



financial statements

# prostitution licensing authority

## statement of financial performance

for year ended 30 June 2002

	Note	2002	2001
		\$	\$
<b>Revenue from ordinary activities</b>			
User charges and fees	1	177,361	34,500
Government contributions		871,000	1,059,000
Other	2	44,845	24,551
<b>Total revenues from ordinary activities</b>		<b>1,093,206</b>	<b>1,118,051</b>
<b>Expenses from ordinary activities</b>			
Employee expenses	3	378,585	332,713
Supplies and services	4	269,439	174,412
Depreciation and amortisation	5	45,605	28,383
Other	6	189,523	112,380
<b>Total expenses from ordinary activities</b>		<b>883,152</b>	<b>647,888</b>
<b>Net surplus</b>		<b>210,054</b>	<b>470,163</b>

*The above statement should be read in conjunction with the accompanying notes.*

# prostitution licensing authority statement of financial position

at 30 June 2002

	Note	2002 \$	2001 \$
<b>Current assets</b>			
Cash assets	7	443,295	406,971
Receivables	8	22,575	28,027
Other	9	49,762	-
<b>Total current assets</b>		<b>515,632</b>	<b>434,998</b>
<b>Non-current assets</b>			
Intangibles	10	15,355	9,376
Property, plant and equipment	11	236,078	112,655
<b>Total non-current assets</b>		<b>251,433</b>	<b>122,031</b>
<b>Total assets</b>		<b>767,065</b>	<b>557,029</b>
<b>Current liabilities</b>			
Payables	12	36,324	63,836
Provisions		13	50,524
23,030			
<b>Total current liabilities</b>		<b>86,848</b>	<b>86,866</b>
<b>Total liabilities</b>		<b>86,848</b>	<b>86,866</b>
<b>Net assets</b>		<b>680,217</b>	<b>470,163</b>
<b>Equity</b>			
Retained surpluses	14	680,217	470,163
<b>Total equity</b>		<b>680,217</b>	<b>470,163</b>

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

# prostitution licensing authority

## statement of cash flows

for year ended 30 June 2002

	Note	2002	2001
		\$	\$
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Government contributions		871,000	1,059,000
User charges and fees		177,361	34,500
GST collected on sales		1,050	-
GST input tax credits received		47,172	36,849
Interest received		47,427	-
<i>Outflows:</i>			
Employee costs		380,960	263,697
Supplies and services		338,721	159,903
Insurance premiums		2,132	612
GST paid on purchases		59,422	39,802
GST remitted to ATO		-	-
Other		143,920	108,950
<b>Net cash provided by operating activities</b>	15	<b>218,855</b>	<b>557,385</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sale of property, plant and equipment		10,500	-
<i>Outflows:</i>			
Payments for property, plant and equipment		184,917	140,879
Payments for computer software		8,114	9,535
<b>Net cash used in investing activities</b>		<b>(182,531)</b>	<b>(150,414)</b>
<b>Net increase in cash held</b>		<b>36,324</b>	<b>406,971</b>
<b>Cash at beginning of financial year</b>		<b>406,971</b>	<b>-</b>
<b>Cash at end of financial year</b>	7	<b>443,295</b>	<b>406,971</b>

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

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

## **Objectives of the Authority**

The Prostitution Licensing Authority was established as a statutory body from 1 July 2000 under the *Prostitution Act 1999*. Under the Act, the objectives of the Authority are to establish an efficient and effective brothel licensing regime, to ensure that licensed brothels operate in accordance with the legislation and that the objectives of the legislation are achieved.

During 2001-02, the Authority continued to be substantially funded through non-reciprocal government contributions. In future years, it is expected that the Authority will become increasingly self funding from revenues generated from licence fees and certificate fees.

## **Summary of Significant Accounting Policies**

### **(a) Basis of Accounting**

These financial statements are a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, the *Treasurer's Minimum Reporting Requirements for 2001-02* as applicable to statutory authorities of the State and other authoritative pronouncements.

Except where stated, the financial statements have been prepared in accordance with the historical cost convention.

The accounting policies adopted are consistent with those for the previous year.

The accrual basis of accounting has been adopted.

### **(b) The Reporting Entity**

The financial statements include all assets, liabilities, revenues, expenses and equities of the Prostitution Licensing Authority. The Authority controls no other entities.

### **(c) Trust Transactions and Balances**

The Authority administers transactions and balances in a trust or fiduciary capacity on behalf of applicants for licences and certificates. As the Authority performs only a custodial role in respect of these balances until, and unless, licences or certificates are granted, they are not recognised in the Statement of Financial Performance, Statement of Financial Position and the Statement of Cash Flows, but are identified separately in Note 18.

### **(d) User Charges and Fees**

Application fees for licences and certificates and fees for licences and certificates granted are recognised as revenues of the Authority. Other user charges are recognised as revenues when invoices for the related services are issued.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

**(e) Cash Assets**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets includes all cash and cheques received but not banked as well as deposits at call with financial institutions.

**(f) Receivables**

Receivables are recognised at the nominal amounts due at the time of sale or service delivery. Settlement on trade debtors is generally required within 30 days. The collectability of receivables is assessed periodically with provision being made for doubtful debts. All known bad debts have been written off as at 30 June.

**(g) Acquisition of Assets**

Actual cost is used for the initial recording of all acquisitions of assets owned by the Authority. Assets acquired at no cost, or for nominal consideration, are recognised at their fair value at the date of acquisition.

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 architect's fees and engineering design fees.

**(h) Intangibles, Property, Plant and Equipment**

All intangible assets and all items of property, plant and equipment with a cost or other value greater than \$1,000, are recognised in the financial statements in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

**(i) Depreciation and Amortisation of Intangibles, Property, Plant and Equipment**

Depreciation and amortisation of intangibles, property, plant and equipment is calculated on a straight line basis so as to write off the net cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Authority.

The depreciable amount of leasehold improvements is allocated progressively over the estimated useful life of the improvements to the Authority or the unexpired period of the lease on the premises, whichever is the shorter.

Work-in-progress is not depreciated until it reaches service delivery capacity.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

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

<b>Class</b>	<b>Amortisation/Depreciation Rate</b>
	<b>%</b>
Intangibles (internal use software)	20
Computer equipment (hardware)	20.0-50.0
Office equipment (photocopier)	20
Office equipment (telephone, facsimile, shredders, e/whiteboards)	10.0-14.3
Office equipment (safes)	2.5
Plant and equipment	10.0-14.3
Leasehold improvements	20.0-33.3
Motor vehicles	16.7

## **(j) Revaluations of Non-Current Physical Assets**

From 1 July 2001 land, buildings, infrastructure and heritage and cultural assets are measured at fair value in accordance with AASB1041 *Revaluation of Non-Current Assets*, and Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*. All other non-current assets are measured at cost.

All non-current physical assets of the Authority are valued at cost in accordance with these standards.

## **(k) Leases**

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

The Authority held no finance leases at 30 June.

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.

## **(l) Payables**

Creditors are recognised upon receipt of the goods and 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 days terms.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

## **(m) Employee Entitlements**

### **Wages, Salaries and Annual Leave**

Wages, salaries and annual leave due but unpaid at reporting date recognised in the Statement of Financial Position include related on-costs such as employer superannuation contributions and workcover premiums.

### **Long Service Leave**

Under the State Government's long service leave scheme a levy is made on the Authority to cover this expense. 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.

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

## **(n) Taxation**

The Authority's activities are exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Tax Office are recognised and accrued.

## **(o) Insurance**

In accordance with Government policy, assets, except motor vehicles, are not insured. In addition, the Authority pays premiums to Workcover Queensland in respect of its obligations for employee compensation.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

**(p) Rounding and Comparatives**

Amounts included in the financial statements have been rounded to the nearest whole dollar, or where that amount is less than \$0.50, to zero.

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

**(q) 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 as an expense.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

	2002	2001
	\$	\$
<b>1 User Charges and Fees</b>		
Fees for licences granted	135,000	15,000
Fees for licence applications	28,500	16,500
Fees for certificates granted	285	-
Fees for certificate applications	13,500	3,000
Other fees	76	-
	<b>177,361</b>	<b>34,500</b>
<b>2 Other Revenue</b>		
Interest	30,303	24,551
Refund of payroll tax	14,542	-
	<b>44,845</b>	<b>24,551</b>
<b>3 Employee Expenses</b>		
Wages and salaries	337,112	269,030
Employer superannuation contributions	31,825	32,686
Long service leave levy	3,991	3,970
Other related expenses	5,657	27,027
	<b>378,585</b>	<b>332,713</b>
<b>Number of Employees at 30 June</b>	<b>6</b>	<b>6</b>
The number of employees includes full-time employees only. The Authority has no part-time employees.		
<b>4 Supplies and Services</b>		
Consultants and contractors	68,314	50,121
Materials	64,070	34,568
Travel	18,986	20,921
Repairs and maintenance	24,062	20,444
Communications	15,057	14,577
Queensland Police Service corporate service charges	20,000	20,000
Public utilities	14,155	5,492
Professional development	24,288	945
Other	20,507	7,344
	<b>269,439</b>	<b>174,412</b>

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

	2002	2001
	\$	\$
<b>5 Depreciation and Amortisation Expense</b>		
Depreciation and amortisation incurred in respect of:		
Computer equipment	15,198	13,937
Leasehold improvements	15,454	7,779
Motor vehicles	5,527	3,273
Office equipment	4,684	2,544
Plant and equipment	1,454	75
Furniture and fittings	1,152	616
Intangibles - own use software	2,136	159
	<b>45,605</b>	<b>28,383</b>
<b>6 Other Expenses</b>		
Insurance	2,132	612
External audit fees	6,400	1,200
Rental of premises	93,732	33,305
Prostitution Licensing Authority - chair and members' fees	49,271	50,653
Prostitution Advisory Council - chair and members' fees	30,446	26,534
Losses from disposal of non-current assets	6,189	-
Non-current assets written off	1,334	-
Other	19	76
	<b>189,523</b>	<b>112,380</b>
<b>7 Cash Assets</b>		
Imprest account	300	1,000
Cash at bank	442,995	405,971
	<b>443,295</b>	<b>406,971</b>
The total for cash assets reconciles to cash at the end of the financial year as disclosed in the Statement of Cash Flows.		
<b>8 Receivables</b>		
<i>Current</i>		
GST receivable	15,148	3,476
Interest receivable	7,427	24,551
	<b>22,575</b>	<b>28,027</b>

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

	2002	2001
	\$	\$
<b>9 Other Assets</b>		
<i>Current</i>		
Prepayments	1,499	-
Unexpended advances	48,263	-
	<b>49,762</b>	<b>-</b>
<b>10 Intangibles</b>		
Internal use software		
At cost	17,649	9,535
Less: Accumulated amortisation	(2,294)	(159)
Carrying amount at 30 June	<b>15,355</b>	<b>9,376</b>
<b>11 Property, Plant and Equipment</b>		
Leasehold improvements		
At cost	71,425	38,893
Less: Accumulated amortisation	(23,233)	(7,779)
Carrying amount at 30 June	48,192	31,114
Office equipment		
At cost	54,943	17,308
Less: Accumulated depreciation	(6,765)	(2,544)
Carrying amount at 30 June	48,178	14,764
Plant and equipment		
At cost	21,717	9,000
Less: Accumulated depreciation	(1,529)	(75)
Carrying amount at 30 June	20,188	8,925
Motor vehicles		
At cost	67,144	19,639
Less: Accumulated depreciation	(8,801)	(3,273)
Carrying amount at 30 June	58,343	16,366
Computer equipment		
At cost	51,144	49,879
Less: Accumulated depreciation	(8,823)	(13,937)
Carrying amount at 30 June	42,321	35,942

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

	2002	2001
	\$	\$
Fixtures and fittings		
At cost	13,445	6,160
Less: Accumulated depreciation	(1,915)	(616)
Carrying amount at 30 June	11,530	5,544
Capital works in progress		
Leasehold improvements at cost	7,326	-
Carrying amount at 30 June	7,326	-
<b>Total property, plant and equipment</b>	<b>236,078</b>	<b>112,655</b>

## Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current reporting period.

	Leasehold Improvements	Computer Equipment	Motor Vehicles	Office Equipment	Plant & Equipment	Fixtures & Fittings	Works in Progress	Total
	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July 2001		31,114	35,942	16,366	14,764	8,925	5,544	112,655
Acquisitions	32,532	38,268	47,504	43,897	12,717	2,673	7,326	184,917
Transfer between classes				(5,799)		5,799		0
Disposals		(16,691)						(16,691)
Write Offs						(1,334)		(1,334)
Depreciation/ amortisation	(15,454)	(15,198)	(5,527)	(4,684)	(1,454)	(1,152)		(43,469)
Carrying amount at 30 June 2002	48,192	42,321	58,343	48,178	20,188	11,530	7,326	236,078

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

	2002	2001
	\$	\$
<b>12 Payables</b>		
<i>Current</i>		
Trade Creditors	14,955	51,716
Other	21,369	12,120
	<b>36,324</b>	<b>63,836</b>
<b>13 Provisions</b>		
<i>Current</i>		
Annual leave	50,524	23,030
	<b>50,524</b>	<b>23,030</b>
<b>14 Changes in Equity</b>		
Retained Surpluses		
Balance 1 July	470,163	-
Net surplus	210,054	470,163
Balance 30 June	<b>680,217</b>	<b>470,163</b>
<b>15 Reconciliation of Net Surplus to Net Cash provided by Operating Activities</b>		
Net surplus	210,054	470,163
Depreciation and amortisation expense	45,605	28,383
Loss on sale of property, plant and equipment	6,189	-
Property, Plant and equipment written off	1,334	-
Change in assets and liabilities:		
(Increase)/decrease in GST receivable	(12,250)	(2,951)
(Increase)/decrease in other receivables	(31,139)	(24,551)
(Increase)/decrease in prepayments	(1,499)	-
Increase/(decrease) in other payables	(37,232)	51,191
Increase/(decrease) in GST payable	1,050	-
Increase (decrease) in accruals	9,249	12,120
Increase (decrease) in employee provisions	27,494	23,030
Net cash provided by operating activities	<b>218,855</b>	<b>557,385</b>

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

## 16 Commitments for Expenditure

### (a) Non-Cancellable Operating Lease Commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	127,403	80,368
Later than one year and not later than five years	247,477	236,481
<b>Total commitments</b>	<b>374,880</b>	<b>316,849</b>

Operating leases are entered into as a means of acquiring access to office accommodation. 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 lease contains restrictions on financing or other leasing activities.

### (b) Capital expenditure Commitments

The Authority had no capital expenditure commitments at 30 June.

## 17 Contingency

### (a) Guarantees and Undertakings

The Prostitution Licensing Authority had provided no guarantees or undertakings at 30 June.

### (b) Litigation in Progress

There are no known contingent assets or liabilities of a significant nature at 30 June.

## 18 Trust Transactions and Balances

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

The amount represents fees for applications awaiting Authority approval.

<b>Trust assets and liabilities</b>	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Cash	105,240	86,105
<b>Total current assets</b>	<b>105,240</b>	<b>86,105</b>

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

## 19 Financial Instruments

### (a) Interest Rate Risk Exposure

The Authority's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities is shown in the following table.

	Maturity Date		Total	Weighted Average Rate
	1 year or Less	Non-Interest Bearing		
	\$	\$	\$	%
<b>Financial Assets</b>				
Cash	442,995	300	443,295	3.56
Receivables	-	22,575	22,575	
<b>Total</b>	<b>442,995</b>	<b>22,875</b>	<b>465,870</b>	
<b>Financial Liabilities</b>				
Payables	-	36,324	36,324	
<b>Total</b>	<b>-</b>	<b>36,324</b>	<b>36,324</b>	

### (b) Credit Risk Exposures

Credit risk exposure represents the extent of credit related losses that the Authority may be subject to on amounts to be exchanged under accounts receivable from financial assets.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for doubtful debts as indicated in the Statement of Financial Position.

No significant credit risks have been identified.

### (c) Net Fair Values

The net fair value of cash, receivables and payables approximates their carrying value.

# prostitution licensing authority notes to and forming part of the financial statements

for the year ended 30 June 2002

## **Certificate of the Prostitution Licensing Authority**

The general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act) and other prescribed requirements. In accordance with Section 46F(3) of the Act we certify that in our opinion:

- (a) the prescribed requirements for the establishment and keeping of 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 Prostitution Licensing Authority for the financial year ended 30 June 2002 and of the financial position at the end of that year.

Margaret W Isaac  
Registrar  
3 September 2002

William J Carter QC  
Chairperson  
3 September 2002

## Independent Audit Report

### To the Board of the Prostitution Licensing Authority

#### Scope

I have audited the general purpose financial statements of the Prostitution Licensing Authority prepared by the Authority for the year ended 30 June 2002 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Chairperson and person responsible for financial administration.

The Authority is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the authority's financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations that I have required and, in my opinion

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the Prostitution Licensing Authority for the financial year 1 July 2001 and 30 June 2002 and of the financial position as at the end of that year.

E A Muir, FCPA  
Assistant Auditor-General  
(Delegate of the Auditor-General)



Queensland Audit Office  
Brisbane