



**QUEENSLAND RACING
INTEGRITY COMMISSION**

Engagement | Education | Enforcement

Annual Report

2019–2020

Contents

Letter of compliance/Certification of financial statements.....	3
Commissioner’s report.....	4
About the Queensland Racing Integrity Commission.....	6
Our organisation.....	9
Our people.....	12
Risk management and accountability.....	14
Non-financial performance.....	16
Financial summary.....	22
Chief Finance Officer (CFO) Statement.....	26
Financial statements	27
Appendices	
1. Management Certificate for the Queensland Racing Integrity Commission.....	66
2. Independent Auditor’s Report.....	67
3. Glossary.....	70
4. Compliance checklist.....	72

This annual report provides information about the Queensland Racing Integrity Commission’s financial and non-financial performance for 2019-20. It has been prepared in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and the annual report requirements for Queensland Government agencies.

Enquiries and further information

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This annual report can be obtained in paper form by contacting the Queensland Racing Integrity Commission using the details above.

Feedback

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Information security

This document has been classified using the Queensland Government Information Security Classification Framework (QGISCF) as PUBLIC and will be managed according to the requirements of the QGISCF. See www.qgcio.qld.gov.au

Letter of compliance/ Certification of financial statements

14 September 2020

The Honourable Stirling Hinchliffe MP
Minister for Local Government
Minister for Racing and
Minister for Multicultural Affairs
PO Box 15009
CITY EAST Qld 4002

Dear Minister,

I am pleased to submit, for presentation to Parliament, the Annual Report 2019-20 and Financial Statements for the Queensland Racing Integrity Commission.

I certify that this Annual Report complies with:

- The prescribed requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019*, and the *Racing Integrity Act 2016*.
- The detailed requirements set out in the Annual Report Requirements for Queensland Government agencies for the 2019-20 reporting period.

See pages 72–73 for a checklist outlining the annual reporting requirements.

Yours sincerely,



Mr Ross Barnett APM
Racing Integrity Commissioner
Queensland Racing Integrity Commission

Commissioner's report

It is with pleasure that I present the fourth annual report of the Queensland Racing Integrity Commission.

The latter part of this financial year was significantly impacted by the COVID-19 pandemic, and I would like to acknowledge the engagement and dedication shown by all of our staff in responding to the significant operational and administrative challenges that have arisen. Racing was one of very few sports to continue operations and this was possible only through close co-operation by Commission staff across Queensland with Racing Queensland, industry representative groups, and all racing clubs. The careful management of the zonal racing system and measured enforcement of government hygiene and crowd directives ensured there was no transmissions of the virus among industry participants or Commission staff and no forced abandonments of scheduled meetings.

Revelations in the ABC's 7.30 Report about the disposal of ex-racehorses at the Meramist Abattoir and the subsequent independent Inquiry into animal cruelty in the management of retired Thoroughbred and Standardbred horses in Queensland (the Martin Inquiry) focused attention on the traceability of retired racing horses and a lack of diligence by owners in meeting their reporting obligations when retiring horses under the Rules of Racing. Although retired racing animals are outside our legislated remit, recommendations in the Martin Inquiry tasks the Commission with a greater future role in educating owners about their responsibilities to properly retire their animals, and auditing and enforcing rule compliance. The Commission will also assist Racing Queensland with the governance of a new Off-the-Track equine rehoming program to operate across Queensland. This initiative will complement the Commission's Racing Animal Welfare Grants program, which was introduced to fund eligible organisations that deliver projects focused on the retirement, retraining and rehoming of racing animals.

The accelerated conversion by Racing Queensland of non-TAB country meetings to TAB meetings in 2019-20 resulted in staffing and budgetary pressures on the Commission. This strategy has shifted expenditure outlays such as veterinary services from clubs to the Commission which, combined with a required commitment of additional Stewards, contributes to an overall cost increase to the Commission of 35 per cent per meeting. To manage this transition, and support other expansions of the racing calendar across Queensland since we commenced, the Commission has employed additional Stewards, Veterinarians, and Integrity Investigative Stewards

as well as increasing sample collection and analysis by over 2,500 samples annually. Our ability to continue to sustain these increased costs within our existing budget will be tested with an additional 52 new greyhound meetings scheduled in Townsville and a further 26 at Capalaba in 2020-21.

The year in review saw the implementation of a restructured Racing Science Centre (RSC), following an external review of structure, governance, operations, and staffing. The restructure resulted in the appointment of Dr Shawn Stanley, formerly head of the Singapore Racing Laboratory, as the new Director of Analytical Services. Dr Stanley has already implemented new testing procedures which will enhance the breadth and volume of testing conducted at the RSC and complements the Queensland Government's commitment to fund the purchasing of new equipment to extend current capabilities. The past year saw the Commission record a record number of positive test results for prohibited substances across the three codes of racing. While disappointed that participants continue to break the rules, it is reassuring that the Commission's sampling strategies, testing volumes and upgraded laboratory testing equipment are detecting those attempting to cheat.

A significant milestone was achieved with the completion of the Queensland Greyhound Racing Industry Commission of Inquiry (the MacSporran Report) recommendations for which the Commission was responsible. This work commenced in 2016 and has been steadily progressing through our investment in the RandLE system, an on-line licensing and registration portal. Completing the required functionality in the system will allow birth-to-retirement tracking of greyhounds and the recording of information required to satisfy the MacSporran Report recommendations. This system provides transparency and accountability for breeders, trainers, and owners to ensure that wastage does not re-emerge as an issue in the greyhound industry.

The Government committed to a review of the *Racing Integrity Act 2016* when the Commission was established, and public consultation associated with the review occurred following an industry round-table which canvassed areas of interest to the racing industry. Written submissions received were being considered by Government at the time of reporting.

In conclusion, I wish to again thank the CEO and staff of Racing Queensland for their cooperation on several matters during the year, particularly during the heaviest restrictions of the pandemic. I am certain that racing activity would have faltered at some point without the focus and commitment of both organisations to work with all sections of the industry.

I commend this report as a reflection of the dedication and commitment of all Commission staff across Queensland. Under especially difficult circumstances this year, they have ensured that racing and racing animal welfare matters have been managed as safely and fairly as our resources permit.

Mr Ross Barnett APM
Racing Integrity Commissioner
Queensland Racing Integrity Commission

About the Queensland Racing Integrity Commission

The Queensland Racing Integrity Commission (the Commission) is an independent statutory body which oversees the integrity and welfare standards of racing animals and participants in Queensland.

The Commission was established by the *Racing Integrity Act 2016* (the Racing Integrity Act) and began operation on 1 July 2016.

The Commission is a unit of public administration under the *Crime and Corruption Act 2001* and accountable to the Queensland Government under the *Financial Accountability Act 2009*.

The Commission works in partnership with the Queensland racing industry to monitor racing activities, uphold the Rules of Racing, and make sure that everyone has the opportunity to compete on an even playing field.

We provide animal welfare, sample testing, licensing and registration, race day stewarding and compliance and enforcement services to the industry.

The main purposes of the Racing Integrity Act are:

- to maintain public confidence in the racing of animals in Queensland for which betting is lawful
- to ensure the integrity of all persons involved with racing or betting under the Racing Integrity Act or the *Racing Act 2002* (the Racing Act)
- to safeguard the welfare of all animals involved in racing under the Racing Integrity Act or the Racing Act.

The Commission maintained responsibility for coordinating the implementation of a number of longer-term recommendations arising from the MacSporran Report (<https://www.parliament.qld.gov.au/documents/tableoffice/taledpapers/2015/5515t488.pdf>).

Additionally, the Commission is progressing implementation of a number of recommendations which arose from the Martin Inquiry (https://www.publications.qld.gov.au/dataset/58ac2d90-c87b-42ab-b91c-413050cdd33d/resource/be9739b1-d952-4b73-81af-92cbcf414c7f/fs_download/independent-inquiry-into-equine-welfare-final.pdf).

The Commission's principal place of business is conducted from three main locations: Brisbane CBD for corporate services, Albion Office for operational services and the Hamilton Racing Science Centre for sampling and analytical services.

A number of regionally based staff provide stewarding and Greyhound Adoption Program (GAP) services from other locations across Queensland.

Our stakeholders

- all members of the Queensland Public
- Queensland racing industry participants
- Racing Queensland
- The Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs
- Partner agencies including the Royal Society for the Prevention of Cruelty to Animals (RSPCA), Biosecurity Queensland, the Queensland Police Service (QPS), the Australian Border Force and other law enforcement agencies.

Our vision and strategic objectives

The Commission's vision is for an ethical and safe racing industry in Queensland.

We work with the racing industry and the community to fulfil this vision by:

- Safeguarding the welfare of animals involved in racing
- Ensuring industry integrity through the consistent and fair administration of the rules of racing
- Exercising best practice, skills and processes to detect, investigate and prosecute compliance and integrity breaches
- Maintaining public confidence in the integrity of Queensland's racing industry.

Our legislative and regulatory framework

The Racing Integrity Act is administered by the Department of Agriculture and Fisheries (DAF) and is the primary legislation governing the Commission's business.

The *Animal Care and Protection Act 2001* and the *Criminal Code Act 1899* contain a broad range of offences to protect racing and non-racing animals in Queensland, including offences for acts of animal cruelty and breaching a duty of care to an animal. The *Criminal Code Act 1899* also provides for the criminal offence of serious animal cruelty.

Under the Racing Integrity Act, the Commission is responsible for overseeing the integrity of race meetings, including matters preliminary to race meetings, and as such is responsible for enforcing elements of both the national and local Rules of Racing for all racing codes.

The Commission is able to make Standards for each code of racing under section 58 of the Racing Integrity Act. Standards made under the Racing Integrity Act are statutory instruments.

The Commission has made the following Standards:

- Standard for suitability of persons to apply or hold a Racing Bookmaker's licence under the Racing Integrity Act
- Standard for Licensing Scheme – Thoroughbreds
- Standard for Licensing Scheme – Greyhounds
- Standard for Licensing Scheme – Harness
- Powers under the Rules of Racing.

Our powers and specialist capabilities

Investigative and enforcement powers

The Commission has a range of investigative and enforcement powers that help us to deter, detect and respond to integrity and compliance breaches.

Authorised Officers, appointed under the Racing Integrity Act, have a range of powers including the power to enter premises, by consent or under warrant; conduct searches; seize evidence; and issue animal welfare directions.

Stewards have powers under the respective Rules of Racing to supervise matters at race meetings, including matters preliminary to race meetings, and apply corrective measures or penalty decisions to support compliance with the relevant Rules of Racing.

Where necessary, the Commission will undertake joint operations with the RSPCA or the QPS to ensure offences against animal welfare are investigated and, where appropriate, prosecuted. The Commission's partnership with the QPS Racing Crime Squad (QRCS) provides specialist, high-level investigative and intelligence capability tasked with investigating serious animal cruelty, major and organised crime across all three codes of racing.

Coercive powers

The Racing Integrity Commissioner (the Commissioner) holds the following coercive powers under the Racing Integrity Act:

- **Powers for audits and investigations**

The Commissioner may administer an oath or affirmation to a person appearing as a witness before the Commissioner and receive evidence on oath or affirmation or by statutory declaration.

- **Power to require attendance and giving of evidence**

If the Commissioner reasonably believes a person has information relevant to an audit or investigation, the Commissioner may, by notice given to the person, require the person to attend a hearing to answer questions relevant to the audit or investigation.

- **Power to require information, document or thing**

If the Commissioner reasonably believes a person has information or a document or thing relevant to an audit or investigation, the Commissioner may, by notice given to the person, require the person to provide the information in writing or produce the document or thing.

Ministerial directions

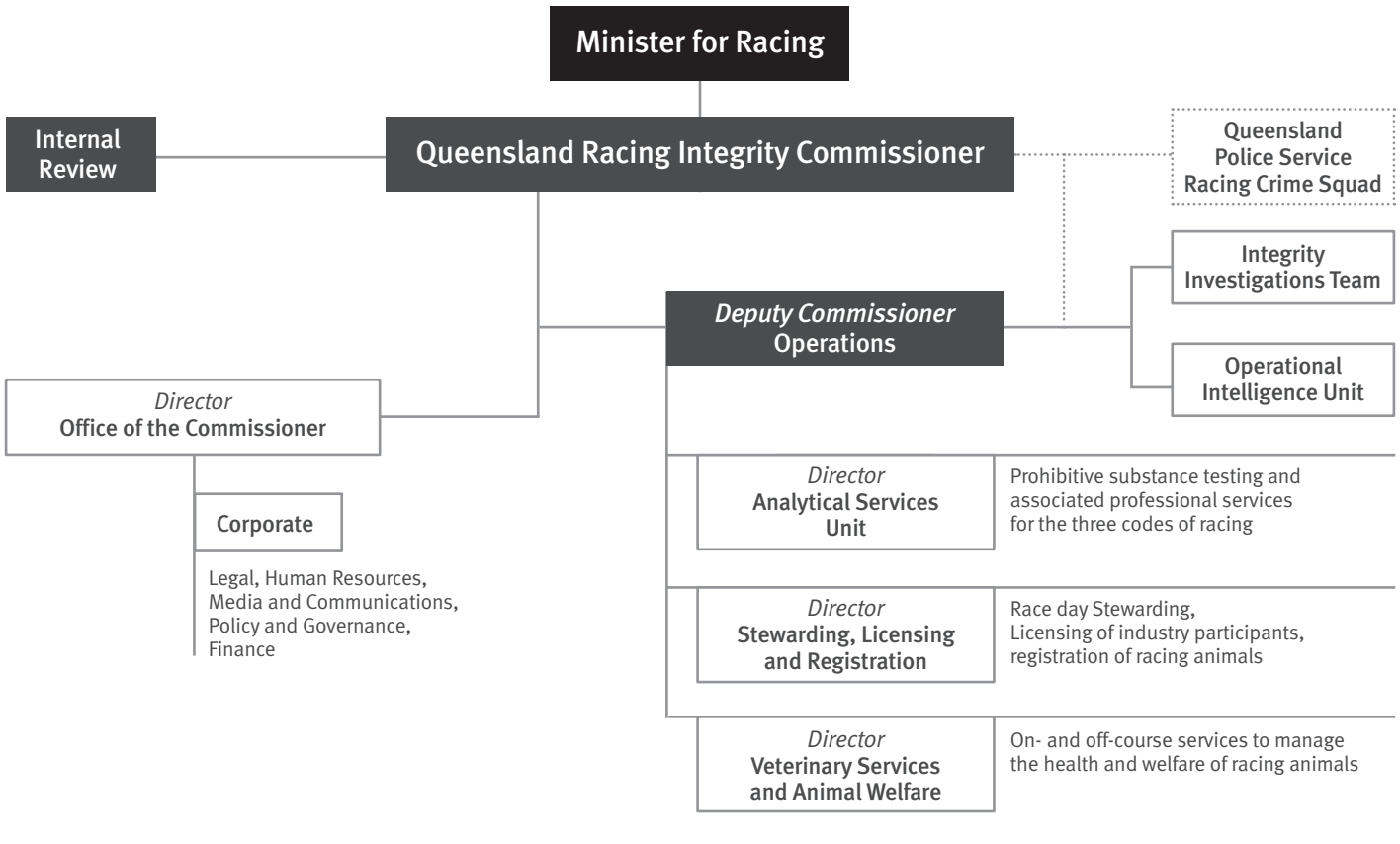
The Minister may give the Commission a written direction about the performance of its functions or the exercise of its powers if the Minister is satisfied it is in the best interests of the Queensland racing industry to give the direction.

Under section 13 of the Racing Integrity Act, the Commission must include in its annual report, prepared under the *Financial Accountability Act 2009*, section 63, details of any direction given by the Minister during the financial year to which the report relates.

In 2019-20, the Minister directed the Commission to prepare and submit Terms of Reference for the independent *Inquiry into animal cruelty in the management of retired Thoroughbred and Standardbred horses in Queensland* (the Martin Inquiry).

Our organisation

Organisational structure



Our leaders

Reporting directly to the Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs, the Commissioner sets the strategic direction for the Commission. The Commissioner is supported by an executive group comprising of the Deputy Commissioner Operations; Director, Office of the Commissioner; Director, Veterinary Services and Animal Welfare; Director, Stewarding, Licensing and Registration; and Director, Analytical Services Unit.

As at 30 June 2020, the Racing Integrity Commissioner and executive members were:

- Ross Barnett APM *Racing Integrity Commissioner*
- Mark Ainsworth APM *Deputy Commissioner Operations*
- Paul Brown PSM *Director, Office of the Commissioner*
- Dr Martin Lenz *Director, Veterinary Services and Animal Welfare*
- Ali Wade *Director, Stewarding, Licensing and Registration*
- Dr Shawn Stanley *Director, Analytical Services Unit.*

Our organisation *(continued)*

Management groups and committees

The Commissioner is supported in his role by six formal governance committees.

Executive Leadership Team

Comprised of the Commissioner, the Deputy Commissioner Operations and all Directors, the Executive Leadership Team (ELT) provides strategic direction and oversight and ensures that diverse views about strategic issues inform our decision-making and service delivery. The following five special purpose committees report to the ELT. During 2019-20, the Executive Leadership Team met five times.

Audit and Risk Committee

The Audit and Risk Committee's primary role is to provide expert independent advice on the financial, operational, compliance and performance aspects of the Commission's business, with specific regard to the risks identified and mitigation required. The Audit and Risk Committee met five times during the reporting year. For further information on the Audit and Risk Committee's membership and core business see *Risk Management and Accountability*.

Racing Animal Welfare Committee

The Racing Animal Welfare Committee acts as an independent advisory body that provides assistance to the Commissioner (reporting through the ELT) in safeguarding the welfare of animals involved in racing. It includes external representatives from Racing Queensland, the RSPCA and Biosecurity Queensland. The Committee met two times during the reporting year.

Integrity Committee

The Integrity Committee is an inter-jurisdictional group that assists the Commissioner to uphold the integrity of racing by overseeing the performance management of all major racing integrity issues where there is potential to impact on the racing industry's reputation. External representation includes the Victorian Racing Integrity Commissioner, Chief Executive Officer for the New South Wales Greyhound Welfare Integrity Commission, and the General Managers from the Tasmanian Office of Racing Integrity and the New Zealand Racing Integrity Unit. The Integrity Committee met once during 2019-20 but maintains contact and continues to share information and intelligence outside scheduled meetings.

Information Management Committee

The Information Management Committee assists in ensuring that the Commission meets its legislative and regulatory requirements with regards to the management of its information. The Information Management Committee oversees the development and management of the systems and processes by which the current and future use of Commission Information is directed and controlled. The Information Management Committee did not formally meet in 2019-20, however projects necessitating the expertise of the Committee were shared out-of-session with those specific Committee members where required.

Workplace Health and Safety Committee

The Workplace Health and Safety (WHS) Committee was established under section 75 of the *Work Health and Safety Act 2011*. It supports the implementation of effective WHS policies, practices and systems that comply with the relevant legislation, regulations, standards, and Commission policy. The Committee met four times during this reporting period. Membership includes staff representatives across the vocations employed by the Commission. As a result, the Committee has implemented a range of initiatives to increase WHS awareness and compliance across the organisation.

Public Sector Ethics Act 1994

The Commission expects the highest standards of ethical behaviour from its staff. Performance development agreements are utilised to review conduct and performance against the Commission's standards.

Mandatory annual training for all staff occurs in *The Code of Conduct for the Queensland Public Service*, workplace conduct, use of social media, work health and safety matters and domestic violence awareness training.

Positive Workplace Behaviours and Reasonable Management Action training continues to support all staff in embedding a healthy workplace culture.

All staff are required to declare any real or perceived conflict of interests in the racing industry and review such declarations annually or as required due to a change in circumstances.

Human Rights Act 2019

The Commission is committed to acting compatibly with the *Human Rights Act 2019* and will ensure complaints that allege actions or decisions of the Commission that have been inconsistent with the Act are appropriately considered and responded to in accordance with the Act. The Commission's Customer Complaints Management Policy and Procedure will be updated in 2020-21 to take account of this Act.

As part of a standing governance agenda item at the Commission's Executive Leadership Team meetings, human rights is considered and discussed in the context of service delivery, developing policies and procedures, designing projects, managing risks, making decisions, managing complaints and legislation amendments.

The Commission did not receive any human rights complaints in 2019-20.

Our values

We have developed our own workplace values to help define our culture and set clear expectations about how we treat each other and approach our work. They are:

- **Professionalism** – carrying our duties effectively, impartially and with confidentiality, including only the essential use of available authority
- **Fairness** – treating people with respect and making objective, evidence-based and consistent decisions
- **Accountability** – accepting responsibility for our actions and decisions
- **Transparency** – accepting scrutiny of our cost-effective use of public assets
- **Courage** – doing the right thing regardless of the circumstances and
- **Collaboration** – working with Racing Queensland, the Queensland Police Service Racing Crime Squad, all racing participants and the community for a better industry in Queensland.

These values are reflected in the Commission's Strategic Plan 2020–2024 and Workforce Development Plan.

Our people

Workforce profile

The Commission continues its track record of being service delivery focused, and achieves this through allocating 86 per cent of its total full-time equivalent (FTE) positions to performing frontline operational roles including stewarding and race-day operations, scientific testing and analysis, veterinary services and animal welfare, integrity services and licensing and registration.

As at 30 June 2020, the Commission had a total of 152 FTEs, which equates to a headcount of 233.

As at 30 June 2020, we employed 98 casual staff who are dedicated completely to frontline service provision. The majority of casual staff support the permanent workforce in race day stewarding across Queensland or provide integrity services such as sample collections from racing animals for laboratory testing against prohibited substances. The remaining casual staff support the staff and work of the GAP.

Our permanent separation rate (as a percentage of our total FTE) for the year was 7.3 per cent. The Commission's separations can be attributed to staff transferring to other Government entities and racing jurisdictions.

Figure 1. The breakdown of actual staff numbers (headcount) by employment type and gender.

Employment type	Gender	Head count
Temporary full-time	Male	3
	Female	8
Temporary part-time	Male	0
	Female	0
Permanent full-time	Male	63
	Female	51
Permanent part-time	Male	1
	Female	9
Casual	Male	57
	Female	41

Employee wellbeing

The Queensland Public Sector principles relating to flexible working arrangements and a healthy work-life balance underpin the practices of the Commission, and supporting our staff is our priority.

During the COVID-19 pandemic, the Commission continued to support the racing industry by optimising flexible and remote working arrangements for appropriate roles.

Flexible work arrangements have proved so successful for some teams that it has been introduced as an ongoing business model. As a result, the Commission has now committed to reducing its physical footprint. The corporate office located in the Brisbane CBD will close in October 2020 and relocate to one main office location at Albion.

Fatigue management remains a high priority for the Commission, given the requirements for staff to travel extensive distances to undertake racing, integrity and animal welfare functions across the State. Our Fatigue Management Policy continues to be reviewed and, where necessary, strengthened to support staff who are required to undertake extensive travel.

LifeWorks is the service provider contracted to provide the Employee Assistance Program to employees who can access counselling and support services via face-to-face, telephone and online.

All staff are made aware of the services they can access through LifeWorks via the intranet, posters and emails. The Commission is committed to an employee's well-being and continues to offer positive workplace behaviours training and support to managers and supervisors to actively promote a workplace culture that embodies the principles of integrity, equity and appropriateness.

Strategic workforce planning and performance

Prior to the COVID-19 pandemic, the Commission had engaged in a staged review of work units with a view to examining resource allocation against the Strategic Plan after three years of operation. As a first stage, a review of the Racing Science Centre was undertaken with actions implemented. As a result of this work the following organisational realignments and changes occurred:

- All veterinary staff were realigned into one work unit with a specific focus on race day veterinary work and animal welfare
- Redesignation of a position to Director, Analytical Services Unit; a specialist role for a qualified Chemist as the lead
- Realignment of roles and functions within the Analytical Services Unit of the Racing Science Centre to maximise workflow
- Introduction of new sampling and testing strategies
- Realignment of support staff to achieve maximum advantage across the whole Commission.

Following this, a review of operational areas commenced with a focus again on maximising limited resource availability and building the ongoing priority of an integrity culture. This work was interrupted to an extent by COVID-19, however, the following actions have occurred:

- A review of the Integrity Investigations Team has been completed with improved internal practices, planning and resource usage
- A review of the Veterinary Services and Animal Welfare team is progressing with identification of opportunities for enhanced practices.

Further work continues to support an ongoing agenda of continuous improvement in workforce culture and resource allocation with a view to achieving the best possible use of human resources against a racing and animal welfare program of high demand and a tight fiscal environment.

In response to COVID-19, the Commission rapidly implemented and activated a number of workforce strategies to continue to support the racing calendar as advised by Racing Queensland, whilst providing maximum safety for employees. The Commission:

- isolated essential race day and veterinary staff to work from home when not officiating at race events to minimise risk of infection
- implemented safety precautions and protocols to allow for ongoing attention to animal welfare matters
- implemented safety protocols for both staff and potential adoption families to facilitate a heightened demand for adoption of greyhounds through the Greyhound Adoption Program
- continued to provide ongoing testing of samples through the Analytical Services Unit based at the Racing Science Centre
- implemented remote working for all staff, where roles were suitable, utilising technology to maintain business needs
- utilised skills across the Commission to support areas of need
- contributed to the whole-of-sector Queensland Government COVID-19 through participation in the Employee Mobilisation Service
- developed and utilises a staged return to work “normal” plan in line with whole-of-sector arrangements
- developed COVID-19 safe risk assessments for all areas of the Commission incorporating social distancing, good hygiene practices and a strict “stay at home” if unwell policy.

The Commission continues to seek the best candidates in relevant employment fields of expertise and advertises longer-term and permanent roles on the Queensland Government Smart Jobs website and appropriate industry forums to attract potential candidates nationally, internationally, and internally for specialist technical roles.

The Commission commenced a formalised Steward cadet training program during 2019-20. The program provides a clear learning pathway aligned with work practices to provide foundational skills for new cadet staff in the stewarding vocation.

The development of new Stewards is supported by the performance development cycle. The performance development cycle is a requirement for all staff, which continues to develop as a regular workforce performance strategy. It is designed to promote continuous engagement between the staff member and their supervisor to discuss performance expectations and feedback. The process also provides the mechanism to engage employees and supervisors to reflect on their individual and work unit activities against the Commission’s Strategic Plan and implement strategies to continue to build skills and capabilities to support those strategic outcomes. For example, in the last 12 months the Commission has worked with Australian Institute of Management to implement a program of capability development for staff across a number of core skill areas such as project management, supervisory skills and individual time management.

The Commission remains committed to the highest standards of conduct and behaviour as an integrity organisation. The Commission has a phased approach to employee complaints and conduct issues. Where issues are of a minor nature, as classified against whole-of-sector standards, the Commission promotes local resolution. However, as required, the Commission continues to undertake formal investigations into inappropriate conduct by staff where the issue is identified as significant or serious.

Early retirement, redundancy and retrenchment

There were no redundancy, early retirement or retrenchment packages paid during the 2019-20 financial year. We have administratively adopted the current State Government Certified Agreement and award arrangements for all staff engaged under the *Public Service Act 2008* and are now part of the current bargaining process across the Queensland Government. Stewarding staff who perform race day activities are engaged under the Racing Integrity Act and are employed on individual contracts.

Risk management and accountability

Audit and Risk Committee

Our Audit and Risk Committee is comprised of three members, including two external members, one of whom is the Chair, and one internal member (see Figure 2). The Commission’s internal auditor, PricewaterhouseCoopers (PwC), and the Queensland Audit Office (QAO) have standing invitations to attend committee meetings. The Committee observes the terms of its charter and has due regard to Queensland Treasury’s *Audit Committee Guidelines*.

The Audit and Risk Committee oversees the Commission’s risk and audit management processes and assists the Commissioner by providing advice on issues and associated mitigations they identify.

During 2019-20, the Committee had oversight of:

- The Commission’s internal strategic risk management processes
- The development of our internal audit priorities, through the Commission’s Internal Audit Plan
- The progress of implementing the findings of the internal audit of the Data Quality Review, Fatigue Management Review, and Complaints and Investigations Review
- The QAO’s Audit Plan for the Commission
- Our Internal Audit Reports.

Figure 2. Audit and Risk Committee membership and remuneration

Name	Position	Meetings attended	Remuneration
Graham Carpenter	Chair (external)	5	\$1,200 per meeting (Excl. GST)
Don Licastro	External member – last meeting October 2019	2	\$1,000 per meeting (no GST applicable)
Sandie Angus	External member – first meeting December 2019	2	\$1,000 per meeting (Excl. GST)
Mark Ainsworth APM	Deputy Commissioner Operations	5	N/A

Internal Audit

Our Internal Audit services are provided by PwC, who work with the Commissioner and executives to provide an independent objective assessment of our policies and processes in order to ensure that we are effectively delivering our services and mitigating our risks. The internal audit function has due regard to the Queensland Treasury’s *Audit Committee Guidelines*.

PwC developed an internal audit plan for the Commission that mapped out the business functions and controls that would be audited. The plan was informed by the Commission’s Strategic and Operational Plans, the Compliance and Enforcement Framework, and our Commission’s risk registers.

During 2019-20, PwC finalised the following audits and reviews:

- Data Quality Review
- Fatigue Management Review
- Complaints and Investigations Review.

External scrutiny

The Commission is audited by the QAO in accordance with the *Financial Accountability Act 2009*. The QAO has a standing invitation to our Audit and Risk Committee meetings and works closely with PwC to ensure our internal and external audit activities provide coverage of key controls and risk areas. All external audit reports are reviewed and monitored by the Audit and Risk Committee.

As part of their 2019-20 audit plan, the QAO reviewed the Commission’s financial internal controls and performed financial transactional testing for the period 1 July 2019 to 30 June 2020. Based on the results of their testing, no significant deficiencies were identified, and QAO assessed the Commission’s internal control environment as effective.

All financial reporting and audit deliverable milestones agreed with the QAO for 2019-20 were met by the Commission. The QAO has completed the 2019-20 financial audit of the Commission’s financial accounts and issued an unmodified audit opinion. See *Appendix 1 – Independent Auditor’s Report*.

Information systems and record keeping

Internally, our information systems and recordkeeping services are provided by Information Technology Partners (ITP), a Government shared service provider operated by the DAF.

ITP provides the Commission with a range of desktop, policy and support services, including administration of an electronic document and records management system that ensures we are compliant with the *Public Records Act 2002*, the *Public Service Act 2008* and the Queensland State Archives Records Governance Policy.

A key priority for the Commission has been the development of RandLE, a contemporary, efficient business system to collect, maintain and appropriately share information relating to Queensland racing licensees in the three codes of racing (thoroughbred, harness and greyhound). The rollout of RandLE was completed at the end of 2019-20 and fulfils multiple recommendations from the MacSporran Report. RandLE also fulfils the Queensland Government's DIGITAL1ST Strategy by transitioning from paper-based records to digital recordkeeping. For more information on RandLE and the MacSporran Report please see *Implementation of the Queensland Greyhound Racing Industry Commission of Inquiry*.

Open data

The following datasets are published on the open data portal at <https://data.qld.gov.au>

- consultancies
- overseas travel

The Commission did not procure any translation or interpreting services for 2019-20.

Non-financial performance

Queensland Government's objectives for the community

Our purpose is to work with the racing industry and community to protect racing animals, ensure high standards of integrity and safety, and enhance public confidence, in pursuit of our vision of an ethical and safe racing industry. The Commission contributes to advancing the Queensland Government's priorities by meeting the following objectives for the community:

- Create jobs in a strong economy by maintaining the social licence of racing, and contributing to public confidence of the racing industry, which provides employment for thousands of Queenslanders.
 - 62 per cent of all community survey participants (n = 1,002) believe there has been an improvement in integrity in racing overall in the last 12 months
 - 77 per cent of community survey participants who are aware of the Commission state that there has been an increase in the level of integrity in racing in Queensland since the establishment of the Commission in 2016
 - 76 per cent of community survey participants who are aware of the Commission state that there has been an increase in the level of welfare of racing animals in Queensland since the establishment of the Commission in 2016
- Be a responsive government by safeguarding the welfare of racing animals and encouraging participants and the wider community to utilise our Report Something portal as a confidential and secure avenue for reporting wrongdoing or suspected offences within the racing industry.
 - The Operational Intelligence Unit received 603 reports through its 'Report Something' channels. Ninety-four reports were referred for internal or external investigation
 - 65 intelligence submissions made to the Queensland Police Service Racing Crime Squad
 - 13 reports made to Crime Stoppers referred to the Commission for investigation
 - 20 licence applications were declined on the grounds of ability or suitability
 - 124 media responses provided
 - 23 industry notices were sent out to racing participants and/or posted on the Commission's website informing them of animal welfare and integrity related measures.

Our Service Delivery Standards for 2019-20

Objective

In 2019-20 our service area objectives were to protect racing animals, ensure high standards of racing integrity and safety, and maintain public confidence in the Queensland racing industry.

Description

The Commission oversees the integrity and welfare standards of racing animals and participants in Queensland. The Commission works in partnership with the industry to licence racing industry participants, oversee the integrity of racing activities, uphold the Rules of Racing, safeguard the welfare of racing animals and manage scientific testing and analysis.

Services

- Veterinary services and animal welfare
- Compliance and enforcement
- Sampling and analytical services.

Queensland Racing Integrity Commission effectiveness and efficiency measures	Notes	2019-20 Target/Est.	2019-20 Actual
Percentage of rehomed greyhounds returned to Greyhound Adoption Program (GAP)	1	4%	6.25%
Percentage of greyhounds accepted into GAP rehomed within four months	2	90%	83%
Cost, per dog (per day) presented to GAP, of services delivered by GAP	3	\$17.38	\$20
Percentage of original decisions, challenged at Internal Review, and confirmed	4	80%	81.40%
Cost, per licence, of receiving and assessing animal registrations, licence applications and issuing licence products	5	\$100	\$89.86
Percentage of community members surveyed who:	6	65%	58%
• are somewhat or very confident in the integrity of the Queensland racing industry			
• believe that the integrity of racing has improved a lot or a little over the past 12 months		65%	62%
Cost, per sample of racing animals tested for prohibited substances	7	\$295	\$303.21

Notes

- GAP staff try to match families with the most suitable greyhound – taking into consideration a family’s composition, daily routines, and energy levels. However, not all ‘matches’ work out and in these cases, greyhounds can be returned to the GAP.
- This measures the effectiveness of the Commission’s processes in assessing and rehoming retired racing greyhounds to ensure that the requirement for quality assessment is balanced against the desirability of animals being on the program for the minimum period necessary. Not all greyhounds can find a home within four months due to female dogs coming into season, medical issues and behaviour modification. In March 2020, an outbreak of Canine Enteric Coronavirus which causes Gastroenteritis, also halted normal operations of the GAP, meaning no adoptions, delayed ongoing assessments, training and surgery.
- This measures the cost efficiency of the Commission’s processes in assessing and rehoming retired greyhounds to ensure that the requirement for quality assessment is balanced against the desire for increased throughput. This includes the total direct expenses against the number of dogs rehomed calculated as a cost per day. The increase in costs is due to the costs associated with additional cleaning, laundry services and veterinary costs regarding the Canine Enteric Coronavirus outbreak at the Churchable GAP in March 2020.
- This measure records internal review decisions that confirm both charge and penalty. Decisions that confirm a charge, but amend a penalty are not included.
- This measure is calculated using the direct cost which includes employee expenses, costs associated with animal branding, registration and naming, other general administration costs and costs relating to the RandLE system (licensing and registration customer relationship tool) such as project management, software licensing and other related IT expenditure and depreciation costs. The cost of licences has decreased due to the efficiencies gained from RandLE, which replaced the paper-based licensing and registration process. In addition, some licence types have changed to three-year licences, rather than annual allowing staff allocated to processing licence and registration transaction to be redirected to audit and compliance activities.
- These measures provide an indication of community sentiment in the racing industry and are sourced from an annual survey of community members conducted by an external provider. Outcomes resulting from investigations undertaken by the Commission, or other external influencing factors such as the media, may result in negative publicity for the racing industry which can adversely affect community sentiment. Community members are surveyed in April each year. Although our target was not reached, community confidence significantly increased from 2018-29 actual results (45.6 per cent of community members were somewhat or very confident in the integrity of the Queensland racing industry). Community participants stated that they believe the Commission is following through on investigations and applying appropriate penalties and noted that the media is having a positive effect on ‘tightening the industry’ due to increased scrutiny.
- This measure is calculated using the direct expenses budgeted for running the Racing Science Centre (RSC) – employee expenses for 29 FTEs (which include the sample collection officers), facilities maintenance, laboratory equipment and IT maintenance costs, sample collection, laboratory consumables, depreciation costs for laboratory and RSC building improvement write-offs.

Staffing

Queensland Racing Integrity Commission	Notes	2019-20 Budget	2019-20 Actual
Queensland Racing Integrity Commission	1	159	152

Notes

- Full-time equivalents (FTE) as at 30 June.

Non-financial performance *(continued)*

Progress against our strategic objectives

Objective 1. Safeguarding the welfare of animals involved in racing

Performance indicators	Notes	Results
Percentage of re-homed greyhounds returned to the Greyhound Adoption Program	1	6.25%
Percentage of greyhounds accepted into the Greyhound Adoption Program re-homed within four months	2	83%

Notes

- Of the 240 greyhounds rehomed in 2019-20, 15 greyhounds were returned by their new owners to the GAP. GAP staff try their best to match families with the most suitable greyhound – taking into consideration a family's composition, daily routines, and energy levels. However, not all 'matches' work out and in these cases, greyhounds can be returned to the GAP.
- The percentage of greyhounds accepted into the GAP and rehomed within four months is comparable to the previous financial year (2018-19 = 80 per cent). Not all greyhounds can find a new home within four months due to a multitude of reasons, including:
 - Female dogs often come into season soon after arriving at Churchable and cannot be desexed during this time or immediately after, delaying desexing for up to two months, which also delays assessments and behavioural modification plans.
 - Some dogs arrive with, or it is discovered soon after, medical issues. The Commission needs to treat these dogs before they can be fully assessed, desexed and adopted.
 - Some dogs will need additional time for behaviour modification and time in foster care to overcome any behavioural issues they may have.
 - In March 2020, an outbreak of Canine Enteric Coronavirus*, which causes Gastroenteritis, also halted normal operations of the GAP, meaning no adoptions, delayed ongoing assessments, training and surgery.

*The Canine Enteric Coronavirus is in no way related to the current 'COVID-19' outbreak causing respiratory illness in people.

The Commission also safeguards the welfare of animals involved in racing in the following ways:

- 793 kennel and stable inspections were conducted by Stewards and the Integrity Investigations Team
- 14 Animal Welfare Directions issued
- 31 welfare and integrity investigations finalised.

Objective 2. Administer the rules of racing with integrity; independently, impartially, and consistently

Performance indicators	Notes	Results
Percentage of original decisions confirmed at Internal Review	1	81.40%
Percentage of external review (QCAT) matters finalised in favour of the Commission	2	10.8%
Percentage of external review (QCAT) matters finalised in favour of the applicant		8.1%
Percentage of external review (QCAT) matters where the Commission made a reconsidered decision based on settlement negotiations with the applicant		29.7%
Percentage of external review (QCAT) matters which were settled between the Commission and the applicant and the review application was withdrawn		51.4%

Notes

- Of the 129 internal reviews finalised in 2019-20, 24 penalties or decisions were altered at internal review. The low number of penalties or decisions altered compared to the number of internal reviews finalised demonstrates consistent decision making in terms of penalties from Commission Stewards.
- There were 37 matters finalised through the QCAT process.

Other results against this objective includes:

- 1,508 race meetings supervised
- 1,725 original decisions made by race-day Stewards
- An average of 76 per cent of industry participants across all three codes perceive the Commission as somewhat, quite or very firm but fair.

Objective 3. Exercise best practice, skills and processes to detect, investigate, and prosecute compliance and integrity breaches

Performance indicators	Notes	Results
Percentage of original decisions confirmed at Internal Review	1	81.40%
Percentage of external review (QCAT) matters finalised in favour of the Commission	2	10.8%
Percentage of external review (QCAT) matters finalised in favour of the applicant		8.1%
Percentage of external review (QCAT) matters where the Commission made a reconsidered decision based on settlement negotiations with the applicant		29.7%
Percentage of external review (QCAT) matters which were settled between the Commission and the applicant and the review application was withdrawn		51.4%
Number of successful legal challenges to double certified reports on analysis		Nil

Notes

1. Of the 129 internal reviews finalised in 2019-20, 24 penalties or decisions were altered at internal review. The low number of penalties or decisions altered compared to the number of internal reviews finalised demonstrates consistent decision making in terms of penalties from Commission Stewards.
2. There were 37 matters finalised through the QCAT process.

Other results against this objective includes:

- 1,508 race meetings supervised
- 1,725 original decisions made by race-day Stewards
- An average of 76 per cent of industry participants across all three codes perceive the Commission as somewhat, quite or very firm but fair.

Objective 4. Enhance public confidence in the integrity of Queensland’s racing industry

Performance indicators	Notes	Results
Percentage of community members who: <ul style="list-style-type: none"> • are somewhat or very confident in the integrity of the Queensland racing industry; and • believe that the integrity of racing has improved a lot or a little over the past 12 months 	1	<ul style="list-style-type: none"> • 58 per cent of community members are somewhat or very confident in the integrity of the Queensland racing industry. • 62 per cent of community members stated there had been improvement in the level of integrity of racing in the last 12 months.

Notes

1. Each year the Commission partners with a specialist social research company to conduct a survey of Queensland community and industry members and their attitudes towards racing.

Three in five community survey participants (62 per cent) believe there has been an improvement in racing integrity across all three codes in the last 12 months due to seeing an increased amount of controls in the industry such as stricter regulation and closer oversight. The proportion who stated that they were ‘somewhat confident’ increased significantly compared to last year (from 38 to 50 per cent).

Additionally, community participants specifically mentioned media attention as having brought about this increased ‘tightening of the industry’ as a result of programs such as the ABC’s 7.30 Report ‘*The Final Race*’, which attracted national attention in October 2019. As a result, the Queensland Government fully supported, supported in-part or supported in-principle all 55 recommendations by the Martin Inquiry. It follows that community perceptions of improved industry integrity was highest in the thoroughbred and harness (standardbred) codes. For more information on the Martin Inquiry please refer to *Implementation of Martin Inquiry recommendations*.

Non-financial performance *(continued)*

Implementation of the Queensland Greyhound Racing Industry Commission of Inquiry (MacSporran Report)

The MacSporran Report was delivered to the then Premier and Minister for the Arts on 1 June 2015. It set out 15 recommendations, aimed at improving integrity and animal welfare in the racing industry.

The Queensland Government's official response to the MacSporran Report initiated 75 activities to address these recommendations.

The Commission maintained a strong focus on the continued delivery of the MacSporran Report recommendations over the last four years, and to fulfil our remaining recommendations, the Commission invested in the development of a Customer Relationship Management tool (RandLE) to collect, maintain and appropriately manage information relating to licensees and registered racing animals in Queensland. RandLE is the Commission's largest information technology project so far and delivers not only on greyhound lifecycle tracking but also delivers efficiencies in the thoroughbred and harness codes, as well as providing online payment options to participants, reducing licence processing times and moving participants away from paper-based applications to online.

On 29 May 2020, additional functionality was added to RandLE which allowed the closure of three MacSporran recommendations (4, 7 and 14).

As at 30 June 2020, 10 recommendations and 61 Government-initiated activities had been completed. Of the remaining five recommendations, Racing Queensland is predominantly responsible for completing three, and two recommendations are impacted by the Government decision to defer the implementation of a greyhound welfare fund and introduction of a new registration fee structure for up to three years. The Commission no longer has outstanding recommendations or activities to implement from the MacSporran Report.

The Commission and Racing Queensland co-chair a joint MacSporran Working Group to govern the continued implementation of the MacSporran recommendations. The Joint MacSporran Working Group met twice in 2019-20 and is co-chaired by the Commissioner.

Implementation of the independent Inquiry into animal cruelty in the management of retired Thoroughbred and Standardbred horses in Queensland (Martin Inquiry)

In October 2019, the Queensland Government conducted an independent inquiry (also known as the Martin Inquiry) into the management of retired racehorses, including the regulatory and oversight arrangements for abattoirs and knackerries and the transport of horses to those facilities.

The Martin Inquiry made a total of 55 recommendations relating to the management of retired racehorses and the operation of establishments accepting animals for slaughter. The Queensland Government fully supported, supported in-part, or supported in-principle all of the recommendations made.

The Commission and Racing Queensland are working collaboratively as part of the Joint Martin Inquiry Working Group to implement the Government's response recommendations raised in Part One of the Inquiry Report. The Commission, owing to its legislative remit, is leading actions to progress the implementation of a number of recommendations which includes education of industry on accurate lifecycle records, enhanced enforcement of retirement notifications, and the development of a penalty standard.

The Joint Martin Inquiry Working Group, which is co-chaired by the Commission and Racing Queensland, met four times in 2019-20.

Operational focus – achievements and challenges

The Commission continues to evolve and incorporate business improvement activities into process and practices across the organisation. As the Commission continues to mature, corporate management and governance functions are also evolving throughout the organisation.

In 2019-20, the following key actions were achieved:

- The Commission strengthened its relationship with industry and government partners through a focus on the three principles of Engagement, Education and Enforcement. In 2019-20, the Commissioner and Deputy Commissioner attended and/or hosted 99 industry engagements.
- At the end of 2019-20, the Commission delivered additional functionality within its licensing and registration system, RandLE meaning the closure of MacSporran Report recommendations 4, 7 and 14. The Commission no longer has outstanding recommendations against the MacSporran Report.
- A resourcing model was developed to enhance the Commission's ability to effectively identify resourcing implications of an expanding TAB race meetings calendar.
- The Commission's ICT Strategy was finalised in January 2020 to support informed decision making and the Commission's ability to monitor welfare and integrity issues and operational performance.
- The Commission's Licensing Strategy was finalised in May 2020. This strategy will support the Commission's reform and desired outcomes in this area and will be supported by the revision of the licensing fee structure as licence categories transition to a three-year renewal cycle.

The following key actions are planned for 2020-21:

- The Commission will continue to support the DAF in a review of the Racing Integrity Act. Further analysis and consideration of public submissions is being managed by the DAF.
- Further development of evidence management policies and procedures which will support Commission staff through the investigation process and development of briefs of evidence for prosecution purposes.
- The establishment of a formal service agreement with Racing Queensland to better support and integrate multi-agency decision-making and formalise the structure currently in place between the two organisations.
- Reviewing the current licensing standards to ensure they are current, relevant and align to the Commission's strategic priorities.
- Reviewing the Bookmaker licensing process.

Financial summary

Our annual financial statements present the Commission’s financial performance and overall position as at 30 June 2020 and can be found on pages 27–65. The financial statements include a comparison of actual financial results with the budget estimates published in the 2019-20 State Budget Papers. An explanation of major budget variances is included under the Note 8 – Budgetary Reporting Disclosures.

This financial overview provides information about the Commission’s funding and revenue collected on behalf of the State, a summary of the Commission’s financial performance and position, and comments on significant movements in comparative and actual results.

Financial overview

Funding

The Commission is primarily funded by the State in the form of government grants for the delivery of its services. Our administering department, the Department of Fisheries (DAF) receives the grant funding from the Consolidated Fund by way administered appropriations and pays the grant to the Commission on a quarterly basis.

In the 2019-20 budget, the government approved an additional of \$6.5 million in funding over five years to support the delivery of the Queensland Greyhound Racing Industry Commission of Inquiry (Macsporrán) Recommendations. The funding comprises an operating grant of \$4.9 million to fund depreciation and amortisation write-offs for the Racing Science Centre (RSC) capital program and the RandLE system and a capital grant of \$1.6 million in 2019-20 to finalise the development of RandLE and deliver the remaining Macsporrán report recommendations.

In February 2020, the Government’s response to the Martin Inquiry into animal cruelty in the management of retired racehorses was to accept 37 recommendations in full, 17 recommendations in principle and one recommendation in part, and has committed to provide almost \$6 million to support the implementation of the 55 recommendations. Of the \$6 million, the Government has allocated \$1.2 million over four years (from 2020-21) to the Commission for additional resources to enforce animal welfare compliance and to deliver a targeted education program.

The Commission also received one-off funding during 2019-20 to cover the majority of the costs of the Martin Inquiry. Total grant funding received for 2019-20 was \$31.3 million consisting of an operating grant of \$28.2 million, a one-off grant of \$0.3 million and a capital grant of \$2.7 million.

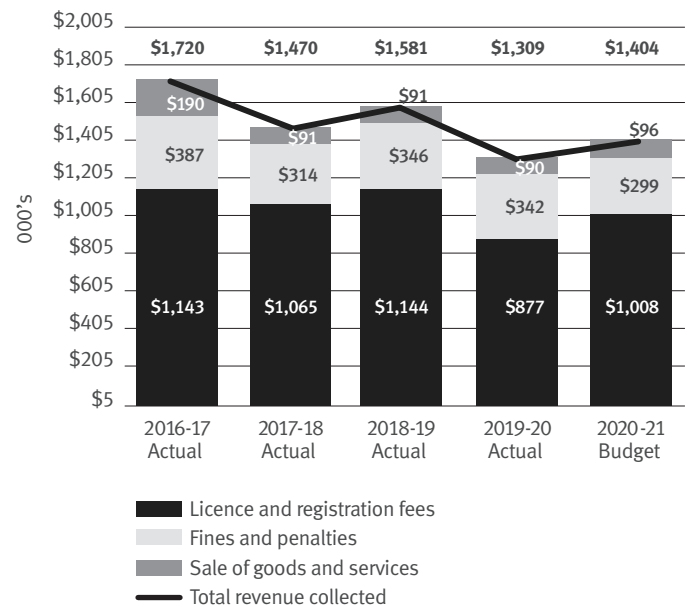
Total budgeted state grant funding for 2020-21 is \$29.7 million, comprising of an operating grant of \$29.1 million and a capital grant of \$0.6 million.

Revenue collected on behalf of the State

Any revenue collected from administering the rules of racing, animal welfare and licensing of animals and racing industry participants is returned to the State on a quarterly basis via our administering department. As the Commission does not control the revenue, the transactions associated with the revenue is reported separately in the financial statements, under Note 7.5 – Agency Transactions.

Since the 2017-18 financial year, the Commission has incrementally transitioned away from an annual licensing model to a three-year model that provides greater standardisation, is more convenient for participants and allows for improved integrity standards. The new framework also benefits industry participants through licence cost reductions, which in turn impacts on the revenue collected and paid to Government.

Figure 3. Revenue collected on behalf of the State – 5 Year comparison



Financial performance

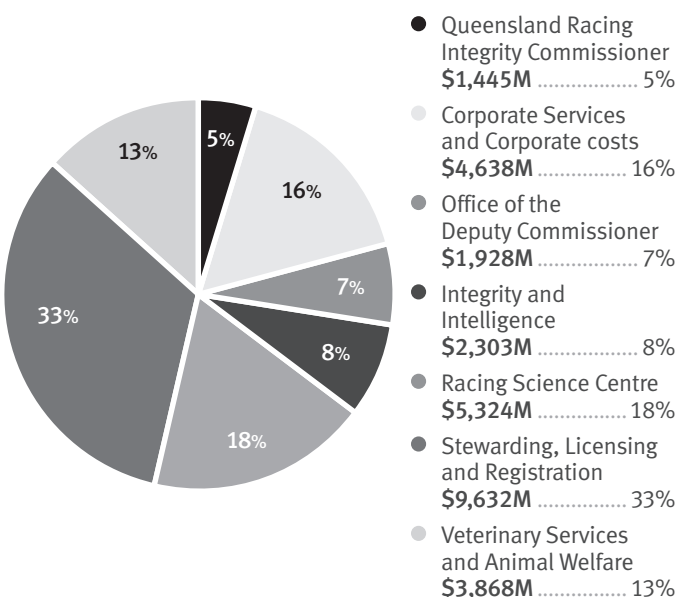
The Commission’s financial performance is detailed on page 28 of the Financial Statements in the Statement of Comprehensive Income. The Statement of Comprehensive Income compares revenues received against expenses incurred over a 12-month period.

Excess revenue over expenses results in an operating surplus, whilst excess expenses over revenue results in an operating deficit. Expenses that are not recognised in the profit and loss, for example, adjustments to asset revaluations, are included under Other Comprehensive Income and added/deducted to/from the operating surplus to derive the total comprehensive income.

	2019-20 Actual	2019-20 Original budget	2019-20 Budget variance	2020-21 Budget
	\$'000	\$'000	\$'000	\$'000
Total income	29,149	29,196	47	29,706
Less: total expenses	29,138	29,196	58	29,706
Operating result	11	-	11	-

The Commission operated within its budget during 2019-20 and achieved a small operating surplus of \$11,605 at the end of the financial year.

Figure 4. 2019-20 operating costs – what we spent our money on



Income

Total income for 2019-20 was \$29.1 million, increasing by \$1.4 million or 4.98 per cent from the previous financial year (2018-19: \$27.8 million) and comprises the following:

- \$28.2 million (96.92 per cent) through state grant funding for Commission outputs
- \$0.3 million (1.15 per cent) as a one-off grant contribution to cover expenses relating to the Martin Inquiry
- \$0.4 million (1.51 per cent) in services received free of charge from Queensland Police Services (QPS) for police seconded to the Queensland Racing Crime Squad (QRCS). The Commission recognises the free of charge services as both a revenue and expense item, with no bottom-line impact to the operating budget.
- \$0.2 million (0.43 per cent) in other revenue earnings including interest on bank accounts.

Expenditure

Total expenditure for 2019-20 was \$29.1 million, increasing by 1.7 million or 6.25 per cent from the previous financial year (2018-19: 27.4 million), and comprises the following:

- **\$19 million (65.25 per cent)** in employee costs, increasing by \$1.9 million or 11.11 per cent since the previous financial year. The increase was mainly due to fewer staff vacancies, applicable award increases, the one-off \$1,250 public service incentive payment for eligible employees, and lower staff leave takings due to COVID-19 (which had a budgetary impact due to both the cash salaries and leave accruals being expensed in the latter half of the financial year). The Commission also made use of temp agency staff (reported under supplies and services) throughout the year to backfill staff vacancies. Due to these factors, the Commission achieved an overall budget over-spend of \$0.6 million in employee expenses for the 2019-20 financial year.
- **\$8.5 million (29.17 per cent)** for supplies and services, decreasing by \$0.4 million or 4.48 per cent from the previous financial year. The Commission achieved budget savings during the financial year mainly in travel costs (due to COVID-19) and legal related expenses. The highest five categories of supplies and services expenditure, accounting for almost 72 per cent of total costs, include:
 - consultants and contractors’ expenditure, which includes expenditure for administrative staff hired through employment agencies; legal, transcription and internal audit services – \$1.8 million (2018-19: \$2.4 million)

Financial summary *(continued)*

- office accommodation and property maintenance expenses, which includes costs associated with the Racing Science Centre – \$1.2 million (2018-19: \$1.1 million)
- corporate service arrangements with other government agencies for information technology, financial, payroll and business system support – \$1.1 million (2018-19: \$1.1 million)
- plant and equipment maintenance expenses, which includes software licence and hosting fees, laboratory equipment maintenance, and IT and technical equipment replacement costs – \$1.2 million (2018-19: \$0.9 million)
- animal care expenses which include vet contractor services to support race operations and Greyhound Adoption Program (GAP) expenditure like dog food and vet supplies to maintain GAP animals – \$0.9 million (2018-19: \$0.9 million)
- **\$1.4 million (4.76 per cent)** in depreciation and amortisation write-offs, increasing by \$0.3 million from the previous financial year. However, the Commission achieved a budget underspend in this line item of expenditure due to RSC capital program delays, including delivery delays due to COVID-19.
- **\$0.2 million (0.83 per cent)** for other expenses, decreasing by \$0.1 million from the previous financial year. Other expenses include payments to the Queensland Audit Office (QAO) for audit fees, insurance premiums paid to the Queensland Government Insurance Fund (QGIF); and grants and sponsorship payments to support the Commission’s animal welfare priorities.

Financial position

The Commission’s financial position is detailed on page 29 of the Financial Statements in the Statement of Financial Position.

The Statement of Financial Position highlights the financial health of the Commission. It shows what the Commission owns (assets), what it owes (liabilities) and its net worth (equity).

Equity

The Commission’s equity is detailed on page 30 of the Financial Statements in the Statement of Changes in Equity. Equity is the net worth of the Commission and is represented by total assets, less total liabilities in the Statement of Financial Position.

The Commission was in a strong net worth position as at 30 June 2020 with net assets totalling \$19.8 million, increasing by \$4.3 million or 27.55 per cent from the previous financial year.

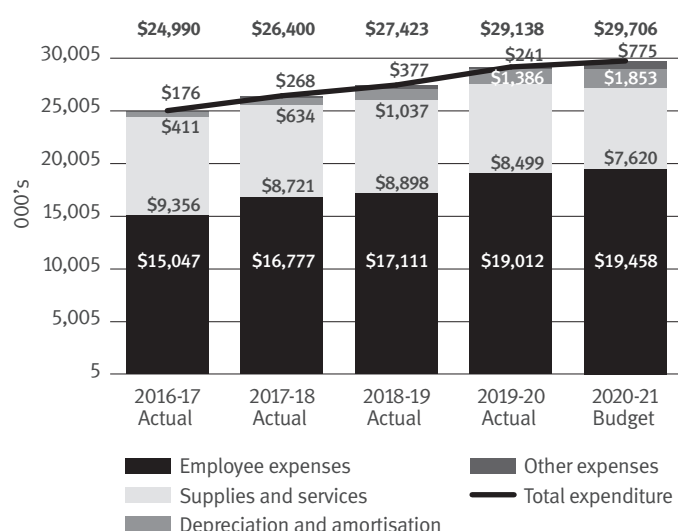
Breakdown of equity	2018-19 Actual	2019-20 Actual
	\$'000	\$'000
Opening balance	12,511	15,548
Operating result for the year	343	11
Increase in revaluation surplus	11	1,544
Adjustments due to new accounting standards	–	27
Equity injections	2,683	2,702
Total equity	15,548	19,832

Equity has steadily increased over the period primarily due to equity injections of approved capital funding for the continued rollout of the RSC capital program and to finalise the development of the RandLE system.

The final phase of the RandLE system development was finalised on 22 June 2020, enabling the Commission to deliver full online licensing capability for all three codes of the racing and to fulfil the MacSporran Report recommendations for Greyhound lifecycle tracking.

Additionally, during the financial year a comprehensive revaluation was undertaken of the RSC land and buildings. Whilst there was no change to the land value, there was a \$1.5 million increase in the building value.

Figure 5. 5 Year expenditure comparison



Assets

As at 30 June 2020, the Commission held assets valued at \$21.5 million, represented by \$4.6 million in current assets and \$16.9 million in non-current assets. Current assets include \$3.7 million in cash held at bank mainly to settle amounts owed to suppliers and accrued employee benefits. The balance of the cash represents depreciation and amortisation funding for future non-current asset replacements.

Non-current assets consist mainly of Racing Science Centre assets. This includes the land and buildings at Albion where the Racing Science Centre is housed. As at 30 June 2020, these land and buildings had a written down value of \$8.6 million, increasing by 20.52 per cent from the previous financial year, due to the comprehensive building revaluation (2018-19: \$7.2 million).

Intangible assets were valued at \$3.3 million at 30 June 2020 and comprise business systems that support our operations, namely RandLE, our complaints management system (ICMS) and our laboratory management system (LIMS).

The value of these systems has almost doubled since the previously financial year due to RandLE system development (2018-19: \$1.7 million). To date, the Commission has invested \$3.4 million in capital funding for RandLE, facilitated mainly through approved capital funding and operational budget savings that was converted to capital funding.

As a result of changes to the accounting standard for leases, the Commission recognised a right-of-use asset valued at \$0.3 million at 30 June 2020, for office accommodation that is under not included under the Department of Housing and Public Works (DHPW) accommodation framework. These leases relate to the GAP facility in Churchable and regional office accommodation for our stewards.

Liabilities

The Commission's liabilities include amounts owed to suppliers, employee entitlements owing and liabilities in relation to accommodation lease provisions. As at 30 June 2020, these liabilities were valued at \$1.7 million, decreasing by 34.90 per cent from the previous financial year (2018-19: \$2.7 million). Due to COVID-19, the Commission adopted an immediate payment policy to support our suppliers, resulting in a lower value of accounts payable owing at year end.

Financial internal controls and risk management

The Commission is committed to establishing an efficient, effective and economical financial internal control and risk management framework that ensures compliance with our financial responsibilities, minimising financial risks and costs and ensuring value for money outcomes.

These controls include:

- Supporting staff in ongoing professional development, including opportunities to access over 70+ short courses through our partnership with the Australian Institute of Management
- targeted staff training programs in procurement, corporate card training and financial management for managers
- utilising online systems with in-built workflow and financial controls
- an annual external and internal audit program targeted at identified risk areas and focused effort on implementing audit recommendations
- timely management reporting and continued engagement with directors and cost centre managers to discuss financial and budget related matters
- monthly general ledger reconciliations with most reconciliations being automated
- maintaining an updated Financial Management Practice Manual (FMPM) and financial and HR delegations
- implementing an internal control self-assessment process across the Commission to identify and mitigate financial internal control risk
- the establishment of the QRIC Finance and Budget Management Group in July 2020 to provide future increased financial oversight and budget management.

See **Audit and Risk Committee** and **Internal Audit** for further detail on overall stewardship of audit activities and recommendations, risk management processes and compliance practices.

Chief Finance Officer (CFO) Statement

Section 77(b) of the *Financial Accountability Act 2009* (The Act) requires Accountable Officers to delegate the establishment and review of financial internal controls to the Chief Finance Officer (CFO). The Act further requires that the CFO provide the Accountable Officer with a statement about whether the financial internal controls of the department have operated efficiently, effectively and economically during the financial year.

The *Financial and Performance Management Standard 2019* (The Standard) also prescribes that the statement must be provided before, or at the same time the CFO certifies the annual financial statements confirming the number of key issues associated with the department's financial management.

Whilst the Commission is a statutory authority, and therefore, exempt from the legislative requirement to provide the CFO statement, it has adopted best practice by providing the accountable officer with a CFO statement for the financial year ended 30 June 2020, attesting to the financial internal controls of the Commission operating efficiently, effectively and economically.

The CFO statement has been presented to the Commission's Audit and Risk Management Committee.



QUEENSLAND RACING
INTEGRITY COMMISSION

Engagement | Education | Enforcement

Financial Statements

2019–2020

Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	2020 Budget Variance* \$'000	2019 Actual \$'000
OPERATING RESULT					
Income					
Grants and other contributions	2.1	29,025	29,061	(36)	27,522
Other revenue		124	135	(11)	244
Total Income		29,149	29,196	(47)	27,766
Expenses					
Employee expenses	3.1	19,012	18,410	602	17,111
Supplies and services	3.2	8,499	8,251	248	8,898
Grants and subsidies	3.3	68	70	(2)	-
Depreciation and amortisation	3.4	1,386	2,260	(874)	1,037
Other expenses	3.5	173	205	(32)	377
Total Expenses		29,138	29,196	(58)	27,423
Operating Result for the year		11	-	11	343
Other Comprehensive Income					
<i>Items that will not be reclassified to Operating Result</i>					
Increase in asset revaluation surplus	6.2	1,544	-	1,544	11
Total Other Comprehensive Income		1,544	-	1,544	11
Total Comprehensive Income		1,555	-	1,555	354

*An explanation of major variances is included at Note 8.1

The accompanying notes form part of these statements

Statement of Financial Position
as at 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	2020 Budget Variance* \$'000	2019 Actual \$'000
Current Assets					
Cash and cash equivalents	4.1	3,681	5,186	(1,505)	3,632
Receivables	4.2	558	849	(291)	597
Other current assets	4.3	385	458	(73)	387
Total Current Assets		4,624	6,493	(1,869)	4,616
Non-Current Assets					
Property, Plant and equipment	4.4	13,397	11,740	1,657	11,921
Intangible assets	4.5	3,231	3,008	223	1,655
Right-of-use assets	5.4	298	121	177	-
Other non-current assets	4.3	19	65	(46)	24
Total Non-Current Assets		16,945	14,934	2,011	13,600
Total Assets		21,569	21,427	142	18,216
Current Liabilities					
Payables	5.1	873	2,625	(1,752)	1,659
Accrued employee benefits	5.2	463	686	(223)	892
Lease Liabilities	5.4	125	196	(71)	-
Total Current Liabilities		1,461	3,507	(2,046)	2,551
Non-Current Liabilities					
Provisions	5.3	146	93	53	90
Lease liabilities	5.4	130	20	110	27
Total Non-Current Liabilities		276	113	163	117
Total Liabilities		1,737	3,620	(1,883)	2,668
Net Assets		19,832	17,807	2,025	15,548
Equity					
Contributed equity	6.1	16,605	16,504	101	13,903
Accumulated surplus		1,618	1,240	378	1,580
Asset revaluation surplus	6.2	1,609	63	1,546	65
Total Equity		19,832	17,807	2,025	15,548

*An explanation of major variances is included at Note 8.2

The accompanying notes form part of these statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Contributed Equity \$'000	Accumulated Surplus \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance as at 1 July 2018		11,220	1,237	54	12,511
Operating Result					
Operating result		-	343	-	343
Other Comprehensive Income					
Increase in asset revaluation surplus	6.2	-	-	11	11
Transactions with Owners as Owners					
Capital contribution by owners	6.1	2,683	-	-	2,683
Balance at 30 June 2019		13,903	1,580	65	15,548
Impact of change in accounting policy due to AASB 16 <i>Leases</i>	1.3 (g)		27		27
Balance at 1 July 2019		13,903	1,607	65	15,575
Operating Result					
Operating result		-	11	-	11
Other Comprehensive Income					
Increase in asset revaluation surplus	6.2	-	-	1,544	1,544
Transactions with Owners as Owners					
Capital contribution by owners	6.1	2,702	-	-	2,702
Balance at 30 June 2020		16,605	1,618	1,609	19,832

The accompanying notes form part of these statements

Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	2020 Budget Variance* \$'000	2019 Actual \$'000
Cash flows from Operating Activities					
<i>Inflows:</i>					
Agency transactions - user charges and fees		1,293	1,069	224	1,589
Grant funding		28,435	28,601	(166)	27,060
GST input tax credits from ATO		1,102	1,283	(181)	1,348
GST collected from customers		19	-	19	15
Interest receipts		103	125	(22)	135
Other revenue		108	-	108	25
<i>Outflows:</i>					
Employee expenses		(18,279)	(18,460)	181	(16,617)
Supplies and services		(9,842)	(8,269)	(1,573)	(9,944)
Grant and subsidies		(68)	(70)	2	-
Finance/borrowing Costs		-	(13)	13	-
GST paid to suppliers		(1,163)	(923)	(240)	(1,197)
GST remitted to ATO		(20)	-	(20)	(13)
Agency transactions - payments to government		(1,287)	(1,044)	(243)	(1,541)
Other expenses		(146)	(165)	19	(306)
Net cash provided by operating activities		255	2,134	(1,879)	554
Cash Flows from Investing Activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		-	5	(5)	-
<i>Outflows:</i>					
Payments for intangibles		(1,787)	(1,623)	(164)	(795)
Payments for property, plant and equipment		(1,041)	(1,660)	619	(2,310)
Net cash used in investing activities		(2,828)	(3,278)	450	(3,105)
Cash flows from Financing Activities					
<i>Inflows:</i>					
Equity injections		2,702	2,602	100	2,683
<i>Outflows:</i>					
Lease Payments		(80)	-	(80)	-
Net cash provided by financing activities		2,622	2,602	20	2,683
Net increase in cash and cash equivalents		49	1,458	(1,409)	132
Cash and cash equivalents - opening balance		3,632	3,728	(96)	3,500
Cash and Cash Equivalents - closing balance	4.1	3,681	5,186	(1,505)	3,632

*An explanation of major variances is included at Note 8.3

The accompanying notes form part of these statements

Statement of Cash Flows

for the year ended 30 June 2020

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2020 \$'000	2019 \$'000
Operating surplus	11	343
Non-Cash items included in operating result:		
Depreciation and amortisation expense	1,386	1,037
Finance costs	9	2
Net loss on disposal of property, plant and equipment	18	68
Change in assets and liabilities:		
(Increase)/decrease in GST input tax credits receivable	(62)	151
(Increase)/decrease in annual leave reimbursement receivables	139	(110)
(Increase)/decrease in LSL reimbursement receivables	24	(57)
(Increase)/decrease in grant funding receivable	(150)	-
(Increase)/decrease in other receivables	87	(58)
(Increase)/decrease in prepayments/other assets	7	94
Increase/(decrease) in accounts payable	(786)	(1,107)
Increase/(decrease) in accrued employee benefits	(429)	187
Increase/(decrease) in GST payable	1	2
Increase/(decrease) in lease liability	-	2
Net cash provided by operating activities	255	554

Changes in Liabilities arising from Financing Activities

Right-of-use lease liabilities as at 30 June 2020

	\$'000
Opening balance at 1 July	207
Add: Non-cash changes	
New leases acquired	125
Interest on lease liabilities	3
Less: Cash flows	
Cash repayments	(80)
Total Right-of-Use Lease Liabilities	255

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1 - BASIS OF FINANCIAL STATEMENT PREPARATION	<ul style="list-style-type: none"> 1.1 General Information 1.2 Commission Objectives 1.3 Summary of Significant Accounting Policies
NOTE 2 - REVENUE	<ul style="list-style-type: none"> 2.1 Grants and Other Contributions
NOTE 3 - EXPENSES	<ul style="list-style-type: none"> 3.1 Employee Expenses <ul style="list-style-type: none"> 3.1 (a) Employee Benefits 3.1 (b) Key Management Personnel (KMP) Disclosures 3.2 Supplies and Services 3.3 Grants and Subsidies 3.4 Depreciation and Amortisation 3.5 Other Expenses
NOTE 4 - ASSETS	<ul style="list-style-type: none"> 4.1 Cash and Cash Equivalents 4.2 Receivables 4.3 Other Assets 4.4 Property, Plant and Equipment and Depreciation Expense 4.5 Intangibles and Amortisation Expense
NOTE 5 - LIABILITIES	<ul style="list-style-type: none"> 5.1 Payables 5.2 Accrued Employee Benefits 5.3 Provisions 5.4 Right-of-Use and Lease Liabilities
NOTE 6 - EQUITY ADJUSTMENTS	<ul style="list-style-type: none"> 6.1 Contributions by Owners 6.2 Asset Revaluation Surplus
NOTE 7 - OTHER FINANCIAL STATEMENT DISCLOSURES	<ul style="list-style-type: none"> 7.1 Contingencies 7.2 Financial Instruments 7.3 Commitments for Expenditure 7.4 Related Party Transactions 7.5 Agency Transactions <ul style="list-style-type: none"> 7.5 (a) User Charges and Fees Collected 7.5 (b) Agency Receivables 7.5 (c) Agency Payments 7.6 Events occurring after the Balance Date
NOTE 8 - BUDGETARY REPORTING DISCLOSURES	<ul style="list-style-type: none"> 8.1 Explanation of Major Variances - Statement of Comprehensive Income 8.2 Explanation of Major Variances - Statement of Financial Position 8.3 Explanation of Major Variances - Statement of Cash Flows 8.4 Explanation of Major Variances - Agency Transactions

Notes to the Financial Statements

for the year ended 30 June 2020

1. Basis of Financial Statement Preparation

1.1 General Information

These financial statements cover the Queensland Racing Integrity Commission (the Commission), an independent statutory body established under the *Racing Integrity Act 2016*, which oversees the integrity and welfare standards of racing animals and participants in Queensland. The Commission commenced operation on 1 July 2016.

The financial statements include all income, expenses, assets, liabilities and equity of the Commission. The Commission has no controlled entities.

The Commission is controlled by the State of Queensland, which is the ultimate parent. The corporate office and principal place of business of the Commission is Level 17, 53 Albert Street, Brisbane QLD 4000.

1.2 Commission Objectives

The *Racing Integrity Act 2016* provides the Commission with statutory powers to investigate and support high standards of racing industry integrity and animal welfare. The Commission works in partnership with the racing industry to achieve the following objectives:

- Safeguard the welfare of animals involved in racing
- Administer the rules of racing independently, impartially, and consistently
- Exercise best practice, skills and processes to detect, investigate, and prosecute compliance and integrity breaches
- Encourage people with information about offences in the Queensland racing industry to share what they know

1.3 Summary of Significant Accounting Policies

Significant accounting policies are shown in the notes to which they relate, except as follows:

a. Compliance with prescribed requirements

The Commission has prepared these financial statements in compliance with section 62 of the *Financial Accountability Act 2009* and section 39 of the *Financial and Performance Management Standard 2019* on a going concern basis. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

The Commission is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 1.3(g).

b. Authorisation of Financial Statements for Issue

The financial statements are authorised for issue by the Racing Integrity Commissioner and the Finance Manager at the date of signing the Management Certificate.

c. Taxation

The Commission is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). GST credits receivable from, and GST payable to the Australian Tax Office (ATO) are recognised in the Statement of Financial Position (refer to Note 4.2 Receivables).

Notes to the Financial Statements for the year ended 30 June 2020

1. Basis of Financial Statement Preparation (cont'd)

1.3 Summary of Significant Accounting Policies (cont'd)

d. Basis of Measurement

Historical cost is used as the measurement basis in this financial report except for the following:

- Land and buildings which are measured at fair value
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value

Historical Cost - Under historical cost, the Commission records assets 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. Similarly, liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair Value - Fair value is the price that the Commission would receive if it sold an asset or would pay to transfer a liability in an orderly transaction between market participants under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- the **market approach** uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- the **cost approach** reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.
- the **income approach** converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed. Refer to Note 7.2 Financial Instruments and Note 4.4 Property, Plant and Equipment and Depreciation Expense.

Present Value - Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

e. Presentation

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

Comparatives – Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Where comparative information has been restated, unless otherwise specified, such restatements are not material and would not require disclosure in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

1. Basis of Financial Statement Preparation (cont'd)

1.3 Summary of Significant Accounting Policies (cont'd)

f. 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 amount 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:

- Note 4.4 Property, Plant and Equipment and Depreciation Expense
- Note 4.5 Intangibles and Amortisation Expense

g. First year application of new accounting standards or change in accounting policy

The Commission did not voluntarily change any of its accounting policies during the 2019-20 reporting period and did not early adopt any Australian Accounting Standards. Three new accounting standards were applied for the first time in 2019-20:

- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to the Commission for the first time in 2019-20 have any material impact on the financial statements.

AASB 1058 Income of Not-for Profit Entities

AASB 1058 applies to transactions where the Commission acquires an asset for significantly less than fair value principally to enable the Commission to further its objectives, and to the receipt of volunteer services. The Commission's revenue line items recognised under this standard from 1 July 2019 relates to Queensland Government grant funding. See Note 2.1 Grants and Other Contributions and Note 6.1 Contributions by Owners.

The revenue recognition for the Commission's grant funding did not change under AASB 1058, as compared to AASB 1004. This grant funding is non-reciprocal and will therefore not qualify for deferral as there are no individual performance obligations attached to the grant. The grant will continue to be recognised as revenue upfront as soon as the cash is received or when the Commission controls the right to receive the grant funding. The Commission does not receive any volunteer services.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers are recognised. The five-step model is detailed below:

- Step 1 – Identify the contract with the customer
- Step 2 – Identify the performance obligation in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the performance obligations
- Step 5 – Recognise revenue when or as the Commission satisfies performance obligations

Notes to the Financial Statements for the year ended 30 June 2020

1. Basis of Financial Statement Preparation (cont'd)

1.3 Summary of Significant Accounting Policies (cont'd)

g. First year application of new accounting standards or change in accounting policy (cont'd)

AASB 15 applies to any own source revenue and licence revenue and other user charges and fees (agency transactions) that the Commission collects on behalf of the State. There have been no changes to the Commission's revenue recognition with the adoption of the new standard. See Agency Transactions - Note 7.5 (a) User Charges and Fees Collected.

AASB 16 Leases

The Commission applied AASB 16 *Leases* for the first time in 2019-20. The Commission applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations. The nature and effect of changes resulting from the adoption of AASB 16 are described as follows:

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease. For leases and lease-like arrangements existing at 30 June 2019, the Commission elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation

In 2018-19, the Commission held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy. From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred.

The Commission had previously recognised a deferred lease liability to account for straight lining of fixed rent increases for DHPW leases. The balance of this liability at 30 June 2019 was \$27,498. Per the Financial Reporting Requirements for Queensland Government Agencies - FRR 4B.9 *Leases*, this liability has been de-recognised against the opening accumulated surplus. Refer to the Statement of Changes in Equity.

2. Changes to lessee accounting

Previously, the Commission classified its leases as operating or finance leases (if any) based on whether the lease significantly transferred all the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease Liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the Commission is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date.

Notes to the Financial Statements

for the year ended 30 June 2020

1. Basis of Financial Statement Preparation (cont'd)

1.3 Summary of Significant Accounting Policies (cont'd)

g. First year application of new accounting standards or change in accounting policy (cont'd)

The discount rate used is the interest rate implicit in the lease, or the Commission's incremental borrowing rate if the implicit rate cannot be readily determined. Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred, and
- the initial estimate of restoration costs.

Right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment.

Short-term leases and leases of low value assets

The Commission has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

3. Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	\$'000
Total undiscounted operating lease commitments as at 30 June 2019	788
- Discounted using the incremental borrowing rate at 1 July 2019 (1.44%)	(10)
Present Value of operating lease commitments	<u>778</u>
- Less internal-to-government arrangements that are no longer leases	(672)
- Add adjustments due to reassessment of lease terms	108
- Less adjust for non-lease component previously included under operating lease	(7)
Lease liabilities at 1 July 2019	<u><u>207</u></u>

h. Future impact of accounting standards not yet effective

At the date of authorisation of the financial statements, there are no new Australian accounting standards and interpretations with future effective dates that have a material impact on the Commission's financial statements.

Notes to the Financial Statements for the year ended 30 June 2020

2. Revenue

Any revenue collected from administering the rules of racing, animal welfare and licensing of animals and racing industry participants is returned to the State on a quarterly basis via the Department of Agriculture and Fisheries (DAF). As the Commission does not control the revenue, the transactions associated with the revenue is reported separately under Note 7.5 as agency transactions.

2.1 Grants and Other Contributions

Accounting Policy:

Grants and Contributions – grants and contributions are non-reciprocal transactions where the Commission does not directly give approximately equal value to the grantor. As the grant does not contain sufficiently specific performance obligations, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities* and revenue is recognised upon receipt of grant funding or when the Commission controls the right to receive the grant funding.

Services received below fair value – the Commission recognises contributions for services only if the services would have been purchased had they not been donated, and their fair value can be reliably measured. Where this is the case, an equal amount is recognised as revenue and an expense.

	2020 \$'000	2019 \$'000
Queensland Government grant	28,251	27,060
Other Government contributions	334	-
Services received below fair value	440	462
Total	29,025	27,522

Disclosures:

Queensland Government grant – the Commission's primary source of funding is a government grant administered by the State for the delivery of its outputs. The grant is paid in advance on a quarterly basis by DAF, who is responsible for the administration of the Commission. DAF receives the funding from the Consolidated Fund by way of administered appropriations.

Other Government contributions – The Commission received funding from the Department of Premier and Cabinet via DAF, to cover the majority of the cost of the Inquiry into Rehoming Retired Thoroughbred and Standardbred Horses in Queensland (Martin Inquiry) which was commissioned by the Premier and Minister for Trade on 22 October 2019.

Services received below fair value – the services received below fair value relates to our partnership with the Queensland Police Service's Queensland Racing Crime Squad (QRCS), which serves to enhance the investigatory element of the Commission's regulatory activities. This is an ongoing arrangement and comprises of the salary and superannuation cost of four (4) seconded police officers to QRCS, which is based at the Commission. Per the terms of the agreement, the Commission bears the cost of civilian officers, overtime, allowances and other supplies and services expenditure necessary to run the QRCS. See Note 3.1 (a) Employee Benefits.

Notes to the Financial Statements

for the year ended 30 June 2020

3. Expenses

3.1 Employee Expenses

	2020	2019
	\$'000	\$'000
Employee Benefits		
Wages and Salaries ⁽¹⁾	14,183	12,937
Annual leave levy	1,267	1,037
Sick leave expense	318	280
Long service leave levy	338	275
Employer superannuation contributions	1,704	1,549
Fringe benefits tax	15	44
Employee Related Expenses		
Payroll tax	820	733
Workers' compensation premium	70	66
Staff training and development expenses	126	118
Other employee related expenses	171	72
Total	19,012	17,111

⁽¹⁾ Includes \$127,188 of \$1,250 one-off, pro-rata payments for 140 full-time equivalent employees (announced in September 2019), and \$620,458 of QRCS secondment expenses (2019: \$708,162).

	2020	2019
Number of Full-Time Equivalent Employees at 30 June	152	159

Notes to the Financial Statements for the year ended 30 June 2020

3.1 Employee Expenses (cont'd)

(a) Employee Benefits

Employee 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 and is not included in an employee's total remuneration package. Therefore, they are not employee benefits and are recognised separately as employee related expenses.

Accounting Policy:

Wages and Salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the 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.

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

Annual Leave and Long Service Leave - Under the Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave Scheme, a levy is made on the Commission to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave, and payable to QSuper on a quarterly basis. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the scheme quarterly in arrears. See Note 5.2 Accrued Employee Benefits.

Superannuation - Post-employment benefits for superannuation are provided through the employee's elected defined contribution plan or the Queensland Government's QSuper defined benefit scheme (for those who are eligible). Where an employee does not nominate a preferred superannuation provider, QSuper is utilised as the default provider.

- **Defined Contribution Plans** - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.
- **Defined Benefit Plans** - 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 of the employee's service each pay period. The Commission's obligations are limited to those contributions paid.

Notes to the Financial Statements

for the year ended 30 June 2020

3.1 Employee Expenses (cont'd)

(b) Key Management Personnel (KMP) Disclosures

Details of KMP are disclosed in accordance with Section 3C.3 of the Financial Reporting Requirements for Queensland Government Agencies. Key executive management personnel consist of positions that form part of the Executive Leadership Team (ELT). This group had authority and responsibility for planning, directing and controlling the activities of the Commission during 2019-20 as follows:

Position	Position Responsibility
Racing Integrity Commissioner	Overall efficient, effective and economical administration and operation of the Commission and the performance of its functions.
Deputy Commissioner, Integrity Services and Operations	Responsible for participating collaboratively in the overall management of the Commission and assisting the Commissioner in the overall efficient, effective and economical administration and operation of the Commission and the performance of its functions.
Directors	Responsible for participating collaboratively in the overall management of the Commission - in particular to achieve the objectives set by the Commissioner within their area of responsibility.

Further information on these positions can be found in the annual report under the Our Organisation section.

KMP remuneration policies

Remuneration policy for the Commission's KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses 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 the provision of car parking together with the fringe benefits tax applicable to the benefit

Performance payments are not included under contracts in place.

Long-term employee expenses include amounts expensed in respect of long service leave entitlements earned in the reporting period.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

Notes to the Financial Statements
for the year ended 30 June 2020

3.1 Employee Expenses (cont'd)

(b) Key Management Personnel (KMP) Disclosures

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

Position	Short-Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Total Expenses
	Monetary Expenses	Non-Monetary Benefits			
1 July 2019 - 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Racing Integrity Commissioner	339	2	8	43	392
Deputy Commissioner	236	-	6	29	271
Director, Office of the Commission	156	2	4	18	180
Director, Stewarding, Licensing and Registration	151	-	3	18	172
Director, Veterinary Services and Animal Welfare	133	-	3	17	153
Director, Analytical Services ⁽¹⁾	120	-	3	12	135
Total Remuneration 2020	1,135	4	27	137	1,303
1 July 2018 - 30 June 2019					
Racing Integrity Commissioner	347	4	7	49	407
Deputy Commissioner	221	-	5	28	254
Director, Office of the Commission	145	4	3	18	170
Director, Stewarding, Licensing and Registration	148	-	3	18	169
Director, Veterinary Services and Animal Welfare	127	-	3	18	148
Director, Racing Science Centre ⁽¹⁾	149	-	3	18	170
Total Remuneration 2019	1,137	8	24	149	1,318

⁽¹⁾ As part of the restructure of the Racing Science Centre (RSC), the position of Director, Racing Science Centre was made redundant on 9 August 2019 and the incumbent was placed on deployment from that date. The position was replaced by the Director, Analytical Services and was filled through acting arrangements from 10 September 2019, until the position was permanently filled. Dr Shawn Stanley was appointed as Director, Analytical Services and he commenced on 23 March 2020.

3.2 Supplies and Services

Expenses are recognised in the Statement of Comprehensive Income in the period in which the Commission receives the goods or service.

Accounting Policy:

Distinction between grants and procurement – for a transaction to be classified as supplies and services, the value of goods and services received by the Commission must be of approximately equal value to the value of consideration exchanged for those goods and services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note 3.3 Grants and Subsidies.

Lease expenses – include lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note 5.4 Right-of-Use and Lease Liabilities for a breakdown of lease expenses and other lease disclosures.

Notes to the Financial Statements for the year ended 30 June 2020

3.2 Supplies and Services (cont'd)

	2020 \$'000	2019 \$'000
Consultants and contractors ⁽¹⁾	1,670	2,392
Office accommodation expenses ⁽²⁾	1,174	1,059
Corporate service providers ⁽³⁾	1,118	1,194
Plant and equipment maintenance	1,196	937
Animal care expenses	940	883
Laboratory and testing expenses	916	747
Travel expenses	478	546
Operating and administration costs	328	379
Motor Vehicle expenses	417	356
Lease expenses ⁽³⁾	139	235
Other	123	170
Total	8,499	8,898

⁽¹⁾ Contractor expenditure comprises mainly of payments for temporary staff employed through recruitment agencies to backfill staff vacancies and to provide additional administrative support; legal costs associated with external review applications of stewards decisions under the rules of racing; project management and internal audit services.

⁽²⁾ Refer to Note 5.4 Right-of-Use and Lease Liabilities.

⁽³⁾ Refer to Note 7.4 Related Party Transactions.

3.3 Grants and Subsidies

	2020 \$'000	2019 \$'000
Racing Animal Welfare (RAW) grant payments	68	-
Total	68	-

⁽¹⁾ The RAW grants program opened on 1 July 2019 and provides up to \$10,000 to eligible community-based organisations to support the Commission's animal welfare priorities.

3.4 Depreciation and Amortisation

	2020 \$'000	2019 \$'000
Depreciation - Property, Plant and Equipment (Note 4.4)	1,091	895
Depreciation - Right-of-use assets (Note 5.4)	84	-
Amortisation (Note 4.5)	211	142
Total	1,386	1,037

Notes to the Financial Statements for the year ended 30 June 2020

3.5 Other Expenses

	2020 \$'000	2019 \$'000
External audit fees ⁽¹⁾	43	42
Insurance premiums - QGIF ⁽²⁾	46	52
Losses from disposal of property, plant and equipment	18	68
Special payments ⁽³⁾	20	-
Court-ordered costs	-	142
Other expenses	46	73
Total	173	377

⁽¹⁾ Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements is \$43,000 (2019: \$42,000).

⁽²⁾ The Commission's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund (QGIF), premiums being paid on a risk assessment basis. Insurance claims are subject to a \$10,000 deductible per claim.

⁽³⁾ Special payments represent ex gratia expenditure that the Commission is not contractually or legally obligated to make to other parties. Special payments during the 2019-20 includes a payment of \$15,650 to Racing Queensland to fund the difference to prizemoney of affected racing participants due to a photo-finish system issue.

4. Assets

4.1 Cash and Cash Equivalents

Accounting Policy:

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions. Interest revenue is recognised when it is earned.

	2020 \$'000	2019 \$'000
Cash at bank	3,681	3,632
Total	3,681	3,632

The Commission maintains a bank account with the Commonwealth Bank for its day-to-day operating transactions. Surplus funds are invested in a capital guaranteed cash fund held with the Queensland Treasury Corporation (QTC), with funds withdrawn as required to meet operating cash flow requirements. The Commission earned \$98,888 interest revenue on these bank accounts during the financial year at interest rates between 0.25% and 2.14% (2019: \$133,067).

Notes to the Financial Statements

for the year ended 30 June 2020

4.2 Receivables

Accounting Policy:

Receivables are measured at amortised cost which approximates their fair value and represents amounts owed to the Commission at the end of the reporting period. They are recognised when an invoice is issued, at the amount due at the time of sale or service delivery i.e. the agreed purchase/contract price. Terms are a maximum of 30 days; no interest is charged, and no security is obtained.

No loss or impairment allowance is recorded for the Commission's receivables as they are mainly from Queensland Government or Australian Government agencies. Amounts owing for fines and other revenue collected from racing industry participants are classified as agency transactions as the revenue collected is not controlled by the Commission. They are reported under Note 7.5 (b) as Agency Receivables. Impairment losses relating to these receivables are also disclosed under this note.

Credit risk management strategies are detailed in Note 7.2 Financial Instruments.

	2020	2019
	\$'000	\$'000
Statutory Receivables		
GST receivable	241	179
GST payable	(3)	(2)
	<u>238</u>	<u>177</u>
Contractual Receivables		
Annual leave reimbursements	129	268
Long service leave reimbursements	33	57
Qld Government Grant	150	-
Other	8	95
	<u>320</u>	<u>420</u>
Total	<u>558</u>	<u>597</u>

4.3 Other Assets

Accounting Policy:

Prepayments supplies and services relate to invoices paid in advance for goods and services yet to be received and where the value of the invoice is \$5,000 or more.

	2020	2019
	\$'000	\$'000
Current		
Prepaid salaries	50	-
Prepayments – supplies and services	335	387
Total	<u>385</u>	<u>387</u>
Non-Current		
Prepayments – supplies and services	9	13
Rental deposits	10	11
Total	<u>19</u>	<u>24</u>

Notes to the Financial Statements for the year ended 30 June 2020

4.4 Property, Plant and Equipment and Depreciation Expense

(a) Recognition and Acquisition

Accounting Policy:

Recognition – items of property, plant and equipment (PPE) with a historical cost or other value equal to or exceeding the following thresholds are capitalised in the year of acquisition:

Class	Threshold
Land	\$1
Plant and Equipment	\$5,000
Buildings	\$10,000

Items with a lesser value are expensed in the year of acquisition.

Expenditure is capitalised where it is probable that the expenditure will produce future service potential for the Commission. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset.

Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of complex assets – complex assets comprise separately identifiable components that require replacement at regular intervals and at different times to other components comprising the complex asset. On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item.

When a separately identifiable component is replaced, the existing component is derecognised. The replacement component is capitalised when it is probable that future economic benefits from the component will flow to the Commission in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are valued on the same basis as the asset class to which they relate. The Commission's complex assets is its special purpose Racing Science Centre (RSC) laboratory facility building.

Cost of Acquisition - All assets are initially recorded at their purchase price plus any costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be able to operate as intended (such as architect's fees and engineering design fees). Assets acquired at no cost, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Routine repair and maintenance costs, minor renewal costs and cost of training staff in the use of the asset are not included in the cost of the acquisition but instead are expensed when incurred.

b) Measurement for Plant and Equipment

Accounting Policy:

Measurement using Fair Value - Land and buildings are measured at fair value as required by Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (NCAP). These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable. This measurement also considers a market participant's ability to generate economic benefits by the asset's best use or highest sale.

Notes to the Financial Statements for the year ended 30 June 2020

4.4 Property, Plant and Equipment and Depreciation Expense (cont'd)

(b) Measurement (cont'd)

The fair values reported by the Commission are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. These include, but are not limited to, published sales data for land and buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued, including the assets' functionality, recent construction costs and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets.

Revaluations - Land and buildings are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or using appropriate and relevant indices. Revaluations using an independent professional valuer are undertaken at least once every five years.

Where assets have not been specifically appraised in the reporting period, previous valuations are updated via the application of indices supplied by the State Valuation Services (SVS). The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on its own particular circumstances.

Accounting for changes in fair value - Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class. For assets revalued using a cost valuation approach (e.g. current replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount.

(c) Depreciation Expense

Accounting Policy:

Property (other than land assets), plant and equipment have finite useful lives and are depreciated on a straight-line basis over the expected benefit period to the Commission.

Straight line depreciation is used reflecting the expected even consumption of economic benefits on a progressive basis over the useful life of these assets. Land is not depreciated as it has an unlimited useful life.

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

Assets under construction (work-in-progress) are not depreciated until construction is complete and the asset is put to use or is ready for its intended use, whichever is the earlier. These assets are then re-classified to the relevant class within property, plant and equipment.

The depreciable amount of improvements to or on leasehold property is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where the exercise of the option is probable.

Notes to the Financial Statements for the year ended 30 June 2020

4.4 Property, Plant and Equipment and Depreciation Expense (cont'd)

(c) Depreciation Expense (cont'd)

For the Commission's depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

Each class of depreciable asset is depreciated based on the following useful lives:

Class	Category	Useful Life
Buildings		10-64 years
Plant and Equipment	Laboratory Equipment	4-20 years
	Race Day Equipment	5-10 years
	Other Equipment	3-10 years
	Leasehold Improvements	4-10 years

The useful lives of property, plant and equipment were reviewed during the reporting period and adjusted where necessary.

(d) Impairment

Impairment of non-current physical assets is the decline in service potential of an asset over and above the use reflected through depreciation.

Accounting Policy:

All property, plant and equipment assets are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value since the last valuation was completed. Where there are indicators of a material change, the asset is revalued at the reporting date. If an indicator of possible impairment exists, the Commission determines the asset's recoverable amount which is equal to the higher of the fair value less costs of disposal and the asset's value.

Recoverable amount is determined as the higher of the asset's fair value less costs to sell and the depreciated replacement cost. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

As at 30 June there were no assets identified for impairment.

(e) Basis of Fair Values for Land and Buildings

Accounting Policy:

Fair value measurement hierarchy - All fair value assets are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities.
- Level 2 - represents fair value measurements that are substantively derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 – represents fair value measurements that are substantively derived from unobservable inputs.

There were no transfers of assets between fair value hierarchy levels during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

4.4 Property, Plant and Equipment and Depreciation Expense (cont'd)

(e) Basis of Fair Values for Land and Buildings

Asset Class	Basis of Valuation		Last specific appraisal	Fair value measurement
	2019-20	2018-19		
Land	Comprehensive	Indexation	30 June 2020	Level 2

The Commission owns the land in Albion that houses the RSC laboratory. A comprehensive revaluation of the land was undertaken by SVS during the current financial year with an effective date of 30 June 2020.

SVS performed a market based valuation on the basis of a comparison to sales of properties during 2018 which have similar attributes such as location; development potential, size, access to facilities and other community amenities and have relied on a direct comparison approach on a rate/m² improved of sales to subject. Maximum use of relevant observable inputs has been made for this valuation.

Asset Class	Basis of Valuation		Last specific appraisal	Fair value measurement
	2019-20	2018-19		
Buildings	Comprehensive	Indexation	1 January 2020	Level 3

Gray Robinson & Cottrell (GRC) Quantity Surveyors was commissioned during the current financial year to undertake a comprehensive revaluation of RSC buildings. The current replacement cost (CRC) approach was used to revalue the buildings, adjusting for the associated depreciation. The valuation was assessed as level 3 on the fair value hierarchy. The valuation of the buildings reflects the cost of replacing the existing building assets with a modern equivalent facility, with an effective date of 1 January 2020.

The CRC was determined from GRC's internal database of project cost information for similar projects relative to market driven indexation factors such as 'Locality' and 'Building Price Index' and a combination of pricing methodologies such as Rawlinson's rates for building and construction, adjusted to reflect the construction market as at the appraisal date. GRC carried out a site survey to accurately reflect the structural details of the building such as type and size of structure, materials, fixtures installed and the level of finish and to perform a condition assessment of the building to assess the depreciable values of the asset componentry, including the remaining useful life.

The Commission has assessed and confirmed the relevance and suitability of the valuations provided by both SVS and GRC based on its own particular circumstances for the reporting period. There has been no material movement in the building valuation since the comprehensive valuation was undertaken.

Notes to the Financial Statements
for the year ended 30 June 2020

4.4 Property, Plant and Equipment and Depreciation Expense

Closing Balances and Reconciliation of Carrying Amount

	Land - At Fair Value		Buildings - At Fair Value		Plant and Equipment - at Cost		Work in Progress - At Cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	4,821	4,821	5,744	4,040	8,091	8,200	-	375	18,656	17,436
Less: Accumulated depreciation	-	-	(1,919)	(1,687)	(3,340)	(3,828)	-	-	(5,259)	(5,515)
Carrying amount at 30 June	4,821	4,821	3,825	2,353	4,751	4,372	-	375	13,397	11,921
Represented by movements in carrying amount:										
Carrying amount at 1 July	4,821	4,821	2,353	1,966	4,372	3,272	375	504	11,921	10,563
Acquisitions	-	-	86	448	955	1,487	-	375	1,041	2,310
Revaluation increments	-	-	1,544	11	-	-	-	-	1,544	11
Disposals	-	-	-	-	(18)	(68)	-	-	(18)	(68)
Transfers	-	-	-	16	375	488	(375)	(504)	-	-
Depreciation	-	-	(158)	(88)	(933)	(807)	-	-	(1,091)	(895)
Carrying amount at 30 June	4,821	4,821	3,825	2,353	4,751	4,372	-	375	13,397	11,921

Notes to the Financial Statements

for the year ended 30 June 2020

4.5 Intangibles and Amortisation Expense

(a) Recognition and Measurement

Accounting Policy:

Recognition – the Commission’s intangible assets comprises of purchased software and internally developed software. Intangible assets with an historical cost or value equal to or greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Any training costs are expensed as incurred.

Measurement – there is no active market for any of the Commission’s intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses (if any). Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy below.

Closing Balances and Reconciliation of Carrying Amount

	Software Purchased - At Cost		Software Internally Generated - At Cost		Software - Work in Progress - At Cost		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross	216	1,985	3,555	-	-	-	3,771	1,985
Less: Accumulated amortisation	(73)	(330)	(467)	-	-	-	(540)	(330)
Carrying amount at 30 June	143	1,655	3,088	-	-	-	3,231	1,655
Represented by movements in carrying amount:								
Carrying amount at 1 July	1,655	955	-	-	-	47	1,655	1,002
Acquisitions	25	795	1,762	-	-	-	1,787	795
Transfers	(1,506)	47	1,506	-	-	(47)	-	-
Amortisation	(31)	(142)	(180)	-	-	-	(211)	(142)
Carrying amount at 30 June	143	1,655	3,088	-	-	-	3,231	1,655

Disclosure:

The Commission’s internally generated software includes the Registration and Licensing Environment (RandLE) customer relationship management system which cost \$3.2 million over 3 years to develop. The final development phase of the system was completed on 22 June 2020, enabling the Commission to fulfil multiple recommendations from the Queensland Greyhound Racing Industry Commission of Inquiry (Macsporrán report) and provide a contemporary online licensing environment for the Queensland racing industry.

Notes to the Financial Statements for the year ended 30 June 2020

4.5 Intangibles and Amortisation Expense (cont'd)

(b) Amortisation Expense

Accounting Policy:

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

Each class of intangible asset has the following useful lives:

Intangible Asset	Useful Life
Software purchased	5-20 years
Software internally generated	15 years

(c) Impairment

Accounting Policy:

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

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

5. Liabilities

5.1 Payables

Accounting Policy:

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

	2020 \$'000	2019 \$'000
Contractual Payables		
Creditors ⁽¹⁾	760	1,539
Payable to administered agency ⁽²⁾	29	22
	789	1,561
Statutory Payables		
Payroll tax payable	84	98
Total	873	1,659

⁽¹⁾ Due to COVID-19, the Commission adopted an immediate payment policy to support our small and medium sized enterprises (SME's).

⁽²⁾ Refer to Note 7.5 (c) Agency Payments.

Notes to the Financial Statements

for the year ended 30 June 2020

5.2 Accrued Employee Benefits

Accounting Policy:

Liabilities for short-term employee benefits due at the end of the reporting period are measured at their nominal amounts.

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

	2020	2019
	\$'000	\$'000
Salaries and wages	-	448
Superannuation payable	-	48
Long service leave levy payable	90	80
Annual leave levy payable	363	308
FBT payable	10	8
Total	463	892

Refer to Note 3.1 Employee Expenses.

5.3 Provisions

Accounting Policy:

Provisions are recorded when the Commission has a present obligation, either legal or constructive as a result of a past event, and the amount of the provision can be reliably measured. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period and discounted to reflect the present value of the obligation using an appropriate discount rate.

	2020	2019
	\$'000	\$'000
Restoration Costs	146	90
Total	146	90
Movement		
Balance at 1 July	90	88
Provision made	50	-
Changes in discount rate/passage of time	6	2
Balance at 30 June	146	90

There are clauses in accommodation lease agreements which require the Commission to remove any alterations made during the term of the lease and restore the leased premises back to the condition and appearance as at the commencement of the lease. Hence, where material, a provision for restoration costs has been recorded and included in the cost of the assets.

Notes to the Financial Statements
for the year ended 30 June 2020

5.4 Right-of-Use Assets and Lease Liabilities

(a) Right-of-Use Assets

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to the Commission's accounting for leases for which it is lessee. The transitional impacts of the new standards are disclosed in Note 1.3 (g) First year application of new accounting standards or change in accounting policy.

Accounting Policy:

The Commission measures right-of-use assets at cost subsequent to initial recognition. The Commission has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, the Commission allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, the Commission has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

	2020
	\$'000
Buildings:	
Opening balance at 1 July	207
Additions	125
Depreciation charge	(84)
Other adjustments (provision for make good)	50
Total	298

(b) Lease Liabilities

Accounting Policy:

When measuring the lease liability, the Commission uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease, are used.

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	125	-
Non-Current		
Lease liabilities	130	27
Total	255	27

Notes to the Financial Statements

for the year ended 30 June 2020

5.4 Right-of-Use Assets and Lease Liabilities (cont'd)

Disclosures:

Office accommodation and motor vehicles

DHPW provides the Commission with access to office accommodation and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note 3.2 Supplies and Services.

Details of leasing arrangements as lessee

Type of Lease	Lease Details
Office Equipment leases	The Commission has a lease for low value office equipment like photocopiers and printers. The Commission has elected to recognise this low value lease as an expense on a straight-line basis over the lease term, rather than accounting for them on the balance sheet.
Greyhound Adoption Program (GAP) facility	The Commission has a 5-year lease for the GAP facility until 31 December 2021, which is recognised on the balance sheet. Lease payments for this lease are reviewed annually and the rent is adjusted by the greater of 4% or CPI. As future rent increases are variable, they are not captured in the right-of-use asset or liability until the increases take effect. The Commission is currently negotiating a 5-year lease term renewal of the facility after the current lease expires.
External to Government - Office accommodation	The Commission has commercial leases for two regional offices with 2-3-year lease terms which are recognised on the balance sheet. The leases are subject to annual rent reviews, with either market or CPI-based increases. As future rent increases are variable, they are not captured in the right-of-use asset or liability until the increases take effect.

Amounts recognised in profit or loss

	2020 \$'000
Interest expense on lease liabilities	3
Breakdown of 'Lease expenses' included under Note 3.2	
- Expenses relating to short-term leases	74
- Expenses relating to leases of low value assets	39
- Expenses relating to variable lease payments	23
Total	139

Total cash outflow for leases

Total cash outflows for leases for the reporting period is \$216,694, comprising \$80,335 for repayment of lease liabilities and \$136,359 for lease expenses. Refer to Note 3.2 Supplies and Services.

Notes to the Financial Statements
for the year ended 30 June 2020

5.4 Right-of-Use Assets and Lease Liabilities (cont'd)

2018-19 disclosures under AASB 117:

Operating lease commitments at 30 June 2019	2019 \$'000
Not later than 1 year	468
Later than 1 year but not later than 5 years	320
	<u>788</u>

6. Equity Adjustments

6.1 Contributions by Owners

Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities* specifies the principles for recognising contributed equity by the Commission. The Commission recognises non-reciprocal contributions by owners as contributed equity.

	2020 \$'000	2019 \$'000
Approved capital funding ⁽¹⁾	2,602	2,123
Transfer of operating funds to capital for RandLE	100	560
Total	<u>2,702</u>	<u>2,683</u>

⁽¹⁾Funding consists of \$0.979 million for continued rollout of core drug testing technology in accordance with the RSC capital program and a capital grant of \$1.623 million to finalise the development of the RandLE system and deliver the remaining MacSporrán report recommendations. Refer to Note 4.5 Intangibles and Amortisation Expense.

6.2 Asset Revaluation Surplus

	2020 \$'000	2019 \$'000
Balance at 1 July	65	54
Revaluation Increment	1,544	11
Balance at 30 June	<u>1,609</u>	<u>65</u>

Refer to Note 4.4 Property, Plant and Equipment and Depreciation Expense.

Notes to the Financial Statements for the year ended 30 June 2020

7. Other Financial Statement Disclosures

7.1 Contingencies

As at 30 June 2020, there were 56 cases (2019: 38 cases) filed with the Queensland Civil Administrative Tribunal (QCAT) naming the Commission as the respondent.

It is not possible to make a reliable estimate of the costs payable, if any, in respect of the litigation at this time.

Effective from 1 July 2016, the Commission joined the Queensland Government Insurance Fund (QGIF). Under the QGIF, the Commission will be able to claim back, less a \$10,000 deductible, the amount paid to successful litigants. Also see Note 3.5 Other Expenses.

7.2 Financial Instruments

Accounting Policy:

Recognition - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Certain financial assets and liabilities arise under statute rather than a contract. Such financial assets and liabilities do not meet the definition of financial instruments and are therefore not recognised as financial instruments, for example, GST receivable and payroll tax payable.

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.

(a) Categorisation of Financial Instruments

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

Category	Note	2020 \$'000	2019 \$'000
Financial Assets			
Cash and cash equivalents	4.1	3,681	3,632
Contractual receivables at amortised cost	4.2	320	420
Total Financial Assets		4,001	4,052
Financial Liabilities			
Contractual payables at amortised cost	5.1	789	1,561
Total Financial Liabilities		789	1,561

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

b) Fair Value

The carrying amounts of receivables and payables, which represent the value of original transactions less any allowance for impairment, are consistent with the fair values of these balances.

There have been no transfers of assets between fair value hierarchy levels during the reporting period.

The Commission does not have any liabilities that are carried at fair value.

Notes to the Financial Statements for the year ended 30 June 2020

7.2 Financial Instruments (cont'd)

(c) Financial Risk Management

The Commission's activities expose it to credit risk, liquidity risk and market risk. All financial risk management is implemented in accordance with Government and internal policies approved by the Commissioner. These policies provide written principles for overall risk management and seeks to minimise potential adverse effects on the financial performance of the Commission.

Primary responsibility for the management of financial risks rests with the Office of the Commissioner with oversight and monitoring by the Audit and Risk Management Committee.

Risk Exposure	Definition	Exposure	Measurement Method	Risk Management Strategies
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 meet their obligation.	<p>The Commission is exposed to credit risk in respect of its Agency Receivables.</p> <p>The maximum exposure to credit risk at balance date is the gross carrying amount of fines and penalties receivable inclusive of the allowance for impairment.</p> <p>Refer to Note 7.5 (b) Agency Receivables for credit risk disclosures.</p>	Ageing analysis	<p>The Commission manages credit risk through the use of a credit management strategy, which includes the ability to immediately suspend a licence issued, if the licence holder fails to pay a debt, and declining a licence renewal until the outstanding debt is settled.</p> <p>Exposure to credit risk is monitored on an on-going basis.</p>
Liquidity Risk	Liquidity risk refers to the situation where the Commission may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The Commission is exposed to liquidity risk in respect of its contractual payables reported under Note 5.1 Payables.	Maturity Analysis	<p>The Commission manages exposure to liquidity risk by ensuring sufficient funds are available to meet employee and supplier obligations at all times.</p> <p>This is achieved by ensuring minimum levels of cash are held within the bank account to match the expected duration of the various employee and supplier liabilities.</p>
Market Risk	<p>The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.</p> <p><i>Interest rate risk</i> is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p>	<p>The Commission does not trade in foreign currency and is not materially exposed to commodity price changes or other markets.</p> <p>Exposure to interest rate risk is limited to cash investments held in the QTC cash fund. Refer to Note 4.1 Cash and Cash Equivalents.</p>	Interest rate sensitivity analysis	<p>The Commission does not undertake any hedging in relation to interest rate risk.</p> <p>Interest rate risk is minimised through a passive investment management strategy to ensure the return of capital and at the same time, generate a return commensurate with the risk taken.</p>

Notes to the Financial Statements for the year ended 30 June 2020

7.3 Commitments for Expenditure

Commitments for expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

	Capital Expenditure		Other Expenditure		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not later than 1 year	170	1,365	1,506	2,200	1,676	3,565
Later than 1 year but not later than 5 years	-	-	1,422	1,435	1,422	1,435
	170	1,365	2,928	3,635	3,098	5,000

7.4 Related Party Transactions

Transactions with people/entities related to KMP

No KMP related party transactions were identified during the reporting period.

Transactions with other Queensland Government-controlled entities

The Commission's primary sources of funding from Government for its services is grant revenue and equity injections (Refer Note 2.1 Grants and Other Contributions and Note 6.1 Equity Adjustments - Contributions by Owners, both of which are provided in cash via our administering department DAF.

The Commission engages the Corporate Administration Agency for financial, payroll and business system support services, the Queensland Shared Service Agency for telecommunication services and DAF for information technology services, under the "Shared Service Provider" model. The fees and terms of service are agreed through a service level agreement that is negotiated annually. See corporate service provider expenditure under Note 3.2 Supplies and Services.

The Commission also receives services free of charge from the Queensland Police Service (QPS) for police staff seconded to the Commission, and from Racing Queensland for access to the national racing systems.

Refer to Note 2.1 Grants and Other Contributions.

Notes to the Financial Statements for the year ended 30 June 2020

7.5 Agency Transactions

The Commission is responsible for administering the rules of racing and licensing of animals and racing industry participants.

As the Commission acts in the capacity of an agent and does not control the user charges and fee revenue collected from these activities, the revenue, associated receivables and expenditure payments to Government are classified as agency transactions and reported separately under this note, rather than in the Commission's Statement of Comprehensive Income and Statement of Financial Position.

Agency transactions are reported at a whole-of-government (WOG) level through the WOG Tridata reporting system.

Cash receipts and payments associated with these agency transactions is reported in the Commission's statement of cash flows as the transactions are processed through the Commission's operating bank account.

7.5 (a) User Charges and Fees Collected

Accounting Policy:

Licensing and registration fees are recognised under AASB 15 when the performance obligations are fulfilled. As the sole performance obligation is the issue of the licence to the racing participant and considering that licences fees are non-refundable, revenue will continue to be recognised on receipt, when the licence is issued.

Fines and penalties revenue is recognised at the time of the infringement event through the issue of a penalty notice. Accrued fine revenue is recognised if the infringement event has occurred but not yet invoiced.

Sale of goods and services revenue is recognised when the revenue is earned and can be measured reliably with sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Accrued revenue is recognised if the revenue has been raised but not yet invoiced.

		2020	2020	2020	2019
	Note	Actual	Original Budget	Budget Variance*	Actual
		\$'000	\$'000	\$'000	\$'000
User charges and fee revenue					
Licence and registration fees		877	713	164	1,144
Fines and penalties		342	286	56	346
Sale of goods and services		90	100	(10)	91
User charges and fees	8.4	<u>1,309</u>	<u>1,099</u>	<u>210</u>	<u>1,581</u>
Less: Expenses					
Bad Debts written off		-	5	(5)	8
Impairment losses		20	20	-	80
Administrative expenses		1	-	1	1
Payments to Consolidated Revenue		<u>1,288</u>	<u>1,074</u>	<u>214</u>	<u>1,492</u>
Total Expenses		<u>1,309</u>	<u>1,099</u>	<u>210</u>	<u>1,581</u>

Notes to the Financial Statements for the year ended 30 June 2020

7.5 Agency Transactions (cont'd)

7.5 (b) Agency Receivables

Accounting Policy:

Measurement - Receivables are measured at amortised cost which approximates their fair value and represents amounts owed to the Commission at the end of the reporting period.

Receivables are recognised at the amounts due at the time of sale, service delivery or infringement event i.e. the agreed purchase/contract price or offence code. Unless approved payment arrangements are in place, settlement of these amounts is required within 30 days from invoice date. No interest is charged, and no security is obtained.

Impairment – The loss allowance for debtors reflects the lifetime expected credit losses and incorporates reasonable and forward-looking information like economic charges and relevant industry data. Where there is no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off. This occurs when the debts are greater than 90 days overdue and the Commission has ceased enforcement activity.

	Note	2020 Actual \$'000	2020 Original Budget \$'000	2020 Budget Variance* \$'000	2019 Actual \$'000
Fines and penalties receivable		219	291	(72)	169
Other user charges receivables		11	-	11	25
Less: Loss Allowance		(101)	(20)	(81)	(80)
Total	8.4	129	271	(142)	114

Disclosure:

Credit Risk Exposure of Receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of agency receivables. The Commission considers debts that are over 30 days past due to have a significantly increased credit risk. Refer to Financial Instruments Note 7.2(c) Financial Risk Management.

The Commission measures the expected credit loss on agency receivables by individual debtor. The calculations reflect observed default rates using historical data from the last 4 years preceding 30 June 2020, and loss rates are calculated separately for groupings of customers with similar payment history patterns taking into account their current licence status.

The Commission actively pursues a range of debt recovery actions for overdue debtors, including the ability to immediately suspend a licence issued if the licence holder fails to pay a debt; offering payment arrangements and declining a licence renewal until the debt is settled.

Notes to the Financial Statements
for the year ended 30 June 2020

7.5 Agency Transactions (cont'd)

7.5 (b) Agency Receivables

	2020		2019	
	Gross	Expected	Gross	Expected
	Receivables	Credit	Receivables	Credit
	\$'000	Losses	\$'000	Losses
		\$'000		\$'000
Ageing				
Current	51	6	21	-
1 to 30 days overdue	71	22	107	53
31 to 60 days overdue	17	5	26	4
61 to 90 days overdue	10	3	9	3
Greater than 90 days overdue	81	65	31	20
Total	230	101	194	80

7.5 (c) Agency Payments

All user charges and fee revenue collected by the Commission is remitted to the Consolidated Fund on a quarterly basis via our administering department, DAF.

	Note	2020	2020	2020	2019
		Actual	Original	Budget	Actual
		\$'000	Budget	Variance*	\$'000
		\$'000	\$'000	\$'000	\$'000
				2020	2019
				\$'000	\$'000
Payments to Consolidated Revenue		1,331	1,074	257	1,492
Less: Movement in accounts receivable		(36)	(30)	(6)	(114)
Cash owing at 30 June		1,295	1,044	251	1,378
Cash payments during the year					
DAF administered account		1,266	1,044	222	1,356
		1,266	1,044	222	1,356
Total (payable)/receivable	8.4	(29)	-	(29)	(22)

7.6 Events Occurring after the Balance Date

There were no events after balance date that require disclosure in the financial statements.

Notes to the Financial Statements for the year ended 30 June 2020

8. Budgetary Reporting Disclosures

The Commission's explanation of major budget variances between the actual 2019-20 financial results and the original budget presented to Parliament is in accordance with FFR 5C Budgetary Reporting Disclosures.

8.1 Explanation of Major Variances – Statement of Comprehensive Income

Grants and Other Contributions - \$0.036 million: The actual amount is lower than budgeted primarily due to the \$0.100 million equity swap to fund further RandLE development, offset by lower actual QRCS secondment services received free of charge due to police vacancies during the year. See Note 6.1 Equity Adjustments – Contributions by Owners.

Employee Expenses - \$0.602 million: The actual amount is higher than budgeted partly due to the one-off public service bonus payment of \$0.127 million and \$0.273 million in salary expenditure for the Martin Inquiry, both of which were not originally budgeted. Other contributing factors for budget variance include award increases, higher staff recruitment costs, and the COVID-19 pandemic which led to lower annual leave taken in the latter half of the financial year. This resulted in both the cash salary cost and annual leave accrual being expensed and lower QSuper annual leave reimbursements compared to the previous financial year. See Note 4.2 Receivables.

Supplies and Services Expenses - \$0.248 million: Supplies and services expenditure was higher than budgeted primarily due to \$0.433 million spent on computer and other plant and equipment replacements during the financial year. This expenditure was offset by lower legal contractor and travel costs.

Depreciation and amortisation - \$0.874 million: This variance is primarily due to RSC capital program delays and delivery delays since the COVID-19 pandemic. Additionally, the useful life of PPE and intangibles were reviewed during the financial year and extended where necessary, resulting in lower depreciation and amortisation write-offs.

8.2 Explanation of Major Variances – Statement of Financial Position

Cash and Cash Equivalents – \$1.505 million: Due to the COVID-19 pandemic, the Commission changed its payment policy to support SME's and immediately pay all suppliers. As a result, cash at bank is lower than originally budgeted. Also contributing is the lower than budgeted depreciation and amortisation write-offs as detailed above.

Property, Plant and Equipment – \$1.657 million: The increase in the value of PPE is primarily due to the \$1.544 million un-budgeted upwards revaluation of the RSC buildings during the financial year.

Intangible Assets – \$0.223 million: The increase in the value of intangible assets is primarily due additional costs for RandLE to finalise the system development which was not budgeted.

Payables – \$1.752 million: Due to the COVID-19 pandemic, the Commission changed its payment policy to support SME's and immediately pay all suppliers to assist with stimulating the economy. This resulted in a 50% reduction in payables owing at year end compared to the previous financial year.

Equity - \$2.025 million: Equity is higher than budgeted primarily due to the \$1.544 million upwards revaluation of the RSC buildings and the \$0.343 million 2018-19 operating surplus which was not accounted for in the original budget.

Notes to the Financial Statements for the year ended 30 June 2020

8. Budgetary Reporting Disclosures (cont'd)

8.3 Explanation of Major Variances – Statement of Cash Flows

Employee Expenses - \$0.181 million:

Cash outflows for employee expenses were lower than budgeted mainly due to a higher amount (\$0.453 million) owing to QSuper at year end for annual leave and LSL levies.

Supplies and Services - \$1.573 million:

Supplies and services outflows were higher than budgeted due to the change in payment policy because of COVID-19 which is reflected through lower payables at year end (\$0.873 million owing against a budget of \$2.625 million).

Payments for PPE – \$0.619 million:

Payments for PPE were lower than budgeted primarily due to RSC capital acquisitions of \$0.400 million being deferred to 2020-21.

8.4 Explanation of Major Variances – Agency Transactions

User Charges and Fee Revenue – \$0.210 million:

User charges and fee revenue is higher than budgeted mainly due to a greater number of licences applications and renewals and animal registrations processed during the financial year (\$0.877 million fees collected against a budget of \$0.713 million). There was also a higher value of fines issued during the year (\$0.342 million against a budget of \$0.286 million).

Accounts Receivable - \$0.142 million:

The decrease in accounts receivable is mainly due to a higher doubtful debt provision at year-end of \$0.101 million. This is partly due to the impact of the COVID-19 pandemic which has seen in a lower level of debt being paid.

Appendix 1

Management Certificate for the Queensland Racing Integrity Commission

These general-purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62 (1) (b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects: and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Racing Integrity Commission for the financial year ended 30 June 2020 and of the financial position of the entity at the end of that period; and

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Radhika Munien (CPA)
Finance Manager

13 August 2020



Ross Barnett (APM)
Racing Integrity Commissioner

13 August 2020

Appendix 2

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Commissioner of Queensland Racing Integrity Commission.

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Racing Integrity Commission.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 management certificate.

Basis for opinion

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

I am independent of the 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 Auditing Standards*.

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

Responsibilities of the entity for the financial report

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

The Racing Integrity Commissioner 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.

Appendix 2

Independent Auditor's Report *(continued)*



Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity'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 Racing Integrity Commissioner 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 2020:

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

Prescribed requirements scope

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

A handwritten signature in black ink, appearing to be "MF", with a stylized flourish extending to the right.

Melissa Fletcher
as delegate of the Auditor-General

17 August 2020
Queensland Audit Office
Brisbane

Appendix 3

Glossary

Term	Definition
Animal Welfare Direction	A written direction given by an authorised officer, under Section 193 of the <i>Racing Integrity Act 2016</i> , requiring stated action about the animal or its environment.
Authorised Officer	Officers appointed and given particular powers under the <i>Racing Integrity Act 2016</i> .
Crime Stoppers	A telephone hotline, website and mobile app for members of the community to provide anonymous information about suspicious or criminal activity.
Greyhound Adoption Program (GAP)	Animal welfare program run by the QRIC to assess and, where suitable, rehome retired racing greyhounds.
Intelligence	Information collection, analysis and dissemination processes that support informed decision-making to improve organisational planning and prioritised deployment of resources.
Internal Adjudicator	An internal QRIC position created to conduct independent, impartial reviews of original decisions as part of the internal review process.
Internal Review	The review of an original decision, conducted by an independent Commission adjudicator, with a view to either confirming, amending or substituting that original decision. Triggered by a formal application to the Commission.
MacSporran Report	Queensland Greyhound Racing Industry Commission of Inquiry. Independent inquiry established in April 2015, under the <i>Commissions of Inquiry Act 1950</i> , to review the integrity and control systems governing the greyhound racing industry in Queensland. Led by Alan MacSporran QC, the output of this inquiry is also known as the MacSporran Report.
Martin Inquiry	Independent inquiry into animal cruelty in the management of retired Thoroughbred and Standardbred horses in Queensland which was conducted from October 2019 to January 2020.

Term	Definition
Match-fixing	Defined by Section 443 of the Queensland Criminal Code as conduct that affects, or if engaged in could reasonably be expected to affect, the outcome of a sporting event or contingency.
Queensland Racing Integrity Commission (the Commission/ the QRIC)	The Queensland Racing Integrity Commission.
Original decision	Any decision defined under Section 240 of the <i>Racing Integrity Act 2016</i> .
Queensland Civil and Administrative Tribunal (QCAT)	An independent tribunal that resolves disputes, and makes and reviews decisions in a range of jurisdictions including racing. Available to racing industry participants as a mechanism for the external review of internal review decisions.
Racing Integrity Act 2016	Primary Queensland legislation that established the Queensland Racing Integrity Commission and governs its core business.
Report Something	The Commission’s own information sharing process, allowing anyone with information about the racing industry and/or its participants to report it to the QRIC via phone, email, in-person, or via webform.
RSC	Racing Science Centre, Hamilton
Rules of Racing	The collection of national and local rules that govern racing activity across the three codes in Queensland.
Steward	Officers employed under the <i>Racing Integrity Act 2016</i> and under the respective Rules of Racing can supervise particular matters at race meetings.

Appendix 4

Compliance checklist


Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7 Page 3
Accessibility	<ul style="list-style-type: none"> Table of contents Glossary 	ARRs – section 9.1 Pages 1 and 70
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2 Page 2
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 Page 2
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 9.4 Page 2
	<ul style="list-style-type: none"> Information licensing 	<i>QGEA – Information Licensing</i> ARRs – section 9.5 Page 2
General information	<ul style="list-style-type: none"> Introductory information 	ARRs – section 10.1 Pages 4–5
	<ul style="list-style-type: none"> Machinery of Government changes 	ARRs – section 10.2, 31 and 32 Not applicable
	<ul style="list-style-type: none"> Agency role and main functions 	ARRs – section 10.2 Pages 6–7
	<ul style="list-style-type: none"> Operating environment 	ARRs – section 10.3 Page 6
Non-financial performance	<ul style="list-style-type: none"> Government’s objectives for the community 	ARRs – section 11.1 Page 16
	<ul style="list-style-type: none"> Other whole-of-government plans/specific initiatives 	ARRs – section 11.2 Page 20
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.3 Pages 16–19
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.4 Pages 16–17
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1 Pages 22–26
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1 Page 9
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2 Page 9
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3 Not applicable
	<ul style="list-style-type: none"> Public Sector Ethics 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 Page 10
	<ul style="list-style-type: none"> Human Rights 	<i>Human Rights Act 2019</i> ARRs – section 13.5 Page 11
	<ul style="list-style-type: none"> Queensland public service values 	ARRs – section 13.6 Page 11

Summary of requirement	Basis for requirement	Annual report reference	
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Page 14
	• Audit committee	ARRs – section 14.2	Page 14
	• Internal audit	ARRs – section 14.3	Page 14
	• External scrutiny	ARRs – section 14.4	Page 14
	• Information systems and record keeping	ARRs – section 14.5	Page 15
Governance – human resources	• Strategic workforce planning and performance	ARRs – section 15.1	Pages 12–13
	• Early retirement, redundancy and retrenchment	<i>Directive No.04/18 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	Page 13
Open Data	• Statement advising publication of information	ARRs – section 16	Page 15
	• Consultancies	ARRs – section 33.1	https://data.qld.gov.au
	• Overseas travel	ARRs – section 33.2	https://data.qld.gov.au
	• Queensland Language Services Policy	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Page 66
	• Independent auditor’s report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Pages 67–69

FAA – *Financial Accountability Act 2009*

FPMS – *Financial and Performance Management Standard 2019*

ARRs – Annual report requirements for Queensland Government agencies



Queensland Racing
Integrity Commission

Annual Report 2019–2020

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