

Dairy Authority of South Australia

Financial report
for the year ended
30 June 2020



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To the Chair Dairy Authority of South Australia

Opinion

I have audited the financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Dairy Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive Officer and the members of the Authority for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Authority are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dairy Authority of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the members of the Authority about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

30 September 2020

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Dairy Authority of South Australia (the Authority):

- comply with the relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and the relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Authority;
and
- present a true and fair view of the financial position of the Authority as at 30 June 2020
- and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Dairy Authority of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Roseanne Healy
Chair



Geoff Raven
Chief Executive Officer



Rocco Galluccio FCPA
Chief Financial Officer

Dated 29 September 2020

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
Income			
Fees and charges	4.1	751	747
Interest	4.2	8	10
Grant income		65	-
Other income	4.3	37	76
Total income		861	833
Expenses			
Employee benefits expenses	2.3	496	407
Supplies and services	3.1	119	157
Depreciation and amortisation	3.2	15	12
Property expenses	3.3	27	49
Travelling expenses		11	21
Other expenses	3.4	98	54
Total expenses		766	700
Net Result		95	133
Other Comprehensive Income			
Change in property asset revaluation surplus		-	260
Total Comprehensive Result		95	393

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	567	502
Receivables	6.2	49	21
Capitalised Expenses		20	-
Total current assets		636	523
Non-current assets			
Property, plant and equipment	5.1	2126	2141
Intangible assets	5.2	20	3
Total non-current assets		2146	2144
Total assets		2782	2667
Current liabilities			
Payables	7.1	23	56
Employee benefits	2.4	47	29
Other current liabilities	7.2	25	28
Total current liabilities		95	113
Non-current liabilities			
Payables	7.1	3	3
Employee benefits	2.4	82	44
Total non-current liabilities		85	47
Total liabilities		180	160
Net Assets		2602	2507
Equity			
Retained earnings		516	421
Asset revaluation surplus		2086	2086
Total equity	8.1	2602	2507

The accompanying notes form part of these financial statements.

The total equity is attributable to the SA Government as owner.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Asset Revaluation surplus \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2018	1826	288	2114
Gain on revaluation of land during 2018-19	260	-	260
Total comprehensive result for 2018-19	-	133	133
Balance at 30 June 2019	2086	421	2507
Net result for 2019-20	-	95	95
Total comprehensive result 2019-20	-	95	95
Balance at 30 June 2020	2086	516	2602

The accompanying notes form part of these financial statements.
All changes in equity are attributable to the SA Government as owner.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Cash inflows			
Fees and charges		764	743
Interest received		8	10
Other receipts		102	75
Cash generated from operations		874	828
Cash outflows			
Employee benefits payments		(485)	(394)
Payment for supplies and services		(286)	(262)
Cash used in operations		(771)	(656)
Net cash provided by operating activities		103	172
Cash flows from investing activities			
Cash outflows			
Purchase of intangibles		(18)	(4)
Capitalised Expenses		(20)	(29)
Cash used in investing activities		(38)	(33)
Net increase in cash and cash equivalents		65	139
Cash and cash equivalents at 1 July		502	363
Cash and cash equivalents at 30 June	6.1	567	502

The accompanying notes form part of these financial statements.

1. About the Dairy Authority of South Australia

The Dairy Authority of South Australia trading as (Dairysafe) is a not for profit Statutory Authority fully funded by the dairy industry and is responsible for administering the dairy food safety scheme pursuant to the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017*.

The Dairy Authority does not control any other entity and has no interest in unconsolidated structural entities.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australia Accounting Standards

For the 2019-2020 financial statements the Authority adopted AASB15 – *Revenue from Contracts with Customers*, AASB16 - *Leases* and AASB 1058 - *Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2 Objectives and activities

The functions of the Authority as defined in *Regulation 12* are:

- To administer the dairy industry food safety scheme.
- To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and enforce the Standard.

- To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.
- To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- To carry out other functions assigned to the Authority by these regulations or the Minister.

1.3 Impact of COVID -19 on the Authority

There has been no financial impact to the Authority as a result of the COVID-19 pandemic, however physical audits for farm and processor have been carried out via remote electronic means.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel include the Minister for Primary Industries and Regional Development, the Chief Executive Officer and the Board.

Total compensation for key management personnel was \$217 000 in 2019-20 and \$195 000 in 2018/19.

The compensation disclosed in this note excludes salaries and other benefits for the Minister of Primary Industries and Regional Development. The Minister's remuneration and allowances are set by the *Parliamentary Remunerations Act 1190* and the Remuneration Tribunal of SA respectively and are payable from the consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remunerations Act 1990*.

2.2. Board Members

Members during the 2020 financial year were:

Ms RC Healy

Ms K Matthias (term expired 30 June 2020)

Mr M Connor

Board remuneration

	2020 \$'000	2019 \$'000
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	2	2
\$20 000 - \$39 999	1	1
Total number of members	3	3

The total remuneration received or receivable by members was \$47 000 (\$47 000). Remuneration of members includes sitting fees and superannuation contributions.

2.3. Employee benefits expenses	2020	2019
	\$'000	\$'000
Salaries and wages	377	290
Long Service Leave	1	8
Annual leave	28	27
Skills and Experience Retention Leave	2	3
Employment on-costs-superannuation*	44	36
Board fees	44	43
Total employee benefits expenses	496	407

* Employment on-costs- superannuation

The superannuation employment on-cost charge represent the Authority's contributions to superannuation plans in respect of current services of current employees.

Executive Remuneration

	2020	2019
	No	No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 001 to \$174 000	1	-
Total	1	-

The total remuneration received by those employees for the year was \$169 000

(\$147 000).

2.4. Employee benefits - liability

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Accrued salary and wages	6	3
Annual leave	35	22
Skills and retention experience leave	6	4
Total current employee benefits	47	29
	2020	2019
	\$'000	\$'000
<u>Non-current</u>		
Long service leave	82	44
Total non-current employee benefits	82	44
Total employee benefits	129	73

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2020 \$'000	2019 \$'000
Computing and communications	14	9
External audit costs	40	72
Printing and stationery	23	25
Consultancy expenses*	-	30
Subscriptions	3	2
Staff recruitment	-	6
Legal fees	11	9
Other	28	4
Total supplies and services	119	157

*Consultants

The number of consultancies and the dollar amount paid/payable (included in Supplies and services) to consultants that fell within the following bands:

	No	2020 \$'000	No	2019 \$'000
\$ 10 000 or above		-	1	30
Total		-	-	30

3.2. Depreciation and amortisation

	2020 \$'000	2019 \$'000
Plant and equipment	15	8
Intangible assets	-	4
Total depreciation and amortisation	15	12

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Property, plant and equipment	3-10
Intangibles	5

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

3.3. Property expenses

	2020	2019
	\$'000	\$'000
Repairs and maintenance	8	23
Rates and taxes	9	9
Other	10	17
Total property expenses	27	49

3.4. Other expenses

	2020	2019
	\$'000	\$'000
Audit fees	9	9
Consultancy fees*	-	30
Insurance	6	5
Staff training	16	7
Fringe benefits tax	10	3
Workplace health and safety	2	6
Staff recruitment	-	10
Relocation & accomodation	18	-
Other	37	14
Total other expenses	98	54

4. Income

The Authority receives no Government funding and its sole source of income comprises accreditation fees from the South Australian dairy industry, rental income and a small amount of interest income.

4.1. Fees and charges

	2020	2019
	\$'000	\$'000
Accreditation fees	751	747
Total fees and charges	751	747

Accreditation fees are derived from the provision of services to participants in the South Australian dairy industry. This revenue is recognised on delivery of the service.

4.2. Interest

	2020	2019
	\$'000	\$'000
Interest	8	10
Total interest revenues	8	10

4.3 Other income

	2020	2019
	\$'000	\$'000
Rental income	37	68
Other	-	8
Total other income	37	76

Rental income is recognised on a straight-line basis over the lease term.

A number of rental tenancies were terminated during the year in order to prepare the property for sale.

5. Non-financial assets

5.1 Property, plant and equipment by asset class

Property plant and equipment comprises owned assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
<u>Land and buildings</u>		
Land at fair value	2100	2100
Buildings at fair value	-	-
Total land and buildings	2100	2100
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	178	178
Accumulated depreciation at the end of the period	(152)	(137)
Total plant and equipment	26	41
Total property, plant and equipment	2126	2141

5.2. Property, plant and equipment owned by the Authority

Property, plant and equipment with a value equal to or in excess of \$2 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continued use of their service capacity and are subject to regular revaluation.

Reconciliation 2019-2020

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2019	2100	41	2141
Acquisitions	-	-	-
Asset revaluation	-	-	-
Depreciation	-	(15)	(15)
Carrying amount at 30 June 2020	2100	26	2126

5.2 Intangible assets

	2020 \$'000	2019 \$'000
Computer software		
Purchased computer software	52	35
Accumulated amortisation	(32)	(32)
Total computer software	20	3

Intangible asset are initially measured at cost and are tested for indication of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of software is capitalised only when the expenditure is greater or equal to \$2 000.

Reconciliation 2019-2020

	Other computer software \$'000	Work in Progress
Carrying amount at 1 July 2019	3	-
Additions at cost	-	17
Amortisation	-	-
Carrying amount at 30 June 2020	3	17

6. Financial assets

6.1. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	567	502
Total cash and cash equivalents	567	502

6.2 Receivables

	2020	2019
	\$'000	\$'000
Accreditation fees	1	17
Trade receivables	48	-
Other receivables	-	4
Total current receivables	49	21

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after issue of an invoice or the goods/services have been provided under a contractual arrangement.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the object of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

Current	2020	2019
	\$'000	\$'000
Trade payables	9	44
Accrued expenses	9	9
Employment on- costs*	5	3
Total current payables	23	56
Non - Current		
Employment on- costs*	3	3
Total non-current payables	3	3
Total payables	26	59

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 20 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short term nature.

* Employment on-cost

Employment on-costs include Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

The Authority makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

The only liability outstanding at reporting date relates to any contributions due but not yet paid to the various superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate of 41% to 42% and the average factor for calculation of employer superannuation on-costs has remained unchanged from the 2019 rate 9.8%. These rates are used in the employment on-costs calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

7.2 Other Liabilities

	2020 \$'000	2019 \$'000
<u>Current</u>		
Accreditation fees received in advance	24	28
Rent received in advance	1	-
Total current other liabilities	25	28

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

	2019 \$'000	2019 \$'000
Accumulated surplus	516	421
Asset revaluation surplus	2086	2086
Total equity	2602	2507

8.2 Cash Flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of the operating cash flows.

9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position

- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

There was no impact on the Authority's retained earnings at 1 July 2019.

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the department, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes.

9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

Impact on retained earnings

There was no impact on the Authority's retained earnings at 1 July 2019.

Accounting policies on transition

The Authority has adopted AASB 15 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The Authority has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

There has been no financial impact on the financial statements from adoption of AASB 1058 *Income of Not-for-Profit Entities*.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in the department's accounting policies as follows:

- for non-intellectual property licences, low value licences (i.e. assets which have a value of \$15 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The department has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the department would have recognised is one year or less.

for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the department's performance completed to date.

Significant accounting policies relating to the application of AASB 15 are disclosed under relevant notes.

9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued 16 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenue from and payments to the South Australian Government.

Presentation of the Statements of Comprehensive Income on an "income and expense" basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Authority. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10. Outlook

10.1. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Authority is not aware of any contingent assets or contingent liabilities.

10.2. Events after balance date

A significant event after balance date has been the listing for sale of the property located at 33 Hutt Street, Adelaide.

11. Measurement and risk

11.1. Long Service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (0.75%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance changed the salary inflation rate to 2.5% (4.0%) for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The Authority classifies a portion of long service leave as current based on leave to be taken in the next 12 months.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as a part of a restructure of administrative arrangements, then the assets are recognized at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when fair value at the time of acquisition is greater than \$1.5 million and useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amounts restated to the revalued amounts of the asset.

Land and buildings

An independent valuation of land and buildings was performed in May 2019 by a Certified Practising Valuer from Colliers International, as at 30 June 2019.

Fair value has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustments for factors specific to the land such as size and location. For land classified as restricted in use, fair value was determined using adjustments to reflect the restrictions.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of assets, their size, condition and location.

The valuation used estimates about construction materials that would be required to replace the buildings, information about current construction costs were derived from (building costs guides/internal records such as recent tender documents, construction invoices etc) and the estimated useful life due to age and condition of the building.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Authority's board. The Authority's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Authority's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/financial liability note.

Classification of financial instruments

The Authority measures all financial instruments at amortised cost.

Category of financial asset and financial liability	2020 Carrying amount/ Fair value (\$'000)	2019 Carrying amount/ Fair value (\$'000)
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents	567	502
Financial assets at amortised cost		
Receivables	49	17
Total financial assets	616	519
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables	14	47
Total financial liabilities	14	47