

# Legal Services Commission

Financial report  
for the year ended  
30 June 2020



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## To the Chairperson Legal Services Commission

### Opinion

I have audited the financial report of Legal Services Commission for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report has been prepared in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, Division 60 of the *Australian Charities and Not-for-profits Commissions Act 2012*, and Australian Accounting Standards including:

- a) giving a fair and true view of the financial position of the Legal Services Commission as at 30 June 2020, its financial performance and its cash flows for the year then ended, and
- b) complying with Division 60 of the Australian Charities and Not-for-profits Commission Regulations 2013

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 Chairperson, Director and Manager, Finance.

### 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 Legal Services Commission. 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 Director and members of the Commission for the financial report**

The Director 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 Commission 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* and section 25 of the *Legal Services Commission Act 1977*, I have audited the financial report of the Legal Services Commission 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.

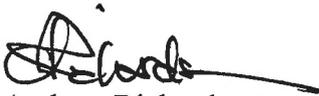
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Legal Services Commission internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director

- 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 Director and members of the Commission 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



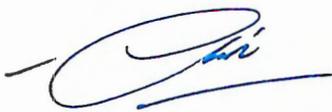
**Legal Services Commission of South Australia**

**Financial Statements  
for the year ended  
30 June 2020**

## Certification of the Financial Statements

We certify that the:

- Financial statements of the Legal Services Commission of South Australia:
  - are in accordance with the accounts and records of the authority;
  - comply with relevant Treasurer's Instructions;
  - comply with relevant accounting standards;
  - comply with Division 60 of the Income Tax Assessment Act 1997 and the Australian Charities and Not-for-profit Commission Regulations 2013, and
  - present a true and fair view of the financial position of the Commission at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Legal Services Commission of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Chinh Dinh-Pham  
Manager, Finance  
29 September 2020



Gabrielle Canny  
Director  
29 September 2020



Jason Karas  
Chairperson  
29 September 2020

## Legal Services Commission of South Australia

### Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
State Government grant funding	4.1	719	24 941
Commonwealth-sourced grants and funding	4.2	20 697	20 463
Legal Practitioners Act 1981 revenues	4.3	1 666	3 243
Statutory charges		1 017	1 314
Interest	4.4	295	512
Costs recovered and contributions	4.5	246	294
Other income	4.6	1 391	1 069
<b>Total income</b>		<b>26 031</b>	<b>51 836</b>
<b>Expenses</b>			
Employee benefits expenses	2.3	19 058	21 395
Private Practitioner services		18 416	17 555
Supplies and services	3.1	7 817	6 840
Depreciation and amortisation	3.2	646	579
Borrowing costs	3.3	12	-
Other expenses	3.4	349	81
<b>Total expenses</b>		<b>46 298</b>	<b>46 450</b>
<b>Net result</b>		<b>(20 267)</b>	<b>5 386</b>
<b>Total comprehensive result</b>		<b>(20 267)</b>	<b>5 386</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

## Legal Services Commission of South Australia

### Statement of Financial Position

as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b><u>Current assets</u></b>			
Cash and cash equivalents	6.1	7 779	37 051
Receivables	6.2	3 092	4 361
Other financial assets	6.3	7 806	-
<b>Total current assets</b>		<b>18 677</b>	<b>41 412</b>
<b><u>Non-current assets</u></b>			
Property, plant and equipment	5.1	4 471	3 464
Intangible assets	5.4	1 470	414
Statutory charge debtors	6.4	8 967	8 361
<b>Total non-current assets</b>		<b>14 908</b>	<b>12 239</b>
<b>Total assets</b>		<b>33 585</b>	<b>53 651</b>
<b><u>Current liabilities</u></b>			
Legal payables		824	745
Payables	7.1	421	615
Financial liabilities	7.2	133	-
Employee benefits	2.4	1 451	1 583
Other liabilities	7.3	233	233
<b>Total current liabilities</b>		<b>3 062</b>	<b>3 176</b>
<b><u>Non-current liabilities</u></b>			
Payables	7.1	207	202
Financial liabilities	7.2	594	-
Employee benefits	2.4	3 828	3 879
Other liabilities	7.3	1 634	1 867
<b>Total non-current liabilities</b>		<b>6 263</b>	<b>5 948</b>
<b>Total liabilities</b>		<b>9 325</b>	<b>9 124</b>
<b>Net Assets</b>		<b>24 260</b>	<b>44 527</b>
<b><u>Equity</u></b>			
Retained earnings		24 211	44 478
Asset Revaluation Surplus		49	49
<b>Total Equity</b>		<b>24 260</b>	<b>44 527</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

## Legal Services Commission of South Australia

### Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2018		49	39 273	39 322
Adjustment on initial adoption of AASB 9		-	(110)	(110)
Adjustment to asset capitalisation threshold		-	(71)	(71)
<b>Restated balance at 1 July 2018</b>		<b>49</b>	<b>39 092</b>	<b>39 141</b>
Total comprehensive result for 2018-19		-	5 386	5 386
<b>Balance at 30 June 2019</b>		<b>49</b>	<b>44 478</b>	<b>44 527</b>
<b>Total comprehensive result for 2019-20</b>		<b>-</b>	<b>(20 267)</b>	<b>(20 267)</b>
<b>Balance at 30 June 2020</b>		<b>49</b>	<b>24 211</b>	<b>24 260</b>

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

# Legal Services Commission of South Australia

## Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<i>Cash inflows</i>			
Receipts from State Government funding		719	24 911
Receipts from Commonwealth-sourced grants and funding		17 749	16 867
Legal Practitioners Act 1981 receipts		2 190	3 329
Costs recovered and contributions		233	309
Statutory charge receipts		429	396
Interest received		318	511
GST recovered from the ATO		2 605	2 181
Other receipts		5 879	2 467
<b>Cash generated from operations</b>		<b>30 122</b>	<b>50 971</b>
<i>Cash outflows</i>			
Employee benefits payments		(19 251)	(21 841)
Payments for supplies and services		(9 845)	(7 527)
Private Practitioner services		(20 283)	(19 416)
<b>Cash used in operations</b>		<b>(49 379)</b>	<b>(48 784)</b>
<b>Cash flows from investing activities</b>			
<i>Cash outflows</i>			
Purchase of property, plant & equipment and intangibles		(1 887)	(294)
Purchase of financial assets		(8 000)	-
Repayment of leases		(128)	-
<b>Net cash used in investing activities</b>		<b>(10 015)</b>	<b>(294)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(29 272)</b>	<b>1 893</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>37 051</b>	<b>35 158</b>
<b>Cash and cash equivalents at the end of the period</b>	6.1	<b>7 779</b>	<b>37 051</b>

The accompanying notes form part of these financial statements.

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# 1. About the Legal Services Commission of South Australia

The Legal Services Commission of South Australia (the Commission) is a body corporate and not-for-profit. It is capable of acquiring or incurring any rights or liabilities that may properly attach to a body corporate. It has the powers, functions and duties prescribed or imposed upon it by or under the *Legal Services Commission Act 1977* (the Act).

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6(3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

The financial statements and accompanying notes include all activities of the Commission.

The Commission does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Commission.

The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution.

## 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* and the *Australian Charities and not-for-profit commission Act 2012*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2019-20 financial statements, the Commission adopted *AASB 15 -Revenue from Contracts with Customers*, *AASB 16-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 ATO, 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 to be 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

The objective of the Commission is to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principals of the Commission are set out in section 10 and 11 of the Act.

### 1.3. Impact of COVID-19 pandemic on the Commission

The COVID-19 pandemic has had a minor financial impact on the operations of the Commission. The Commission received \$1.2m in Commonwealth-sourced funding.

## 2. Board, committees and employees

### 2.1. Key management personnel

Key management personnel of the Commission in 2019-20 include the Director, six Commissioners, the Chief Operating Officer and the Legal Practice Manager. In 2018-19, it included the Director, five Commissioners, the Chief Operating Officer and the Legal Practice Manager.

Total compensation for key management personnel was \$0.89m in 2019-20 and \$0.85m in 2018-19.

#### *Transactions with key management personnel and other related parties*

In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

There were no transactions with key management personnel and other related parties during the financial year.

### 2.2. Commission members

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners.

Members of the Commission during the 2020 financial year were:

Michael Abbott (retired January 2020)	Chair
Jason Karas (appointed January 2020)	Chair
Gabrielle Canny *	Ex Officio
Alison Lloyd-Wright * (retired August 2019)	
Catherine Nelson	
Debra Contala	
Lucinda Byers (appointed August 2019) *	

\*In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

#### *Remuneration of Commissioners*

The number of members whose remuneration received or receivable falls within the following bands:

	2020 No.	2019 No.
\$0 - \$19 999	7	5
\$20 000 - \$39 999	-	1
<b>Total number of members</b>	<b>7</b>	<b>6</b>

The total remuneration received or receivable by members was \$48 000 (2019: \$47 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

### 2.3. Employee benefits expenses

	2020 \$'000	2019 \$'000
Salaries and wages	15 033	14 652
Targeted voluntary separation packages	56	2 303
Long service leave	289	788
Annual leave	1 444	1 374
Skills and experience retention leave	93	94
Employment on-costs - superannuation	1 614	1 623
Employment on-costs - other	405	429
Commission members' fees	44	43
Workers compensation	80	89
<b>Total employee benefits expenses</b>	<b>19 058</b>	<b>21 395</b>

#### *Employment on-costs - superannuation*

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

#### *Executive remuneration*

	2020 No.	2019 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 001 to \$174 000	5	5
\$174 001 to \$194 000	-	1
\$194 001 to \$214 000	2	2
\$214 001 to \$234 000	-	2
\$234 001 to \$254 000	2	2
\$254 001 to \$274 000	1	-
\$274 001 to \$294 000	-	1
\$294 001 to \$314 000	1	2
\$314 001 to \$334 000	1	-
<b>Total</b>	<b>12</b>	<b>15</b>

The total remuneration received by these employees for the year was \$2.62m (2019: \$3.23m).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

### **Targeted voluntary separation packages**

The number of employees who received a TVSP during the reporting period was one (2019: 33).

	2020 \$'000	2019 \$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	56	2 303
Leave paid to separated employees	21	748
Recovery from the Department of Treasury and Finance	-	(1 051)
<b>Net cost to the Commission</b>	<b>77</b>	<b>2 000</b>

### **2.4. Employee benefits liability**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Accrued salaries and wages	-	341
Annual leave	1 100	916
Long service leave	256	244
Skills and experience retention leave	95	82
<b>Total current employee benefits</b>	<b>1 451</b>	<b>1 583</b>
<b>Non-current</b>		
Long service leave	3 828	3 879
<b>Total non-current employee benefits</b>	<b>3 828</b>	<b>3 879</b>
<b>Total employee benefits</b>	<b>5 279</b>	<b>5 462</b>

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 the reporting date.

The annual leave liability and the 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 for 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
Accommodation	2 982	3 038
Information technology expenses	2 547	1 815
Telecommunications	540	359
Periodicals and subscriptions	273	278
Interpreter fees	177	146
Legal fees and disbursements	176	166
Practising certificates and membership	136	118
Travel	124	141
Office supplies and consumables	116	115
Audit fees - Auditor-General's Department	79	77
Consultancy fees	8	22
Other	659	565
<b>Total supplies and services</b>	<b>7 817</b>	<b>6 840</b>

#### *Accommodation*

Most of the Commission's accommodation is provided by the Department of Planning, Transport and Infrastructure under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB16.

In prior years, expenses associated with MoAA have been classified as operating lease payments. Expenses associates with MoAA have been reclassified as accommodation expenses for both the current year and the comparative. Further details about this reclassification are set out in note 9.1.

#### *Consultants*

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

	No.	2020 \$'000	No.	2019 \$'000
Below \$10 000	2	8	1	3
\$10 000 or above	-	-	1	19
<b>Total</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>22</b>

#### 3.2. Depreciation and amortisation

	2020 \$'000	2019 \$'000
Plant and equipment	219	246
Leasehold improvements	225	223
Right-of-use accommodation	134	-
Right-of-use vehicles	8	-
Intangible assets	60	110
<b>Total depreciation and amortisation</b>	<b>646</b>	<b>579</b>

All non-current assets, with 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 and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

<b>Class of asset</b>	<b>Useful life (years)</b>
Accommodation and leasehold improvements	5-15
Right-of-use vehicles	Lease term
Right-of-use accommodation	Lease term
Plant and equipment	
Computers	3-5
Office equipment	5-13
Furniture and fittings	5-13
Intangibles	3-8

The library collections are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised as their service potential has not, in any material sense, been consumed during the reporting period.

### **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.

The Commission revalued its leasehold improvements and fixtures and fittings downwards on 1 July 2019. Future depreciation expense will reduce by \$3 250 per annum as a result.

### **3.3. Borrowing costs**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense on lease liabilities	12	-
<b>Total borrowing costs</b>	<b>12</b>	<b>-</b>

The Commission does not capitalise borrowing costs.

### **3.4. Other expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Statutory charge bad debts and impairment loss on receivables	109	76
Bad debts	17	5
Loss on Funds SA investment	194	-
Loss on revaluation of assets	29	-
<b>Total other expenses</b>	<b>349</b>	<b>81</b>

## 4. Income

### 4.1. State Government grant funding

	2020 \$'000	2019 \$'000
Grant funding	250	22 940
Recovery from the Department of Treasury and Finance	-	1 051
Expensive Cases - reimbursement	469	950
<b>Total State Government grant funding</b>	<b>719</b>	<b>24 941</b>

State Government grant funding is recognised on receipt.

In 2020 the State Government contributed funding of \$0.25m (2019: \$22.9m) and is deposited with SAFA. The State Government reverted to paying the Commission its contribution in the year that it is scheduled to receive it, payable in three instalments. As such, there is a deficit in the 2019-20 financial year as funding for 2020-21 year will not be paid until the next financial year.

This is a change from the previous two financial years.

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved Case Management Agreement with the State Government for these matters.

The State Government provided \$0.47m (2019: \$0.95m) for approved expensive cases that exceeded the Commission funding cap of \$50 000 in the case of one party being aided and \$100 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government.

### 4.2. Commonwealth-sourced grants and funding

	2020 \$'000	2019 \$'000
National Partnership Agreement funding	16 326	16 191
COVID-19 Relief funding	1 206	-
Online Dispute Resolution System	-	2 649
Family Advocacy and Support Service funding	835	610
Expensive Cases reimbursement	588	66
Women's Domestic Violence	551	450
Family Violence and Cross-Examination of Parties Scheme	395	129
Disability and Carer Support Program	329	368
Legally Assisted Financial Dispute Resolution - Small Property Claims	316	-
National Legal Advisory Service for the Disability Royal Commission	77	-
Bushfire Relief funding	74	-
<b>Total Commonwealth-sourced grants and funding</b>	<b>20 697</b>	<b>20 463</b>

Commonwealth-sourced grants and funding are recognised on receipt.

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2015 to 30 June 2020. Amounts from the Commonwealth are received via the Attorney-General's Department.

### 4.3. Legal Practitioners Act 1981 revenues

In accordance with the *Legal Practitioners Act 1981*, the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

	2020 \$'000	2019 \$'000
Statutory Interest account	640	1 265
Interest on Legal Practitioners Trust Account	1 026	1 978
<b>Total Legal Practitioners Act 1981 Revenue</b>	<b>1 666</b>	<b>3 243</b>

### 4.4. Interest revenues

	2020 \$'000	2019 \$'000
Short-term deposits with SAFA	294	511
Cash and cash equivalents	1	1
<b>Total interest revenues</b>	<b>295</b>	<b>512</b>

### 4.5. Costs recovered and contributions

	2020 \$'000	2019 \$'000
Costs recovered	79	62
Contributions *	167	232
<b>Total costs recovered and contributions</b>	<b>246</b>	<b>294</b>

\* In addition, contributions of \$0.98m (2019: \$0.86m) in relation to referred cases were paid or are payable directly to private practitioners by clients.

### 4.6. Other income

	2020 \$'000	2019 \$'000
Women's Domestic Violence Court Assistance Service funding	476	-
Community Legal Service Eligibility, Triage and Referral Services	320	320
Drug Court funding	155	151
Return to Work SA funding	106	124
Law Foundation Grant funding	-	32
Other	334	442
<b>Total other income</b>	<b>1 391</b>	<b>1 069</b>

## 5. Non-financial assets

### 5.1. Property, plant and equipment

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020 \$'000	2019 \$'000
<b><u>Accommodation and leasehold improvements</u></b>		
Accommodation and leasehold improvements	4 170	4 168
Accumulated depreciation	(2 328)	(2 103)
<b>Total accommodation and leasehold improvements</b>	<b>1 842</b>	<b>2 065</b>
<b><u>Plant and equipment</u></b>		
Plant and equipment	5 032	4 402
Accumulated depreciation	(3 483)	(3 264)
<b>Total plant and equipment</b>	<b>1 549</b>	<b>1 138</b>
<b><u>Right-of-use office accommodation</u></b>		
Right-of-use office accommodation	831	-
Accumulated depreciation	(134)	-
<b>Total right-of use office accommodation</b>	<b>697</b>	<b>-</b>
<b><u>Right-of-use vehicles</u></b>		
Right-of-use vehicles	19	-
Accumulated depreciation	(8)	-
<b>Total right-of use vehicles</b>	<b>11</b>	<b>-</b>
<b><u>Library</u></b>		
Library	261	261
<b>Total library</b>	<b>261</b>	<b>261</b>
<b><u>Work in progress</u></b>		
Work in progress	111	-
<b>Total work in progress</b>	<b>111</b>	<b>-</b>
<b>Total property, plant and equipment</b>	<b>4 471</b>	<b>3 464</b>

### 5.2. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value equal to or in excess of \$5 000 (2019: \$1 000) is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value. Details about the Commission's approach to fair value are set out in note 11.2.

The asset capitalisation threshold increase from \$1 000 to \$5 000 was applied retrospectively. Comparatives have been amended and adjustments were made against opening balances of equity for the earliest prior period presented to deal with items which relate to financial years earlier than the comparative year.

#### ***Impairment***

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

## Reconciliation 2019-20

	Accommodation and Leasehold improvements	Plant and equipment	Library	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at 1 July 2019</b>	<b>2 065</b>	<b>1 138</b>	<b>261</b>	<b>-</b>	<b>3 464</b>
Acquisitions	6	655	-	111	772
Depreciation	(225)	(219)	-	-	(444)
Transfer between asset classes	16	(16)	-	-	-
Revaluation decrement	(20)	(9)	-	-	(29)
<b>Carrying amount at 30 June 2020</b>	<b>1 842</b>	<b>1 549</b>	<b>261</b>	<b>111</b>	<b>3 763</b>

### 5.3. Property, plant and equipment leased by the Commission

Property, plant and equipment leased by the Commission is recorded at cost. Additions to leased property, plant and equipment during 2019-20 was \$0.85m.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets.

The associated lease payments are recognised as an expense and are disclosed in note 3.1.

The Commission has a limited number of leases:

- Two motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist with the lease agreements and no option exist to renew the leases at the end of their term.
- Non-Department of Planning, Transport and Infrastructure office leases include the Port Adelaide and Whyalla offices.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Commission's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 3. Cash out flows related to leases are disclosed in note 8.2.

#### *Impairment*

Property, plant and equipment leased by the Commission has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

### 5.4. Intangible assets

	2020 \$'000	2019 \$'000
<b>Computer software</b>		
Computer software	3 133	2 031
Accumulated amortisation	(1 663)	(1 617)
<b>Total computer software</b>	<b>1 470</b>	<b>414</b>

Intangible assets are initially measured at cost and are tested for indications 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 or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5 000 (2019: \$1 000). There was no financial impact due to the increase in capitalisation threshold from \$1 000 to \$5 000.

### **Reconciliation 2019-20**

	<b>Computer software \$'000</b>	<b>Total \$'000</b>
<b>Carrying amount at 1 July 2019</b>	<b>414</b>	<b>414</b>
Acquisitions	1 115	1 115
Amortisation	(59)	(59)
<b>Carrying amount at 30 June 2020</b>	<b>1 470</b>	<b>1 470</b>

## **6. Financial assets**

### **6.1. Cash and cash equivalents**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Short-term deposits with SAFA	7 838	36 688
Cash on hand	(59)	363
<b>Total cash and cash equivalents</b>	<b>7 779</b>	<b>37 051</b>

In 2019-20, the State Government reverted to paying the Commission its contribution in the year that it is scheduled to receive it. On 20 January 2020, the Commission invested \$8 million with Funds SA following approval by the Treasurer. Details about the Commission's investment with Funds SA are set out in note 6.3. As such, the balance of funds held with SAFA is much less than the previous financial year.

### **6.2. Receivables**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b><u>Current</u></b>		
Prepayments	890	351
Accrued revenues	1 210	78
Legal Practitioners Act 1981 debtors	207	731
Client debtors	165	142
Impairment loss on receivables	(30)	(30)
Other debtors	282	2 787
GST input tax recoverable	368	302
<b>Total current receivables</b>	<b>3 092</b>	<b>4 361</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the 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 objective 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.

### 6.3. Other financial assets

	2020 \$'000	2019 \$'000
<b>Current</b>		
Investment with Funds SA - amortised cost	7 806	-
<b>Total current investment</b>	<b>7 806</b>	<b>-</b>
<b>Total investment</b>	<b>7 806</b>	<b>-</b>

On 20 January 2020, the Commission invested \$8m in Funds SA's Capital Defensive (taxable fund) strategy. Funds under management as at 30 June 2020 resulted in the unrealised loss on financial assets of \$0.19m due to the COVID-19 pandemic, interrupted supply chains and the negative impact on global economic growth. This is disclosed in note 3.4.

For further information on risk management refer to note 11.3.

### 6.4. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2020 \$'000	2019 \$'000
Statutory charge debtors	9 157	8 561
Impairment loss on Statutory charge receivables	(190)	(200)
<b>Total statutory charge debtors</b>	<b>8 967</b>	<b>8 361</b>

## 7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

### 7.1. Payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade payables	159	342
Accrued expenses	79	77
Employment on-costs	183	196
<b>Total current payables</b>	<b>421</b>	<b>615</b>
<b>Non-current</b>		
Employment on-costs	207	202
<b>Total non-current payables</b>	<b>207</b>	<b>202</b>
<b>Total payables</b>	<b>628</b>	<b>817</b>

Payables and accruals are raised for all amounts owing but unpaid. Trade payables are normally settled within 30 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.

The net amount of GST recoverable from the ATO is included as part of payables.

### ***Employment on-costs***

Employment on-costs include payroll tax, Return to WorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The Commission contributes 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 South Australian Superannuation Board.

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 41% to 42% and the average factor for the calculation of employer superannuation cost on-costs remains unchanged at a rate of 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

### ***Paid parental leave scheme***

Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

## **7.2. Financial liabilities**

	2020 \$'000	2019 \$'000
<b><u>Current</u></b>		
Lease liabilities	133	-
<b>Total current other borrowings</b>	<b>133</b>	<b>-</b>
<b><u>Non-current</u></b>		
Lease liabilities	594	-
<b>Total non-current other borrowings</b>	<b>594</b>	<b>-</b>
<b>Total borrowings</b>	<b>727</b>	<b>-</b>

The Commission measures financial liabilities at amortised costs.

All material cash outflows are reflected in the lease liabilities disclosed above.

Refer to note 5.3 for details regarding property, plant and equipment leased by the Commission.

### 7.3. Other liabilities

	2020 \$'000	2019 \$'000
<b>Current</b>		
Accommodation incentive	233	233
<b>Total current other liabilities</b>	<b>233</b>	<b>233</b>
<b>Non-current</b>		
Accommodation incentive	1 634	1 867
<b>Total non-current other liabilities</b>	<b>1 634</b>	<b>1 867</b>
<b>Total other liabilities</b>	<b>1 867</b>	<b>2 100</b>

## 8. Other disclosures

### 8.1. Equity

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

### 8.2. Cash flow

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

#### *Leases*

	2020 \$'000	2019 \$'000
Property, plant and equipment	128	123
<b>Total cash outflow for leases</b>	<b>128</b>	<b>123</b>

## 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 in 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***

The total impact on the department's retained earnings as at 1 July 2019 is as follows:

	<b>\$'000</b>
<b>Closing retained earnings 30 June 2019 – AASB 117</b>	44 527
<b><u>Assets</u></b>	
Property, Plant and Equipment	850
<b><u>Liabilities</u></b>	
Financial liabilities	(850)
<b>Opening retained earnings 1 July 2019 – AASB 16</b>	<u>44 527</u>

The Commission disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$25.1 million under AASB 117.

The Commission has accommodation with both the private sector and the Department of Planning, Transport and Infrastructure (DPTI). Accommodation arrangements with DPTI are under the Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of a lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 discounted operating lease commitments should have been disclosed as \$0.89m under AASB 117. There is no material difference between revised operating lease commitments when discounted and the financial liabilities as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within supplies and services expenses line. Note 3.1 applies the correct classification for both the current and comparative years.

These adjustments did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years.

### ***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 Commission 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 lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for vehicles was 1.87% and for accommodation was 1.63%.

- 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 Commission'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 Commission, 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 in 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 as subsequently measured applying a cost model.

Significant accounting policies related to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

## **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.

### ***Accounting policies on transition***

On transition, there was no impact on retained earnings.

## **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 distribution 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 on 1 June 2020 removed the previous requirements 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 revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows for information to be presented in such a way that eliminates potential confusion as to the source of funding for the Commission. 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. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

#### *Legal expense commitments*

	2020 \$'000	2019 \$'000
Within one year	10 922	7 509
<b>Total expenditure commitments</b>	<b>10 922</b>	<b>7 509</b>

As at 30 June 2020, the Commission has disclosed a commitment on all outstanding amounts raised since 1 January 2020 (i.e. previous six months).

When a private practitioner is allocated a case, they are issued with a commitment certificate indicating the amount the private practitioner is able to claim in relation to the case. Once the private practitioner has provided the service, they sign and submit the commitment certificate, so they can be paid. 'Legal Expense Commitments' relate to commitment certificates that have been issued by the Commission but not yet returned.

#### *Expenditure commitments*

	2020 \$'000	2019 \$'000
Within one year	2 779	67
Later than one year but not longer than five years	11 746	159
Later than five years	9 627	-
<b>Total expenditure commitments</b>	<b>24 152</b>	<b>226</b>
Representing:		
Accommodation	23 971	-
Electronic Document and Record Management System (EDRMS)	181	226
<b>Total expenditure commitments</b>	<b>24 152</b>	<b>226</b>

The Commission's expenditure commitments are for agreements for:

- Memoranda of Administrative Arrangements with the Department of Planning, Transport and Infrastructure for accommodation.
- the Electronic Document and Record Management System (EDRMS).

## Operating lease commitments

	2020 \$'000	2019 \$'000
<b><u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u></b>		
Within one year	-	2 673
Later than one year but not longer than five years	-	10 862
Later than five years	-	11 588
<b>Total operating lease commitments</b>	<b>-</b>	<b>25 123</b>
Representing:		
Cancellable operating leases	-	719
Non-cancellable operating leases	-	24 404
<b>Total Operating lease commitments</b>	<b>-</b>	<b>25 123</b>

There are no purchase options available to the Commission.

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for the Memoranda of Administrative Arrangements with the Department of Planning, Transport and Infrastructure for accommodation. This has been reclassified and included under expenditure commitments. For more details about the reclassification see note 9.1.

## 10.2. 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 Commission is not aware of any contingent assets or contingent liabilities.

## 10.3. COVID-19 pandemic outlook for the Commission

The Commission expects the COVID-19 pandemic may have minor financial impact on its operations during 2020-21. The Commission expects to receive \$1.1m in Commonwealth-sourced funding in 2020-21.

## 10.4. Events after the reporting period

At balance date and as at the date of financial statement certification, there were no known events after the reporting period.

# 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 a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has decreased the salary inflation rate from 4% to 2.5% for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$313 000 and employee benefits expense of \$313 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The Commission's estimate of expected future payments for the current portion of long service leave is based on an average over a three year period on long service leave taken.

## 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.

### *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 the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle. 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 amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Revaluation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

Revaluation of leasehold improvements and fixtures and fittings was performed by Liquid Pacific Holdings Pty Ltd as at 1 July 2019. The independent valuer arrived at fair value based on the actual cost of the assets. The impact of this is a net revaluation decrement of \$0.03m which has been included as part of other expenses, in note 3.4.

## ***Plant and equipment***

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million or 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 Commission's corporate services section. Commission 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 Commission's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

### ***Impairment of financial assets***

Loss allowances for statutory charge debtors are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Commission uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, statutory charge debtors are grouped based on the days past due. When estimating expected credit loss, the Commission considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Commission's historical experience and informed credit assessment, including forward-looking information.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a statutory charge debtor progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Commission's view of the forecast economic conditions over the expected life of the statutory charge debtors.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Statutory charge debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Commission and a failure to make contractual payments.

Funds SA investments at amortised cost is considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. For further information on the unrealised loss, refer to note 6.3.

The Commission considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

The allowance was recognised when there was objective evidence that a debtor was impaired. The allowance for impairment is recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

## ***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***

Category of financial assets and financial liabilities	Note	2020 Carrying amount (\$'000)	2020 Contractual maturities		
			Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>					
<b>Cash and equivalent</b>					
Cash and cash equivalent	6.1	7 779	n/a	n/a	n/a
<b>Fair value through profit and loss</b>					
Investments	6.3	7 806	-	7 806	-
<b>Financial assets at amortised cost</b>					
Receivables	6.2	1 492	n/a	n/a	n/a
<b>Total financial assets</b>		<b>17 077</b>	<b>-</b>	<b>7 806</b>	<b>-</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at amortised cost</b>					
Payables	7.1	159	159	-	-
Lease liabilities	7.2	727	133	481	113
<b>Total financial liabilities</b>		<b>886</b>	<b>292</b>	<b>481</b>	<b>113</b>

Category of financial assets and financial liabilities	Note	2019 Carrying amount (\$'000)
<b>Financial assets</b>		
<b>Cash and equivalent</b>		
Cash and cash equivalent	6.1	37 051
<b>Financial assets at amortised cost</b>		
Receivables	6.2	2 865
<b>Total financial assets</b>		<b>39 916</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Payables	7.1	342
<b>Total financial liabilities</b>		<b>342</b>

## ***Receivables and payables***

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges, and Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets.

Prepayments are presented at note 6.2.