

Legislative Council

Financial report
for the year ended 30
June 2021



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To the Clerk Legislative Council

Opinion

I have audited the financial report of the Legislative Council for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2021, 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 consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Clerk, Legislative Council and the Chief Finance Officer, Joint Parliamentary Service.

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 Legislative Council. 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 Clerk of the Legislative Council for the financial report

The Clerk of the Legislative Council 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.

In preparing the financial report, the Clerk is responsible for assessing the Legislative Council's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the Legislative Council. The Clerk is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 Legislative Council for the financial year ended 30 June 2021.

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 Legislative Council internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Clerk

- conclude on the appropriateness of the Clerk's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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 Clerk of the Legislative Council and 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
27 September 2021

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30 June 2021

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Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Appropriation	2.1	12,210	10,597
Other income		46	47
Total income		12,256	10,644
Expenses			
Employee benefits expenses	3.2	2,279	2,200
Members' salaries and allowances	3.3	5,543	5,176
Supplies and services	4.1	1,771	1,540
Depreciation and amorisation	4.2	44	42
Impairment loss from property, plant and equipment	5.1	22	-
Assets provided for nil consideration to the Joint Parliamentary Service	5.1	861	367
Cash alignment transfers to Consolidated Account		1,091	1,342
Total expenses		11,611	10,667
Net result		645	(23)
Other comprehensive income			
Changes in property, plant and equipment asset revaluation surplus		423	-
Total comprehensive result		1,068	(23)

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	6.1	3,876	3,074
Receivables	6.2	274	39
Total current assets		4,150	3,113
Non-current assets			
Property, plant and equipment	5.1	1,844	1,761
Total non-current assets		1,844	1,761
Total assets		5,994	4,874
Current liabilities			
Payables	7.1	161	151
Employee benefits	3.4	338	312
Provisions	7.2	4	3
Total current liabilities		503	466
Non-current liabilities			
Payables	7.1	153	106
Employee benefits	3.4	982	1,017
Provisions	7.2	9	6
Total non current liabilities		1,144	1,129
Total liabilities		1,647	1,595
Net assets		4,347	3,279
Equity			
Retained earnings	8.1	3,848	3,203
Asset revaluation surplus	8.1	499	76
Total equity		4,347	3,279

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2019		76	3,226	3,302
Net result for 2019-20		-	(23)	(23)
Total comprehensive result for 2019-20		-	(23)	(23)
Balance at 30 June 2020		76	3,203	3,279
Net result for 2020-21		-	645	645
Gain from revaluation of plant and equipment during 2020-21		423	-	423
Total comprehensive result for 2020-21		423	645	1,068
Balance at 30 June 2021		499	3,848	4,347

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash inflows			
Appropriation		12,210	10,597
GST recovered from the ATO		142	137
Other receipts		48	49
Cash generated from operations		12,400	10,783
Cash outflows			
Employee benefits payments		(2,285)	(2,137)
Members' salaries allowances and superannuation		(5,543)	(5,176)
Payments for supplies and services		(2,092)	(1,735)
Cash alignment transfers to Consolidated Account		(1,091)	(1,342)
Cash used in operations		(11,011)	(10,390)
Net cash provided by operating activities	8.2	1,389	393
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(587)	(816)
Net cash used in investing activities		(587)	(816)
Net increase/(decrease) in cash and cash equivalents		802	(423)
Cash and cash equivalents at the beginning of the period		3,074	3,497
Cash and cash equivalents at the end of the period	6.1	3,876	3,074

The accompanying notes form part of these financial statements.

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1. About the Legislative Council

The Legislative Council is a not-for-profit entity and is established pursuant to the *Constitution Act 1934*.

The Legislative Council consists of twenty-two Members elected by the inhabitants of the State legally qualified to vote.

The Legislative Council 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 House of Assembly.

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 Australian Accounting Standards with reduced disclosure.

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.

1.2 Objectives

The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

2. Income

2.1 Appropriation

	2021	2020
	\$'000	\$'000
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	5,684	5,585
Appropriation received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	6,526	5,012
Total appropriation	12,210	10,597

Appropriations are recognised on receipt.

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3. Employees

The Legislative Council employs clerical and administrative officers to deliver its goals.

3.1 Key management personnel

Key management personnel of the Legislative Council include the Clerk and the Deputy Clerk. Total compensation for key management personnel was \$406,000 in 2020-21 and \$403,000 in 2019-20.

3.2 Employee benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	1,923	1,906
Superannuation	188	183
Employee benefits - on-costs	164	109
Workers compensation	4	2
Total employee benefits expenses	2,279	2,200

Employment on-costs – superannuation

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

Executive remuneration

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

	2021	2020
	No	No
\$154,001 – \$174,000	-	1
\$174,001 – \$194,000	1	-
\$214,001 – \$234,000	1	1
Total	2	2

The total remuneration received by those employees for the year was \$406,000 (2020 \$403,000).

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.

3.3 Members' salaries and allowances

	2021	2020
	\$'000	\$'000
Members' salaries and electorate allowances	4,717	4,438
On-costs - superannuation	787	703
On-costs - other	39	35
Total members' salaries and allowances	5,543	5,176

Members' salaries, electorate allowances and additional salaries of \$4.7 million (2020 \$4.4 million) reflected in these financial statements are paid from Appropriations provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$1.2 million (2020 \$1.6 million) and superannuation of \$293,000 (2020 \$395,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

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Under the Parliament Remuneration Act 1990, Members of Parliament have an option to a motor vehicle for private use in lieu of their remuneration. Members lease the vehicles from Fleet SA through the Department of Treasury and Finance (Electorate Services). Payments for the vehicles are made out of Members' remuneration packages disclosed above.

3.4 Employee benefits - liability	2021	2020
	\$'000	\$'000
Current		
Annual leave	155	152
Long service leave	78	74
Skills and experience retention leave	40	36
Accrued salaries and wages	65	50
Total current employee benefits	338	312
Non-current		
Annual leave	171	183
Long service leave	811	834
Total non-current employee benefits	982	1,017
Total employee benefits	1,320	1,329

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 10.1.

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4. Expenses

Employee benefits expenses and Members' salaries and allowances are disclosed in notes 3.2 and 3.3, respectively.

4.1 Supplies and services

	2021	2020
	\$'000	\$'000
<i>Supplies and services - Members of Parliament</i>		
Country members accommodation	83	90
Postage	107	127
Printing stationary and publications	95	117
Advertisements and constituent communications	76	48
Telephone	59	68
Fringe benefits tax	42	29
Information technology	40	63
Minor asset purchases	38	35
Administrative Services	34	-
Ex-members allowances	32	4
Travelling expenses	3	5
Other	15	24
Total supplies and services - Members of Parliament	624	610
<i>Supplies and services - other</i>		
Information technology	276	115
Printing stationary and publications	233	213
Security	221	217
Consultants fees	125	128
Accommodation	67	55
Advertisements	41	30
Fringe benefits tax	40	30
Minor works and equipment	32	29
Travelling expenses	19	34
Community engagement	19	16
Uniforms and allowances	7	8
Subscription television	7	7
Telephone	5	7
Souvenirs	-	3
Other	55	38
Total supplies and services - other	1,147	930
Total supplies and services	1,771	1,540

Supplies and services to Members of Parliament

Members of Parliament are able to access the country members' accommodation allowance, determined by the Remuneration Tribunal of South Australia. The South Australian Government Cabinet approves the global allowance, various travel entitlements and the stationary allowance provided to Members. Former Members of Parliament are entitled to an allowance for rail travel, as approved by the Executive Council.

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Accommodation

Some of the Legislative Council'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 AASB 16.

Consultants

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

	2021		2020	
	No	\$'000	No	\$'000
Below \$10,000	2	5	1	1
\$10,000 or above	3	120	3	127
Total	5	125	4	128

4.2 Depreciation and amortisation

	2021	2020
	\$'000	\$'000
Plant and equipment	-	1
Fixtures and fittings	22	12
Computer equipment	22	29
Total depreciation and amortisation	44	42

All non-current assets not held for sale with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are review 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.

Useful life

Depreciation is calculated on a straight line basis. Property, plant and equipment depreciation are calculated over the estimated useful life as follows:

Class of asset	Useful life
Plant and equipment	5 - 30 years
Fixtures and fittings (non-antique)	5 - 10 years
Computer equipment	3 - 10 years

The majority of fixtures and fittings are antiques, they are anticipated to have a very long and indeterminate useful life.

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

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5. Non-financial assets

5.1 Property, plant and equipment by asset class

	2021	2020
	\$'000	\$'000
Plant and equipment		
Fair value	8	74
Less: Accumulated depreciation	-	(74)
Total plant and equipment	<u>8</u>	<u>-</u>
Fixtures and fittings		
Fair value	491	665
Less: Accumulated depreciation	-	(120)
Total fixtures and fittings	<u>491</u>	<u>545</u>
Computer equipment		
Fair value	701	677
Less: Accumulated depreciation	-	(618)
Total computer equipment	<u>701</u>	<u>59</u>
Works of art		
Fair value	377	399
Total works of art	<u>377</u>	<u>399</u>
Capital works in progress		
Capital works in progress	267	758
Total capital works in progress	<u>267</u>	<u>758</u>
Total property, plant and equipment	<u><u>1,844</u></u>	<u><u>1,761</u></u>

Property, plant and equipment with a value equal to or in excess of \$5 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the Legislative Council's approach to fair value is set out in note 10.2.

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 continual use of their service capacity and are subject to regular revaluation.

Revaluation of property, plant and equipment is undertaken on a regular cycle as detailed in note 10.2. 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.

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Reconciliation 2020-21

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	-	545	59	399	758	1,761
Additions	-	-	-	-	587	587
Additions - Transfers to / (from) CWIP	-	217	-	-	(217)	-
Assets provided for nil consideration	-	-	-	-	(861)	(861)
Depreciation	-	(22)	(22)	-	-	(44)
Net revaluation increment / (decrement)	8	(249)	664	-	-	423
Impairment losses	-	-	-	(22)	-	(22)
Carrying amount at the end of the period	8	491	701	377	267	1,844

Reconciliation 2019-20

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July 2019	1	540	72	399	341	1,353
Additions	-	17	6	-	783	806
Assets provided for nil consideration	-	-	-	-	(367)	(367)
Depreciation	(1)	(12)	(29)	-	-	(42)
Other	-	-	10	-	1	11
Carrying amount at 30 June 2020	-	545	59	399	758	1,761

6. Financial assets

6.1 Cash and cash equivalents

	2021 \$'000	2020 \$'000
Deposits with the Treasurer (Special deposit accounts)		
Accrual Appropriation Excess Funds	2,579	2,384
Total deposits with the Treasurer (Special deposit accounts)	2,579	2,384
Operating bank account	1,297	690
Total cash and cash equivalents	3,876	3,074

Deposits with the Treasurer

Special deposit accounts are established under section 8 of the *Public Finance and Audit Act 1987*. Special deposit accounts must be used in accordance with their approved purpose.

Some of the Legislative Council's appropriation is deposited into the Accrual Appropriation Excess Funds account. Although the Legislative Council controls the money reported above in the Accrual Appropriation Excess Funds Account, its use must be approved by the Treasurer. The Legislative Council does not earn interest on its deposits with the Treasurer.

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6.2 Receivables	2021	2020
	\$'000	\$'000
Receivables	-	1
Members remuneration recovery	270	-
Prepayments	4	36
Other	-	2
Total current receivables	274	39

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 Legislative Council does not hold any receivables arising from contracts with customers, as specified in *AASB 15 - Revenue from Contracts with Customers*.

7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Payables	2021	2020
	\$'000	\$'000
Current		
Creditors	13	11
Accrued expenses	95	97
Statutory payables		
Employment on-costs	53	43
Total current payables	161	151
Non-current		
Statutory payables		
Employment on-costs	153	106
Total non-current payables	153	106
Total payables	314	257

Payables and accruals are raised for all amounts owing but unpaid. Sundry 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.

Statutory payables do not arise from contracts.

The net amount of GST recoverable from the ATO is included as part of receivables. However, if a net GST payable arises then this amount would be disclosed in this Payables note.

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Employment on-costs

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

The Legislative Council 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.

7.2 Provisions	2021	2020
	\$'000	\$'000
Current		
Provision for workers compensation	4	3
Total current provisions	4	3
Non current		
Provision for workers compensation	9	6
Total non-current provisions	9	6
Total provisions	13	9
Movement in provisions		
Carrying amount at the beginning of the period	9	8
Additional provisions recognised	4	1
Carrying amount at the end of the period	13	9

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Legislative Council is responsible for the payment of workers compensation claims.

8. Other disclosures

8.1 Equity

The asset revaluation surplus is 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.

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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.

<i>Reconciliation of net result to cash flows from operating activities</i>	2021	2020
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	3,876	3,074
Balance as per the Statement of Cash Flows	3,876	3,074
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by operating activities	1,389	393
Add/less non-cash items		
Depreciation expense of non-current assets	(44)	(42)
Impairment losses on non-current assets	(22)	-
Assets provided for significantly less value to the Joint Parliamentary Service	(861)	(367)
Movements in assets and liabilities		
Increase in receivables	234	22
(Increase)/decrease in payables	(57)	34
Decrease/(increase) in employee benefits	9	(61)
Decrease in provisions	(3)	(2)
Net result	645	(23)

9. Outlook

9.1 Unrecognised contractual commitments

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

<i>Operating expense commitments</i>	2021	2020
	\$'000	\$'000
Commitments in relation to arrangements contracted at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	26	64
Later than one year but no longer than five years	-	28
Total operating expense commitments	26	92

The Legislative Council's commitment is for office accommodation. The arrangement is cancellable with a term remaining of 5 months. Rent is payable in arrears.

9.2 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 Legislative Council is not aware of any contingent assets or liabilities.

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10. Measurement and risk

10.1 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 increased from 2020 (0.75%) to 2021 (1.25%).

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

The net financial effect of the changes to actuarial assumptions in the current financial year is an decrease in the long service leave liability of \$57,000 and employee benefits expense of \$57,000. 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 actuarial assessment performed by the Department of Treasury and Finance has left the salary inflation rate at 2.5% for long service leave liability.

The conditional portion of long service leave relates to employees with less than ten years' service.

10.2 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.

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Revaluation

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

The revaluation process is reviewed by the Chief Finance Officer each year.

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 amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

10.3 Financial instruments

Financial risk management

Risk management is managed by the House of Assembly's executive management and risk management policies are in accordance with the *SA Government Risk Management Guide* and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Legislative Council is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

The Legislative Council is funded principally from appropriation by the SA Government. The Legislative Council works with the Department of Treasury and Finance to determine the cash flows required for the parliamentary process and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 for further information.

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 Legislative Council measures all financial instruments at amortised cost.

Legislative Council

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Maturity analysis of financial instruments

Category of financial asset and financial liability	Note	2021 Carrying Amount/ Fair Value \$'000	2020 Carrying Amount/ Fair Value \$'000
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents	6.1	3,876	3,074
Financial assets at amortised cost			
Receivables	6.2	-	1
Total financial assets		<u>3,876</u>	<u>3,075</u>
Financial liabilities			
Financial liabilities at cost			
Payables	7.1	71	83
Total financial liabilities		<u>71</u>	<u>83</u>

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges; Auditor-General's Department audit fees. This is in addition to employee related payables, such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB7 will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

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Certification of the Financial Statements

We certify that the:

- financial statements of the Legislative Council:
 - are in accordance with the accounts and records of the Legislative Council;
 - comply with relevant Treasurer's instructions;
 - comply with relevant Australian Accounting Standards;
 - presents a true and fair view of the financial position of the Legislative Council at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by the Legislative Council for the financial year over its financial reporting and its preparation of financial statements have been effective.



Clerk
Legislative Council

23/09/2021



Chief Finance Officer
Joint Parliamentary Service

23/9/2021