Queensland Productivity Commission Act 2015</i>
RIA	Regulatory Impact Assessment
RIS	Regulatory Impact Statement

Appendix A: Letter of compliance



File Ref: 17/2231

31 August 2017

The Hon Curtis Pitt MP
Treasurer
Minister for Trade and Investment
GPO Box 611
BRISBANE QLD 4000

Dear Treasurer

I am pleased to submit for presentation to the Parliament the Queensland Productivity Commission Annual Report 2016-17 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 at page 44 of this annual report.

Yours sincerely



Kim Wood
Principal Commissioner

Encl.

2016-17 Annual Report

Appendix B: 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	41
Accessibility	Table of contents	ARRs – section 9.1	iii
	Glossary		40
	Public availability	ARRs – section 9.2	Inside cover 44
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	44
	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	1–2, 6–12
	Operating environment	ARRs – section 10.3	2
Non-financial performance	Government’s objectives for the community	ARRs – section 11.1	1–2, 6–12
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	1–2, 6–12
	Agency objectives and performance indicators	ARRs – section 11.3	1, 4–5
	Agency service areas and service standards	ARRs – section 11.4	5–15
Financial performance	Summary of financial performance	ARRs – section 12.1	16
Governance – management and structure	Organisational structure	ARRs – section 13.1	3–4
	Executive management	ARRs – section 13.2	3–4
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	44
	Public Sector Ethics Act 1994	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	13–15
	Queensland public service values	ARRs – section 13.5	13–15

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 14.1	14
	Audit committee	ARRs – section 14.2	14
	Internal audit	ARRs – section 14.3	14
	External scrutiny	ARRs – section 14.4	N/A
	Information systems and recordkeeping	ARRs – section 14.5	13–14
Governance – human resources	Workforce planning and performance	ARRs – section 15.1	15
	Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> Directive No.16/16 <i>Early Retirement, Redundancy and Retrenchment</i> (from 20 May 2016) ARRs – section 15.2	15
Open Data	Statement advising publication of information	ARRs – section 16	44
	Consultancies	ARRs – section 33.1	44
	Overseas travel	ARRs – section 33.2	N/A
	Queensland Language Services Policy	ARRs – section 33.3	N/A
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	37
	Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	38–39

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 online and in PDF format on our website: <http://www.qpc.qld.gov.au/about-the-commission>.

Open data

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

Consultancies 2016–17

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

