

Financial

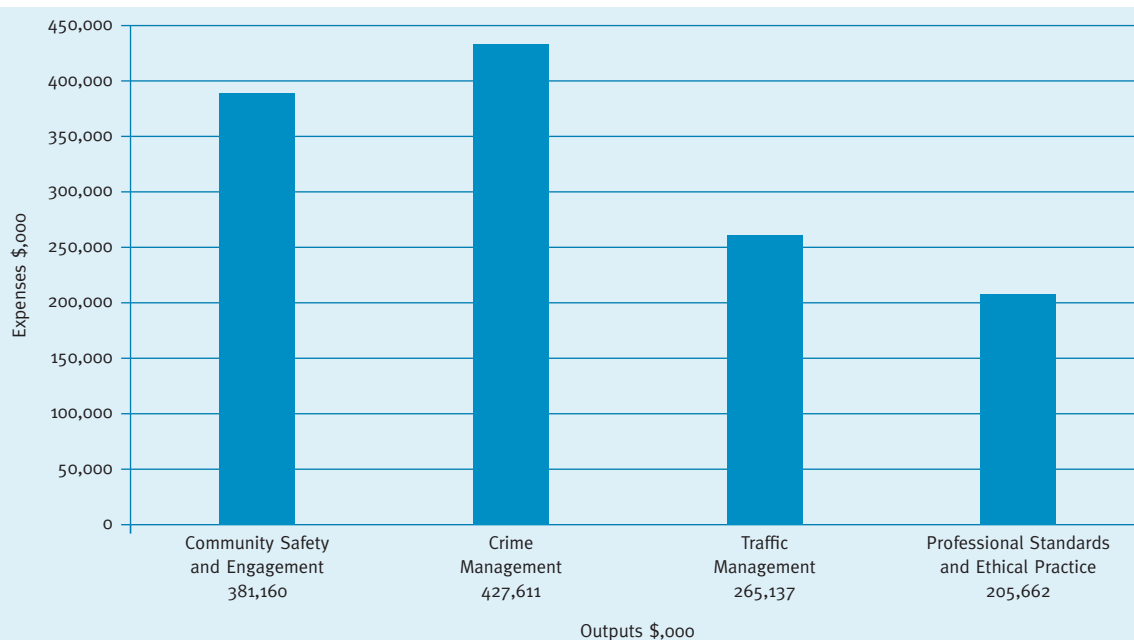
Highlights

Key Financial Data

Income Statement	2006-07 \$'000	2005-06 \$'000
Total Revenue	1,280,146	1,184,774
Total Expenses	1,279,570	1,183,936
Increase in Net Assets	302,394	162,501

Balance Sheet	2006-07 \$'000	2005-06 \$'000
Total Assets	1,652,370	1,335,052
Total Liabilities	201,155	186,231
Equity	1,451,215	1,148,821

In 2006-07, the Police Service delivered its departmental outputs at a cost of approximately \$1,280 million. The cost of the Corporate Resource Management output is proportionally spread, for the purposes of determining the cost of each deliverable.



The Police Service's Income Statement disclosed an audited operating surplus of \$0.576 million for 2006-07.

Output funding was the primary source of revenue for the Service at \$1,224 million and equated to 95.6% of the total revenue from ordinary activities. Output revenue represents appropriation payments received from the government to meet the costs of delivery of the approved departmental outputs.

Employee expenses continued to be the major expense for the Service, comprising 77.6% of the total expenses. The 8.0% increase in employee expenses over the previous financial year was due to growth in staff numbers and changes to Enterprise Bargaining costs.

Net assets increased by 26.3% to \$1,451 million during 2006-2007 which was primarily due to the government's continued investment in the Service's infrastructure and the revaluation of the land & buildings.

Financial Statements

The Police Service's Annual Financial Statements are included in this annual report and describe the financial position of the Service as at 30 June 2007.

While the Service maintains a much broader range of financial information to support its various management functions, the five statements included in this report provide a summary of the department's overall financial position.

Income Statement

This statement shows expenses and revenue and the results of financial operations for the year.

Balance Sheet

This statement provides information regarding assets, liabilities and the Service's equity at the end of the financial year.

Statement of Changes in Equity

This statement provides information on the changes in Retained Earnings, the Asset Revaluation Reserve and Contributed Equity.

Cash Flow Statement

This statement provides information concerning the sources and uses of cash during the financial year and available cash at the end of the financial year.

Income Statement by Outputs/Major Activities

The Income Statement by Outputs/Major Activities is aligned with the Service's Strategic Plan within the Managing for Outcomes framework. This Statement describes the allocation of expenses and revenues across the Service's four outputs. The outputs describe the core policing services purchased each year by the Government with the totals reconciling to the Income Statement.

Notes

A number of notes are included with the Police Service's Annual Financial Statements to comply with legislative and regulatory obligations and to assist in the interpretation of the Statements. The Statements should be read in conjunction with the relevant notes.

**Department of Police
Income Statement
For the year ended 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
Income			
Revenue			
Output revenue	2	1,224,293	1,133,874
User charges	3	27,982	24,473
Grants and contributions	4	22,000	14,854
Other revenue	5	4,868	6,940
Gains			
Gain on sale of property, plant and equipment	6	1,003	4,633
Total income		<u>1,280,146</u>	<u>1,184,774</u>
Expenses			
Employee expenses	7	992,716	919,770
Supplies and services	8	217,228	207,040
Depreciation and amortisation	9	54,916	41,575
Grants and contributions	10	638	902
Impairment losses	11	26	926
Revaluation decrement	12	2,679	76
Other expenses	13	11,367	13,647
Total expenses		<u>1,279,570</u>	<u>1,183,936</u>
Operating surplus/(deficit)		<u>576</u>	<u>838</u>

The accompanying notes form part of these statements.

Department of Police Balance Sheet As at 30 June 2007	Notes	2007 \$'000	2006 \$'000
Current assets			
Cash and cash equivalents	14	118,676	89,509
Receivables	15	21,200	21,277
Inventories	16	3,195	3,029
Other current assets	17	6,272	5,213
		<u>149,343</u>	<u>119,028</u>
Non-current assets classified as held for sale	18	4,406	3,347
Total current assets		<u>153,749</u>	<u>122,375</u>
Non-current assets			
Intangible assets	19	44,960	33,192
Property, plant and equipment	20	1,453,661	1,179,485
Total non-current assets		<u>1,498,621</u>	<u>1,212,677</u>
Total assets		<u>1,652,370</u>	<u>1,335,052</u>
Current liabilities			
Payables	21	52,612	61,333
Accrued employee benefits	22	116,073	106,901
Other current liabilities	23	26,404	13,772
Total current liabilities		<u>195,089</u>	<u>182,006</u>
Non-current liabilities			
Accrued employee benefits	22	6,066	4,225
Total non-current liabilities		<u>6,066</u>	<u>4,225</u>
Total liabilities		<u>201,155</u>	<u>186,231</u>
Net assets		<u>1,451,215</u>	<u>1,148,821</u>
Equity			
Contributed equity		371,316	322,197
Retained surpluses		379,334	376,309
Asset revaluation reserve	26	700,565	450,315
Total equity		<u>1,451,215</u>	<u>1,148,821</u>

The accompanying notes form part of these statements.

**Department of Police
Statement of Changes in Equity
For the year ended 30 June 2007**

	Retained Surpluses		Asset Revaluation Reserve		Contributed Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance 1 July	376,309	375,329	450,315	334,817	322,197	276,173
Operating surplus/(deficit)	576	833	-	-	-	-
Non-owner changes in equity:						
- Revaluation increments	-	-	252,407	117,882	-	-
- Change in non-current asset accounting policy	-	(754)	-	-	-	-
- Correction of errors	125	(1,707)	-	-	-	-
- Sale of revalued assets	2,157	2,384	(2,157)	(2,384)	-	-
Transactions with owners as owners:						
- Equity injections adjustment (Note 2)	-	-	-	-	49,119	44,324
- Equity refund	-	-	-	-	-	1,700
- Net leave liabilities transferred to (from) other departments	167	224	-	-	-	-
Balance 30 June	379,334	376,309	700,565	450,315	371,316	322,197

Department of Police Cash Flow Statement For the year ended 30 June 2007	Notes	2007 \$'000	2006 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Output receipts		1,234,694	1,139,418
User charges		28,520	25,874
Grants and contributions		4,189	4,559
GST input tax credits from ATO		33,176	30,917
GST collected from customers		6,571	5,933
Interest receipts		3,523	3,197
Other		1,986	1,918
<i>Outflows:</i>			
Employee expenses		(981,590)	(903,341)
Supplies and services		(217,884)	(192,779)
Grants and subsidies		(715)	(922)
Insurance premiums		(6,305)	(5,979)
GST remitted to ATO		(6,663)	(5,946)
GST paid to suppliers		(32,866)	(31,130)
Other		(1,434)	(7,967)
Net cash provided by (used in) operating activities	24	<u>65,202</u>	<u>63,753</u>
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		25,684	27,810
<i>Outflows:</i>			
Payments for property, plant and equipment		(91,401)	(97,711)
Payments for intangibles		(15,605)	(11,867)
Net cash provided by (used in) investing activities		<u>(81,322)</u>	<u>(81,768)</u>
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections		53,240	45,162
<i>Outflows:</i>			
Equity withdrawals		(7,952)	(660)
Net cash provided by (used in) financing activities		<u>45,288</u>	<u>44,502</u>
Net increase (decrease) in cash held		29,168	26,486
Cash at beginning of financial year		89,509	63,023
Cash at end of financial year	14	<u><u>118,676</u></u>	<u><u>89,509</u></u>

The accompanying notes form part of these statements.

Department of Police
Income Statement by Outputs / Major Activities
For the year ended 30 June 2007

	Community Safety and Engagement		Crime Management		Traffic Management	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income*						
Revenue						
Output revenue	361,383	330,284	410,428	396,373	255,299	237,758
User charges	9,108	7,767	10,568	9,498	5,847	5,106
Grants and contributions	7,079	4,806	5,553	4,524	3,585	2,429
Other revenue	1,536	721	1,783	883	981	474
Gains						
Gain on sale of property, plant and equipment	327	1,456	379	1,782	209	988
Total income	379,433	345,034	428,711	413,060	265,921	246,755
Expenses*						
Employee expenses	297,694	271,649	336,229	323,707	200,876	188,236
Supplies and services	61,981	55,700	70,128	67,192	46,640	41,510
Depreciation and amortisation	14,958	11,345	17,324	13,838	15,372	11,476
Grants and contributions	433	650	111	146	66	78
Impairment losses	8	896	10	-	5	-
Revaluation decrement	2,679	76	-	-	-	-
Other expenses	3,407	5,894	3,809	7,207	2,178	5,201
Total expenses	381,160	346,210	427,611	412,090	265,137	246,501
Operating surplus / (deficit)	(1,727)	(1,176)	1,100	970	784	254

* Allocation of income and expenses from ordinary activities to corporate services (disclosure only):

Income	118,556	104,817	131,141	125,586	85,634	77,621
Expenses	118,556	104,817	131,141	125,586	85,634	77,621

* Refer paragraph 1(u).

Department of Police
Income Statement by Outputs / Major Activities (cont)
For the year ended 30 June 2007

	Professional Standards and Ethical Practice		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income*				
Revenue				
Output revenue	197,183	169,459	1,224,293	1,133,874
User charges	2,459	2,101	27,982	24,472
Grants and contributions	5,783	3,095	22,000	14,854
Other revenue	568	4,864	4,868	6,942
Gains				
Gain on sale of property, plant and equipment	88	406	1,003	4,632
Total income	206,081	179,925	1,280,146	1,184,774
Expenses*				
Employee expenses	157,917	136,179	992,716	919,771
Supplies and services	38,479	35,923	217,228	200,325
Depreciation and amortisation	7,262	4,916	54,916	41,575
Grants and contributions	29	29	638	903
Impairment losses	3	-	26	896
Revaluation decrement	-	-	2,679	76
Other expenses	1,972	2,093	11,367	20,395
Total expenses	205,662	179,140	1,279,570	1,183,941
Operating surplus / (deficit)	419	785	576	833

* Allocation of income and expenses from ordinary activities to corporate services (disclosure only):

Income	64,475	56,401	399,806	364,425
Expenses	64,475	56,401	399,806	364,425

* Refer paragraph 1(u).

Department of Police
Notes to and forming part of the Financial Statements 2006-07

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- Note 1: Summary of Significant Accounting Policies
- Note 2: Reconciliation of Payments from Consolidated Fund to Output Revenue Recognised in Income Statement
Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity
- Note 3: User Charges
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- Note 6: Gain on Sale of Property, Plant & Equipment
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- Note 32: Reconciliation of Payments from Consolidated Fund to Administered Item Revenue
- Note 33: Trust Transactions and Balances
- Note 34: Agency Transactions
- Note 35: Events Occurring after Balance Date

Objective of the Department

The objective of the Department of Police is to serve the people of Queensland by protecting life and property, preserving peace and safety, preventing crime and upholding the law in a manner which has regard for the public good and the rights of the individual.

The Department is funded for the outputs it delivers principally by parliamentary appropriations. It also provides the following on a fee for service basis:

- heavy vehicle road escorts;
- traffic supervision at road works; and
- security services at large sporting events

1. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AEIFRS).

This financial report is a general purpose financial report.

In particular, the financial statements comply with *AAS 29 Financial Reporting by Government Departments*, as well as the Treasurer's Minimum Financial Reporting Requirements for the year ending 30 June 2007 and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

The Treasurer has mandated the early adoption of *AASB 7 Financial Instruments: Disclosures (August 2006)*.

Critical accounting estimates

The preparation of financial statements in conformity with AEIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the department's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the department and that are believed to be reasonable under the circumstances. The department has made no judgements or assessments which may cause a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

(b) The Reporting Entity

The financial statements include the value of all revenues, expenses, assets, liabilities, and equities of the department.

The outputs/major activities undertaken by the department are disclosed in Note 1(v).

(c) Administered Transactions and Balances

The department administers, but does not control, certain resources on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

Administered transactions and balances are disclosed in Note 31. These transactions and balances are not significant in comparison to the department's overall Income Statement/Balance Sheet.

(d) Trust and Agency Transactions and Balances

The department undertakes certain trustee transactions and maintains related balances on behalf of various parties and also performs certain agency transactions.

As the department acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in Notes 33 and 34 respectively. Applicable audit arrangements are also shown.

(e) Output Revenue/Administered Item Revenue

Appropriations provided under the Annual Appropriation Act are recognised as revenue when received. Appropriations receivable and unearned appropriation revenue are recognised at 30 June as approved by Queensland Treasury.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered item' appropriation.

(f) User Charges, Taxes, Fees and Fines

User charges and fees controlled by the department are recognised as revenues when invoices for the related services are issued. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives.

Taxes, fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to Note 31.

(g) Grants and Contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them.

Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

Contributed assets are recognised at their fair value.

Contributions of services received free of charge or for nominal value are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and as an expense.

(h) Cash and Cash Equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash assets include cash on hand, all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions.

(i) Receivables

Trade debtors are recognised at fair value due at the time of sale or service delivery and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that the department will not be able to collect all amounts due, the carrying amount of receivables is reduced with provision being made for impairment. The loss is recognised as an expense in the Income Statement.

All known bad debts were written-off against the provision for impairment as at 30 June. Subsequent recoveries of amounts previously written-off are credited against expenses in the Income Statement.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate. Increases in the provision for impairment are based on loss events.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised in the same way as other receivables.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Net realisable value is determined on the basis of the department's normal selling pattern.

(k) Non-Current Assets Classified as Held for Sale

Non-current assets held for sale consist of those assets which management has determined are available for immediate sale in their present condition, and their sale is highly probable within the next twelve months.

These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. These assets are not depreciated.

(l) Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland department, are recognised at their fair value at date of acquisition in accordance with *AASB 116 Property, Plant and Equipment*.

(m) Property, Plant and Equipment

Items of property, plant and equipment, with a cost or other value in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

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

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

(n) Amortisation and Depreciation of Intangibles and Property, Plant and Equipment

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

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

Items comprising the department's technical library are expensed on acquisition.

(n) Amortisation and Depreciation of Intangibles and Property, Plant and Equipment (cont)

For each class of depreciable asset the following depreciation and amortisation rates were used:

Class	Average Rate %
Buildings	1.6
Major plant and equipment	*
Plant and equipment:	
Motor vehicles	44.2
Vessels	15.9
Leasehold improvements	9
Computer equipment	21.5
Office equipment	12.4
Radio equipment	13.1
General plant and equipment	10.3
Intangible assets	
Software purchased	17.9
Software internally generated	15.7

* Aircraft are classified as major plant and equipment and were not depreciated in 2006/07 due to revaluations obtained.

(o) Revaluations of Non-Current Physical and Intangible Assets

Land, buildings and major plant and equipment are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

All other non-current assets, principally plant and equipment and intangibles, are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Non-current physical assets measured at fair value are comprehensively revalued on a rolling basis over a five year period, with interim valuations, using appropriate indices, being otherwise performed on an annual basis where there has been a material variation in the index. The department completed a five year program of progressive comprehensive revaluation of land and buildings as at 1 July 2006, which was carried out by the Department of Natural Resources and Mines with reference to recent market transactions conducted on an arm's length basis. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Major plant and equipment was revalued to fair value on transition to AEIFRS as at 1 July 2004. Comprehensive revaluations for this asset class were performed by an external valuer as at 30 June 2007.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation reserve of the appropriate asset 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 reserve relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

(p) Intangible Assets

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the department less any anticipated residual value. The residual value is zero for all the department's intangible assets.

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation.

Purchased Software

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the department.

Internally Generated Software

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 development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the department.

(q) Impairment of Non-Current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department 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.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also Note 1(o).

(r) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

There were no finance leases held by the department as at 30 June 2007.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

(s) Payables

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

(t) Employee Benefits

Wages, Salaries, Recreation Leave and Sick Leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

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

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the department to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper.

Therefore, no liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to *AAS 31 Financial Reporting by Governments*.

Executive Remuneration

The executive remuneration disclosures in the employee expenses note (Note 7) in the financial statements include:

- the aggregate remuneration of all senior executive officers (including the Chief Executive Officer) whose remuneration for the financial year is \$100,000 or more; and
- the number of senior executives whose total remuneration for the financial year falls within each successive \$20,000 band, commencing at \$100,000.

The remuneration disclosed is all remuneration received or receivable, directly or indirectly, from the entity or any related party in connection with the management of the affairs of the entity or any of its subsidiaries, whether as an executive or otherwise. For this purpose, remuneration includes:

- wages and salaries;
- accrued leave (that is, the increase/decrease in the amount of annual and long service leave owed to an executive, inclusive of any increase in the value of leave balances as a result of salary rate increases or the like);
- performance pay received or due and receivable in relation to the financial year, provided that a liability exists (namely a determination has been made prior to the financial statements being signed), and can be reliably measured even though the payment may not have been made during the financial year;
- accrued superannuation (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June);
- car parking benefits and the cost of motor vehicles, such as lease payments, fuel costs, registration/insurance, and repairs/maintenance incurred by the agency during the financial year, both paid and payable as at 30 June, net of any amounts subsequently reimbursed by the executives;
- housing (being the market value of the rent or rental subsidy - where rent is part-paid by the executive during the financial year, both paid and payable as at 30 June 2007);
- allowances (which are included in remuneration agreements of executives, such as airfares or other travel costs paid to/for executives whose homes are situated in a location other than the location they work in); and
- fringe benefits tax included in remuneration agreements.

The disclosures apply to all senior executives appointed by Governor in Council and classified as SES1 and above, with remuneration above \$100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:

- paid to an executive by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed; or
- in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.

In addition, separate disclosure of separation and redundancy/termination benefit payments is included.

(u) Allocation of Revenues and Expenses from Ordinary Activities to Corporate Services

The department discloses revenues and expenses attributable to corporate services in the Income Statement by Outputs/Major Activities.

Revenues and expenses identified as direct costs are fully applied to the relevant output/major activity. However indirect overhead revenues and expenses of regions and commands are identified as corporate services and are allocated to outputs/activities based on the results of a state-wide activity survey.

(v) Outputs/Major Activities of the Department

The identity and purpose of the outputs/major activities undertaken by the department during the year are listed below:

• Community Safety and Engagement

This output covers activities directed towards preventing crime, engaging the community and providing policing services that preserve public safety and good order during civil emergencies and special events.

• **Crime Management**

This output includes reactive policing, that is the policing response to general crime and other calls for assistance from members of the public. It also includes crime operations and criminal investigations conducted throughout the State by specialist officers, typically targeting large-scale offences.

• **Traffic Management**

Traffic Management describes both proactive and reactive policing operations or activities intended to prevent or detect motorists committing traffic offences. Road safety makes a significant contribution to the Government's outcome for safe and secure communities.

• **Professional Standards and Ethical Practice**

The service provides both pre-service and in-service training designed to establish and maintain a professional standard of policing for the Queensland community. The service also commits significant resources towards monitoring the ethical standards of its employees.

(w) Insurance

The department's non-current physical assets and other risks are largely insured through the Queensland Government Insurance Fund (QGIF), premiums being paid on a risk assessment basis. The department has privately insured its motor vehicles and its Air-wing pilots.

In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(x) Rounding and Comparatives

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(y) Contributed Equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes, are adjusted to 'Contributed Equity' in accordance with UIG Abstract 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(z) Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax and Goods and Services Tax (GST). As such, GST credits receivable from/payable to the Australian Tax Office (ATO) are recognised and accrued.

(aa) Issuance of Financial Statements

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

(ab) Judgements and Assumptions

The department has made no judgements or assessments which may cause a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

(ac) Services Received Free of Charge or for Nominal Value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

(ad) New and Revised Accounting Standards

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the department had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. The adoption of these new and revised Standards and Interpretations has resulted in a change to the department's accounting policies in relation to financial guarantee contracts.

The AASB released AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132] in September 2005. AASB 2005-9 amends AASB 139 Financial Instruments: Recognition and Measurement to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with revenue recognition policies.

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied.

The department cannot early adopt a new accounting standard ahead of the specified commencement date unless approval is obtained from Treasury. The Treasurer mandated the early adoption of AASB 7 Financial instruments disclosures in the 2005-06 financial year. No additional standards have been early adopted in 2006-07. Consequently, the department has not applied the other Australian Accounting Standards and AASB and UIG Interpretations that have been issued but are not yet effective. These will be applied from their operative date.

At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective.

Title	Operative for reporting periods beginning on/after
AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards	1 January 2008
AASB 2 : Share-based Payment	1 March 2007
AASB 4: Insurance Contracts	1 January 2007
AASB 8: Operating Segments	1 January 2009
AASB 101: Presentation of Financial Statements	1 January 2007
AASB 114: Segment Reporting	1 January 2007
AASB 117: Leases	28 February 2007
AASB 118: Revenue	28 February 2007
AASB 120: Accounting for Government Grants and Disclosure of Government Assistance	28 February 2007
AASB 121: The effects of Changes in Foreign Exchange Rates	28 February 2007
AASB 127: Consolidated and Separate Financial Statements	28 February 2007
AASB 131: Interests in Joint Ventures	28 February 2007
AASB 132: Financial Instruments: Presentation	1 January 2007
AASB 133: Earnings per Share	1 January 2007
AASB 139: Financial Instruments: Recognition and Measurement	28 February 2007
AASB 1023: General Insurance Contracts	1 January 2007
AASB 1038: Life Insurance Contracts	1 January 2007
AASB 1048: Interpretation and Application of Standards	31 March 2007
AASB 1049: Financial Reporting of General Government Sectors by Governments	1 July 2008
AASB 2007-1: Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	1 March 2007
AASB 2007-2: Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	28 February 2007
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009
Interpretation 4: Determining whether an Arrangement contains a Lease [revised]	1 November 2006
Interpretation 11: AASB 2 - Group and Treasury Share Transactions	1 March 2007
Interpretation 12: Service Concession Arrangements	1 January 2008
Interpretation 129: Disclosure - Service Concession Arrangements [revised]	1 January 2008

It is anticipated that the above Standards and Interpretations are either not applicable to the department or adoption of them in future periods will have no material financial impact on the department financial statements

Department of Police Notes to and forming part of the Financial Statements 2006-07 (cont)	2007 \$'000	2006 \$'000
2. Reconciliation of Payments from Consolidated Fund to Output Revenue Recognised in Income Statement		
Budgeted output appropriation	1,263,166	1,153,314
Transfers from/(to) other headings	(353)	-
Lapsed output appropriation	(28,119)	(12,638)
Total output receipts	<u>1,234,694</u>	<u>1,140,676</u>
Plus: Opening balance of output revenue payable	9,682	2,880
Less: Closing balance of output revenue payable	(20,083)	(9,682)
Output revenue recognised in Income Statement	<u>1,224,293</u>	<u>1,133,874</u>
Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity in the Statement of Changes in Equity		
Budgeted equity adjustment appropriation	121,495	89,380
Lapsed equity adjustment	(76,207)	(44,861)
Equity adjustment receipts (payments)	45,288	44,519
Less: Opening balance of equity adjustment receivable	(1,327)	-
Plus: Closing balance of equity adjustment receivable	3,636	1,327
	<u>47,597</u>	<u>45,846</u>
Plus: Opening balance of equity withdrawal payable	1,522	-
Less: Closing balance of equity withdrawal payable	-	(1,522)
Equity Adjustment Recognised in Contributed Equity	<u>49,119</u>	<u>44,324</u>
3. User Charges		
Special services	17,375	15,604
Traffic incident reporting system	815	1,122
Rental of government property	262	288
Sale of other goods and services	9,530	7,459
Total	<u>27,982</u>	<u>24,473</u>
4. Grants and Contributions		
Grants*	3,838	3,126
Services received at below fair value	18,142	11,589
Industry contributions	20	139
Total	<u>22,000</u>	<u>14,854</u>
* Included in 2006-07 grants are contributions of \$0.721M for the National Drug Strategy, \$0.296M for Regional Airport Security Training, \$0.106M for the Drug Diversion Program, and \$0.125M for the National Counter Terrorism Committee.		
5. Other Revenue		
Taxes, fees and fines	70	62
Interest	2,401	3,910
Insurance compensation - QGIF and other	1,723	2,247
Salary related and other reimbursements	349	424
Sale of plant and equipment (non-assets)	325	297
Total	<u>4,868</u>	<u>6,940</u>
6. Gain on Sale of Property, Plant and Equipment		
Property, plant and equipment	1,003	4,633
Total	<u>1,003</u>	<u>4,633</u>

7. Employee Expenses

Employee Benefits

Wages and salaries	804,360	742,240
Employer superannuation contributions*	109,653	101,188
Long service leave levy*	14,232	13,365
Voluntary redundancy payments	139	-
Other employee benefits	1,954	2,155

Employee Related Expenses

Payroll tax*	44,204	40,709
Workers Compensation premium*	18,174	20,113
Total	992,716	919,770

* Costs of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

Number of Employees

The number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis.

13,177 12,626

Executive Remuneration

The number of senior executives who received or were due to receive total remuneration of \$100,000 or more:

	2007	2006
\$120,000 to \$139,999	2	2
\$140,000 to \$159,999	3	6
\$160,000 to \$179,999	9	11
\$180,000 to \$199,999	10	2
\$200,000 to \$219,999	-	1
\$240,000 to \$259,999	2	-
\$280,000 to \$299,999	-	1
\$320,000 to \$339,999	1	-
Total	27	23

The total remuneration of executives shown above** (\$'000)

4,918 3,886

** The amount calculated as executive remuneration in these financial statements includes the direct remuneration received, as well as items not directly received by senior executives, such as the movement in leave accruals, fringe benefits tax paid on motor vehicles and employer superannuation contributions. This amount will therefore differ from advertised executive remuneration packages which do not include the latter items.

The total separation and redundancy/termination benefit payments during the year to executives shown above (\$'000)

135 -

8. Supplies and Services

Consultants and contractors	23,253	18,397
Materials	35,242	39,762
Repairs and maintenance	41,201	37,140
Transfer costs	6,303	6,049
Travel	11,845	10,266
Communications	23,819	22,700
Accommodation and public utilities	10,345	10,041
Resources provided below fair value	15,419	9,880
Contributions to national/state agencies	2,018	1,521
Training fees - courses/membership	1,550	1,392
Shared service provider charges	16,308	13,052
Equipment not capitalised	6,838	14,512
Operating lease rentals and rental of premises	7,856	6,716
Other	15,231	15,612
Total	217,228	207,040

9. Depreciation and Amortisation

Depreciation and amortisation were incurred in respect of:

Buildings	25,126	16,989
Plant and Equipment		
Vessels	1,036	1,033
Computing equipment	5,336	3,374
Motor vehicles	13,008	11,993
General plant and equipment	2,093	1,446
Radio equipment	1,521	1,539
Office equipment	1,411	1,240
Leasehold improvements	1,452	1,069
Software		
Software purchased	123	167
Software internally generated	3,810	2,725
Total	54,916	41,575

10. Grants and Contributions

Queensland Police-Citizens' Youth Welfare Association	210	396
Queensland Blue Light Association Inc.	25	25
Community policing grant - various authorities	129	224
Policing grants - various community groups	274	257
Total	638	902

11. Impairment Losses

Plant and equipment	-	896
Bad and impaired debts	26	30
Total	26	926

12. Revaluation Decrement

Major Plant and Equipment - Aircraft	2,679	76
Total	2,679	76

The decrement, not being a reversal of a previous revaluation increment in respect of the same class of assets, has been recognised as an expense in the Income Statement.

13. Other Expenses

Legal fees and compensation claimable from QGIF	618	1,216
Insurance premiums - QGIF	1,844	1,505
Insurance premiums - Other	3,510	2,716
External audit fees*	187	136
Property, plant and equipment write-offs	1,199	1,301
Inventory write-offs	26	32
Losses from disposal of non-current assets	2,177	4,629
Losses of public monies	123	-
Special payments:		
- Ex-gratia payments	87	92
- Spouse payments	182	189
- Gifts	5	97
Other	1,409	1,734
Total	11,367	13,647

* Total external audit fees relating to the 2006-07 financial year are estimated to be \$155,000 (2006: \$143,000). There are no non-audit services included in this amount.

Department of Police	2007	2006
Notes to and forming part of the Financial Statements 2006-07 (cont)	\$'000	\$'000

14. Cash and Cash Equivalents

Imprest accounts	217	205
Cash at bank	118,459	89,304
Total	118,676	89,509

The Cash Management Incentives Regime (CMIR) has been abolished, effective 1 January 2007. Cash deposited between July 2006 and December 2006 earned interest at rates between 4.96% and 5.18% (2006: 4.6% to 4.7%).

15. Receivables

Trade debtors	8,126	8,662
less: Provision for impairment	(13)	(151)
	<u>8,113</u>	<u>8,511</u>
 GST receivable	 5,021	 6,202
GST payable	(648)	(655)
	<u>4,373</u>	<u>5,547</u>
 Equity injection receivable	 3,636	 1,327
Interest	9	1,131
Long service leave reimbursements	3,030	2,720
Advances - capital works projects	2,039	2,042
Total	21,200	21,277

Movements in the allowance of provision for impairment

	2007	2006
	\$'000	\$'000
Balance at beginning of the year	151	161
Amounts written off during the year	(140)	(48)
Amounts recovered during the year	(13)	-
Increase/decrease in allowance recognised in profit or loss	15	38
Balance at the end of the year	<u>13</u>	<u>151</u>

16. Inventories

Supplies and consumables - at cost	3,195	3,029
Total	3,195	3,029

17. Other Current Assets

Prepayments	6,246	5,136
Other	26	77
Total	6,272	5,213

18. Non-Current Assets Classified as Held For Sale

Motor vehicles	4,406	3,347
Total	4,406	3,347

19. Intangible Assets

Software Purchased:

At cost	2,002	1,447
Less: Accumulated amortisation	(1,044)	(1,179)
	<u>958</u>	<u>268</u>

Software Internally Generated:

At cost	55,060	36,363
Less: Accumulated amortisation	(12,262)	(9,003)
	<u>42,798</u>	<u>27,360</u>

Work in progress

1,204 5,564

Total

44,960 33,192

Intangibles Reconciliation

	Software Purchased	Software Internally Generated	Work in Progress
Carrying amount at 1 July 2006	268	27,360	5,564
Acquisitions	813	190	14,698
Acquisitions through internal development	-	19,058	(19,058)
Amortisation	(123)	(3,810)	-
Carrying amount at 30 June 2007	<u><u>958</u></u>	<u><u>42,798</u></u>	<u><u>1,204</u></u>

Amortisation of intangibles is included in the line item 'Depreciation and Amortisation' in the Income Statement.

All intangible assets of the department have finite useful lives and are amortised on a straight line basis. Refer to Note 1(p).

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

No intangible assets have been classified as impaired which is mainly due to the fact that most intangibles have been recently purchased or are work in progress.

20. Property, Plant and Equipment

Land:

At valuation	416,561	274,214
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Buildings:

At valuation	1,346,138	1,130,041
Less: Accumulated depreciation	(456,037)	(357,978)
	<u>890,101</u>	<u>772,063</u>

Major Plant and Equipment:

At valuation	11,067	14,053
Less: Accumulated depreciation	(633)	(957)
	<u>10,434</u>	<u>13,096</u>

Plant and Equipment

At cost	197,676	186,583
Less: Accumulated depreciation	(88,452)	(81,537)
Less: Accumulated impairment losses	-	(896)
	<u>109,224</u>	<u>104,150</u>

Work in Progress:

At cost	27,341	15,962
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Total

1,453,661 1,179,485

Independent valuations of land and buildings were performed by the Department of Natural Resources and Mines using 'fair value' principles in accordance with the department's five year program of comprehensive revaluations. Refer Note 1(o).

The valuation of land is based on current market values. The valuation of buildings is based on depreciated current replacement cost, unless a market price in an active and liquid market exists.

20. Property, Plant and Equipment (cont)

Major plant and equipment was independently valued by JD Dodds as at 30 June 2007 using 'fair value' principles. The valuations were determined using current market values.

Plant and equipment including leasehold improvements are valued at cost in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. Refer Note 1(o).

The department has 68 buildings with an original acquisition cost of \$11.831M and 647 items of plant and equipment with an original acquisition cost of \$14.161M that have a written down value of zero which are still being used in the provision of services. There are no plans to retire or replace the buildings. Plant and equipment will be replaced as required.

The department has 248 items of plant and equipment with an original cost of \$6.820M that have depreciated down to their residual value of \$4.437M and are still being used in the provision of services. All of these assets are expected to be replaced in the 2007/08 financial year.

During 2005/06 a vessel was identified as being in a sub-standard condition and determined to be impaired. The vessel was written down to its depreciated replacement cost. An impairment loss of \$0.896M was recognised in the Income Statement.

20. Property, Plant and Equipment Reconciliation

	Land 2007 \$'000	Buildings 2007 \$'000	Major Plant and Equip 2007 \$'000	Plant and and Equip 2007 \$'000	Work in Progress 2007 \$'000	Total 2007 \$'000
Carrying amount at 1 July 2006	274,214	772,064	13,096	104,150	15,962	1,179,486
Acquisitions	6,952	17,456	17	52,092	26,941	103,458
Assets not previously recognised	-	-	-	-	-	-
Donations received	-	-	-	1,145	-	1,145
Disposals	(4,968)	(830)	-	(18,969)	-	(24,767)
Assets reclassified as held for sale	-	-	-	(4,406)	-	(4,406)
Donations made	-	-	-	-	-	-
Transfers between classes	92	14,401	-	1,069	(15,562)	-
Impairment Losses recognised in Operating Surplus/(Deficit)*	-	-	-	-	-	-
Revaluation increments (Note 26)	140,271	112,136	(2,679)	-	-	249,728
Depreciation / amortisation	-	(25,126)	-	(25,857)	-	(50,983)
Carrying amount at 30 June 2007	416,561	890,101	10,434	109,224	27,341	1,453,661

21. Payables

Trade creditors	34,575	48,037
Other	18,037	13,296
Total	52,612	61,333

22. Accrued Employee Benefits

Current		
Recreation leave	87,348	81,235
Wages outstanding	22,067	19,718
Long service leave levy payable	3,666	3,389
Other employee entitlements	2,992	2,559
Total	116,073	106,901
Non-Current		
Recreation leave	6,066	4,225
Total	6,066	4,225

The discount rate used to calculate the present value of non-current annual leave is 6.4414% (2006: 5.7933%)

23. Other Current Liabilities

Unearned revenue	26,404	12,250
Equity withdrawal payable	-	1,522
Total	<u>26,404</u>	<u>13,772</u>

24. Reconciliation of Operating Surplus to Net Cash Provided by (Used In) Operating Activities

Operating surplus/(deficit)	576	833
Non-Cash Items:		
Impairment losses	26	926
Revaluation decrement expense	2,679	76
Depreciation expense	50,983	38,683
Amortisation expense	3,933	2892
Donated assets received	(1,145)	47
Loss on sale of property, plant and equipment	2,177	4,629
Gain on sale of property, plant and equipment	(1,003)	(4,633)
Inventory write-offs	26	32
Plant and equipment write-offs	1,199	1,301
Change in Assets and Liabilities:		
(Increase)/decrease in GST input tax credits receivable	219	(225)
(Increase)/decrease in LSL reimbursement receivables	(310)	413
(Increase)/decrease in trade receivables	563	(1,129)
(Increase)/decrease in inventories	204	306
(Increase)/decrease in interest receivable	1,122	(713)
(Increase)/decrease in prepayments	(2,596)	(673)
Increase/(decrease) in unearned revenue	(13,970)	(6,542)
Increase/(decrease) in employee benefits	5,758	13,600
Increase/(decrease) in accounts payable	16,353	7,916
Increase/(decrease) in accruals	(1,592)	6,014
Net Cash Provided by (Used in) Operating Activities	<u>65,202</u>	<u>63,752</u>

25. Non-Cash Financing and Investing Activities

Assets and liabilities received or donated/transferred by the department are detailed in Note 20 and included as revenues and expenses in Notes 4 and 8 respectively.

	<u>1,145</u>	<u>30</u>
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26. Asset Revaluation Reserve by Class:

	Land	Buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2006	153,582	296,033	700	450,315
Revaluation increments	140,271	112,136	-	252,407
Sale of revalued assets	(1,872)	(285)	-	(2,157)
Balance 30 June 2007	<u>291,981</u>	<u>407,884</u>	<u>700</u>	<u>700,565</u>

The asset revaluation reserve represents the net effect of upwards and downwards revaluations of assets to fair value.

27. Commitments for Expenditure

(a) Non-Cancellable Operating Lease Commitments	2007	2006
	\$'000	\$'000
Commitments under non-cancellable operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than one year	5,584	5,247
Later than one year and not later than five years	12,207	10,847
Later than five years	6,058	3,866
Total	<u>23,849</u>	<u>19,960</u>

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing and other leasing activities.

(b) Capital Expenditure Commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

2007	Buildings	Plant and Equipment
Payable:		
Not later than one year	38,692	3,735
Total	<u>38,692</u>	<u>3,735</u>
2006	Buildings	Plant and Equipment
Payable:		
Not later than one year	8,883	724
Later than one year and not later than five years	100	-
Total	<u>8,983</u>	<u>724</u>

28. Contingencies

Guarantees and Undertakings

The department has no guarantees or undertakings that have not been recognised in the financial statements.

(a) Litigation in Process

At 30 June 2007, the following cases were filed with the respective jurisdiction naming the Queensland Police Service as defendant:

	Number
Supreme Court	11
Magistrates Court	7
District Court	11
Total cases	<u>29</u>

The department's legal advisors and management believe that it would be misleading to estimate the final amounts payable (if any) in respect of this litigation.

The department also has received notification of a number of other cases that are not yet subject to court action. These cases may or may not result in subsequent litigation.

(b) Native Title Claims over Departmental Land

At 30 June 2007, there were 103 native title claims affecting about 1,256 parcels of departmental land. These claims have been registered with the National Native Title Tribunal but a determination is yet to be made.

Service exposure to liability for a claim is considered to be minimal as most of the affected land is community infrastructure developed in accordance with the gazetted purpose of the reserve.

29. Controlled Entities

The Department has no controlled entities.

30 Financial Instruments

Categorisation of Financial Instruments

The department has categorised the financial assets and financial liabilities held as:

Financial Assets	Category
Cash	
Receivables	Loans and receivables (at nominal value)
Financial Liabilities	
Payables	Financial liability not at fair value through the Profit and Loss (at nominal value)

Financial assets and financial liabilities are presented separately from each other, offsetting has not been applied.

Financial Risk Management

The department's activities expose it to credit risk and liquidity risk. There is no exposure to currency risk as the department operates nationally and does not trade in foreign currency. There is no exposure to interest rate risk as the department has no interest bearing investments or borrowings.

The department measures risk exposure using the following methods:

Risk Exposure	Measurement Method
Liquidity Risk	Sensitivity analysis
Credit Risk	Ageing analysis, earnings at risk

Credit Risk Exposure

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

The department manages credit risk through the use of the Credit Management Strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis, including that it has sufficient funds available to meet obligations at all times. Exposure to credit risk is monitored on a regular basis.

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as indicated in the Balance Sheet. No significant credit risks have been identified, as exposure is spread over a large number of counterparties and customers.

No collateral is held as security relating to the financial assets held by the department. No credit enhancements relate to the financial assets held by the department.

The recognised impairment loss is \$26,000 for the current year. This is a decrease of \$4,000 from 2006 and was due to a number of loss events.

30 Financial Instruments (cont)

The following table represents the Department's maximum exposure to credit risk based on contractual amounts net of any allowances as per AASB 139:

Maximum Exposure to Credit Risk

	2007 \$'000	2006 \$'000
Financial Assets		
Cash	118,676	89,509
Receivables	21,200	21,277
Total	<u>139,876</u>	<u>110,786</u>

Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following table represents an analysis of the age of the department's financial assets that are past due but not impaired.

	Not Overdue \$'000	Less Than 30 Days \$'000	30-60 Days \$'000	61-90 Days \$'000	More Than 90 Days \$'000	Total Financial Assets \$'000
Financial Assets						
Receivables	-	19,362	759	459	620	21,200

Impaired Financial Assets

The following table represents an analysis of the age of the department's impaired financial assets.

	Not Overdue \$'000	Less Than 30 Days \$'000	30-60 Days \$'000	61-90 Days \$'000	More Than 90 Days \$'000	Total Financial Assets \$'000
Financial Assets						
Receivables	-	-	-	-	13	13

Liquidity Risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities.

The department is exposed to liquidity risk through its trading in the normal course of business.

The department aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations at all times. This is achieved by ensuring that appropriate levels of cash are held in our main bank account so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the department.

Contractual maturity of financial liabilities

	<1 to 2 years \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	>5 years \$'000	Total Financial Liabilities \$'000
2007	52,612	-	-	-	-	-	52,612
2006	61,333	-	-	-	-	-	61,333

Department of Police
Notes to and forming part of the Financial Statements 2006-07 (cont)

30 Financial Instruments (cont)

Fair Value

The carrying amounts of all financial assets and financial liabilities are representative of their fair value.

Financial Instruments	2007		2006	
	Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Cash	118,676	118,676	89,509	89,509
Trade receivables	8,114	8,114	8,511	8,511
Other receivables	13,086	13,086	12,766	12,766
Total	139,876	139,876	110,786	110,786
Financial Liabilities				
Payables	52,612	52,612	61,333	61,333
Total	52,612	52,612	61,333	61,333

The following table sets out the credit, liquidity and interest risks of financial instruments held by the department in a format as it might be provided to management. The maturity amounts relate to the actual contractual payments at nominal value

2007

Credit, Liquidity and Interest Risk Tables
Maturity Date:

	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Greater than 5 years \$'000	Adjustment \$'000	Carrying Amount \$'000	Weighted Average Rate %
Financial Assets								
Non-interest bearing	139,876	-	-	-	-	-	139,876	NA*
Total	139,876	-	-	-	-	-	139,876	
Financial Liabilities								
Non-interest bearing	52,612	-	-	-	-	-	52,612	NA
Total	52,612	-	-	-	-	-	52,612	

* The Cash Management Incentives Regime (CMIR) has been abolished, effective 1 January 2007. The weighted average rate of interest received for July 2006 to December 2006 was 5.092%. No interest has been earned after this period.

2006

Credit, Liquidity and Interest Risk Tables
Maturity Date:

	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Greater than 5 years \$'000	Adjustment \$'000	Carrying Amount \$'000	Weighted Average Rate %
Financial Assets								
Non-interest bearing	21,277	-	-	-	-	-	21,277	NA
Variable interest rate	89,509	-	-	-	-	-	89,509	4.63%
Total	110,786	-	-	-	-	-	110,786	
Financial Liabilities								
Non-interest bearing	61,333	-	-	-	-	-	61,333	NA
Total	61,333	-	-	-	-	-	61,333	

31. Schedule of Administered Items*

Administered Revenues		
Taxes, fees and fines	2,754	1,956
Administered item revenue	750	418
Other	298	287
Total	3,802	2,661
 Administered Expenses		
Supplies and services	6	42
Grants and subsidies	744	376
Total	750	418
 Administered Assets		
<i>Current</i>		
Cash	2,649	2,595
Receivables	5	2
Total	2,654	2,597
 Administered Liabilities		
<i>Current</i>		
Payables	201	-
Transfers to Government	-	132
Other	2,453	2,465
Total	2,654	2,597
 Transfers to Government of Taxes, Fees and Fines	3,052	2,243

* The department has only one output - Administered.

32. Reconciliation of Payments from Consolidated Fund to Administered Item Revenue

Budgeted appropriations	391	376
Transfers from/to other headings	353	-
Total Administered Receipts	744	376
Plus: Opening balance of administered revenue payable	2,452	2,494
Less: Closing balance of administered revenue payable	(2,446)	(2,452)
Administered Item Revenue Recognised in Note 31	750	418

33. Trust Transactions and Balances

The department holds various suspense moneys temporarily before being transferred to appropriate parties e.g. exhibits or drug money held pending determination by a court, unclaimed and returned service cheques.

As the department performs only a custodial role in respect of these transactions and balances, they are neither controlled nor administered by it and accordingly, are not recognised in the financial statements. They are however, disclosed in these notes for the information of users.

Trust Assets and Liabilities

Current Assets

Cash	8,583	6,214
Total	<u>8,583</u>	<u>6,214</u>

The Queensland Auditor-General performed the audit of the department's trust transactions for 2006-07.

34. Agency Transactions

The department acts as an agent in the collection and distribution of charges and levies for various public sector agencies and local governments and in the collection of authorised deductions from employees' wages and salaries for on-payment to third parties. A reconciliation of amounts collected and distributed follows:

Balance at 1 July	133	135
Collections during reporting period	285,254	275,604
Distributions to principals during reporting period	<u>(285,194)</u>	<u>(275,606)</u>
Balance at 30 June*	<u>193</u>	<u>133</u>

* Held in the department's collection account and cleared in July.

Fees of \$178,672 (2006: \$232,982) received by the department for providing agency services are recognised in Note 3 User Charges.

The Queensland Auditor-General performed the audit of the department's agency transactions for 2006-07.

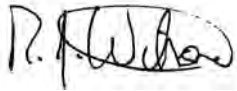
35. Events Occurring after Balance Date

There were no events occurring after balance date which would have a material impact on the information provided in these statements.

**Department of Police
Certificate of the Department of Police
For the year ended 30 June 2007**

These general purpose financial statements have been prepared pursuant to section 40(1) of the Financial Administration and Audit Act 1977 (the Act), and other prescribed requirements. In accordance with section 40(3) of the Act we certify that in our opinion:

- (a) the prescribed requirements for the establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Police for the financial year ended 30 June 2007 and of the financial position of the department at the end of that year.



R. Willson
Director, Finance Division
7/09/2007



R. Atkinson
Commissioner
7/09/2007

INDEPENDENT AUDIT REPORT

To the Commissioner of the Department of Police

Matters relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Department of Police for the financial year ended 30 June 2007 included on the Department of Police's web site. The Accountable Officer is responsible for the integrity of the Department of Police's web site. We have not been engaged to report on the integrity of the Department of Police's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Department of Police, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Department of Police, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity, cash flow statement and income statement by outputs/Major Activities for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certificates given by the Director of Finance and the Commissioner.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation and true and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 1997*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of *Queensland Auditing Standards*, which incorporate the *Australian Auditing Standards*. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Department of Police for the financial year 1 July 2006 to 30 June 2007 and of the financial position as at the end of that year.



J F WELSH FCPA
Director of Audit
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane