

Office of the Commissioner
for Public Sector
Employment

Financial report
for the year ended
30 June 2019



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INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Office of the Commissioner for Public Sector Employment

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Office of the Commissioner for Public Sector Employment for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the Commissioner for Public Sector Employment as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive of the Office of the Commissioner for Public Sector Employment and the A/Director, Financial Services of the Department of Treasury and 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 Office of the Commissioner for Public Sector Employment. 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* have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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.

Auditor's responsibilities for the audit of the financial report

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 Office of the Commissioner for Public Sector Employment's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive, 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

25 September 2019

Office of the Commissioner for Public Sector Employment
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Office of the Commissioner for Public Sector Employment:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office of the Commissioner for Public Sector Employment; and
- present a true and fair view of the financial position of the Office of the Commissioner for Public Sector Employment as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Office of the Commissioner for Public Sector Employment for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Erma Ranieri
Chief Executive
Office of the Commissioner for Public Sector
Employment

24 September 2019



Christy McKenzie
A/Director, Financial Services
Department of Treasury and Finance

24 September 2019

Office of the Commissioner for Public Sector Employment
Statement of Comprehensive Income
as at 30 June 2019

	Note	2019 \$'000
<u>Expenses</u>		
Employee benefits expenses	2.3	8 273
Supplies and services	3.1	4 376
Other expenses	3.2	479
Total expenses		13 128
<u>Income</u>		
Fees and charges	4.2	4 925
Resources received free of charge	4.3	137
Grants	4.4	3 960
Other income		43
Total income		9 065
Net cost of providing services		(4 063)
Revenues from/(payments) to SA Government		
Revenues from SA Government	4.1	8 648
Net result		4 585
Total comprehensive result		4 585

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

Office of the Commissioner for Public Sector Employment
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000
<u>Current assets</u>		
Cash and cash equivalents	5.1	7 602
Receivables	5.2	779
Total current assets		8 381
<u>Non-current assets</u>		
Receivables	5.2	1
Total non-current assets		1
Total assets		8 382
<u>Current liabilities</u>		
Payables	6.1	1 635
Employee benefits	2.4	1 134
Provisions	6.2	16
Total current liabilities		2 785
<u>Non-current liabilities</u>		
Payables	6.1	156
Employee benefits	2.4	1 701
Provisions	6.2	25
Total non-current liabilities		1 882
Total liabilities		4 667
Net assets		3 715
<u>Equity</u>		
Retained earnings		3 715
Total equity		3 715

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

Office of the Commissioner for Public Sector Employment
Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018		-	-
<u>Net result for 2018-19</u>		4 585	4 585
Total comprehensive result for 2018-19		4 585	4 585
<u>Transactions with SA Government as owner</u>			
Net assets transferred as a result of an administrative restructure	1.3	(870)	(870)
Balance at 30 June 2019		3 715	3 715

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

Office of the Commissioner for Public Sector Employment
Statement of Cash Flows
for the year ended 30 June 2019

	2019
	(Outflows)
	Inflows
	\$'000
<u>Cash flows from operating activities</u>	
<u>Cash outflows</u>	
Employee benefit payments	(8 210)
Payments for supplies and services	(4 075)
Cash used in operations	<u>(12 285)</u>
 <u>Cash inflows</u>	
Fees and charges	4 760
Other receipts	4 003
Cash generated from operations	<u>8 763</u>
 Cash flows from SA Government	
Receipts from SA Government	8 648
Cash generated from SA Government	<u>8 648</u>
Net cash provided by / (used in) operating activities	<u>5 126</u>
 <u>Cash flows from financing activities</u>	
<u>Cash inflows</u>	
Cash received from administrative restructures	2 476
Cash generated from financing activities	<u>2 476</u>
Net cash provided by / (used in) financing activities	<u>2 476</u>
 Net increase / (decrease) in cash and cash equivalents	<u>7 602</u>
Cash and cash equivalents at the beginning of the reporting period	<u>-</u>
Cash and cash equivalents at the end of the reporting period	<u><u>7 602</u></u>

The accompanying notes form part of these financial statements.

Office of the Commissioner for Public Sector Employment

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Office of the Commissioner for Public Sector Employment

The Office of the Commissioner for Public Sector Employment (OCPSE) works to unlock the potential of the public sector so it is an employer of choice that delivers the best outcomes for the South Australian community. Its role is to optimise the workforce, transform, innovate and reform.

The OCPSE is established pursuant to the *Public Sector Act 2009* as an attached office to the Department of Treasury and Finance (DTF).

OCPSE is an administrative unit acting on behalf of the Crown. It 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 OCPSE.

1.1. Basis of preparation

The financial statements have been prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987 (PFAA)*;
- 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 2018-19 financial statements OCPSE adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 8.

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 and programs

OCPSE's objectives are to support the Commissioner for Public Sector Employment to undertake the statutory responsibilities under the *Public Sector Act 2009*, strengthen the capability of the public sector workforce to meet current and future needs and promote a culture of service and integrity across the public sector.

OCPSE provides the following programs for the South Australian Public Sector:

- Governance and advice – to support the Commissioner to fulfil their statutory requirements outlined in *the Public Sector Act 2009*
- HR Systems Transformation – to support the implementation of a HR systems capability to improve the efficiency and effectiveness of all employees across the SA Government
- Work, Health, Safety and Injury Management – to develop strategies to support agencies to achieve Work Health and Safety and Injury Management excellence across the sector
- South Australian Leadership Academy – to develop high performing and strategic leaders across the SA Government
- Performance management and development – to improve public sector performance through effective performance management and development

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs (continued)

- Public Sector Innovation Lab – to promote the use of innovation to make government more efficient and effective for citizens and business of the State
- Workforce Transition Unit – to provide case management services for SA Government employees impacted by reforms taking place across the Sector
- Employment Programs – to increase the employment opportunities across the sector for graduates, trainees, people from an Aboriginal or Torres Strait Islander background, and people with disabilities
- I WORK FOR SA – Your Voice Survey – to obtain and act on SA Government employee's feedback in relation to their work environment
- Employer Of Choice Program – to facilitate access to the benefits that are available to all SA Government employees associated with current Federal Legislation.

1.3. Establishment and changes to OCPSE

The OCPSE is established pursuant to the *Public Sector Act 2009* as an attached office to the DTF as at 1 July 2018:

On establishment, OCPSE recognised the following assets and liabilities transferred from Department of the Premier and Cabinet (DPC):

	\$'000
Cash	2 476
Receivables	582
Prepayments	66
Total assets	3 124
Payables	1 178
Employee benefits	2 542
Provisions	131
Total liabilities	3 851
Total net assets (liabilities) transferred	(727)

Under the *Public Sector (Reorganisation of Public Sector Operations) Notice 2018*, from 1 March 2019:

The Self Insurance Management System (SIMS) division was transferred from DPC. The SIMS Team is responsible for the management of the contract for the Self Insurance Management System (SIMS) which is the single whole of government database combining both Injury Management (SIMS Claim) and Work Health and Safety (HIRM) modules. The SIMS Team is also responsible for monitoring and maintaining the ongoing performance of the system, as well as the provision of system administration and technical support desk functions to all Agencies and organisations under the *Return to Work Act 2014*.

On transfer of the SIMS division, the OCPSE recognised the following assets and liabilities:

	\$'000
Receivables	1
Total assets	1
Payables	19
Employee benefits	120
Provisions	5
Total liabilities	144
Total net assets (liabilities) transferred	(143)

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Establishment and changes to OCPSE (continued)

Total income and expenses attributable to the SIMS division for 2018-19 were:	DPC July	OCPSE March	TOTAL
	2018 to Feb 2019	2019 to June 2019	
	\$'000	\$'000	\$'000
Fees and charges	479	163	642
Transfers from the Treasurer's Contingency Fund	-	85	85
Total income	479	248	727
Employee benefits expenses	202	212	414
Supplies and services	277	49	326
Total expenses	479	261	740
Net result	-	(13)	(13)

1.4. Significant transactions with government related entities

Transactions with the SA Government are identifiable throughout this financial report. Note 4.4 discloses significant income received from the Department for Innovation and Skills for the Skilling SA project.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the OCPSE include the Treasurer, the Commissioner and one other Executive member and those who act in these roles. The Executive team has responsibility for the strategic direction and management of the OCPSE.

The total compensation for key management personnel was \$770 100 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Treasurer receives. The Treasurer's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 the *Parliamentary Remuneration Act 1990*.

Transaction with key management personnel and other related parties

There were no significant related party transactions identified.

2.2. Board and committee members

Members during the 2019 financial year were:

Risk and Performance Committee

Yvonne Sneddon (Chair)
 Anthony Mackay*
 Brenton Scroop*
 Kim Sherie-Summers*
 Christopher McSporran *
 Eva Balan-Vnuk*
 Gill Duck

Remuneration Tribunal of South Australia

John Lewin (President)
 Peter John Alexander
 Pamela Martin

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Board and committee members (continued)

Board and committee remuneration

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

	2019
\$0 - \$19 999	7
\$20 000 - \$39 999	2
\$60 000 - \$79 999	1
Total number of members	10

The total remuneration received or receivable by members was \$115 000. Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

*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.

2.3. Employee benefits expenses

	2019 \$'000
Salaries and wages	5 971
Targeted voluntary separation packages	494
Long service leave	223
Annual leave	418
Skills and experience retention leave	16
Employment on-costs - superannuation	741
Employment on-costs - other	363
Board and committee fees	104
Other employee related expenses	(57)
Total employee benefits expenses	8 273

Employment on-costs – superannuation

The superannuation employment on-cost charge represents OCPSE'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:

	2019 Number
\$151 001 - \$171 000	1
\$171 001 - \$191 000	1
\$191 001 - \$211 000	2
\$271 001 - \$291 000	1
\$450 001 - \$471 001	1
Total	6

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.

The total remuneration received by these employees for the year was \$1 473 000.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits expenses (continued)

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was 6.

	2019 \$'000
Amounts paid to separated employees:	
Targeted Voluntary Separation Packages	494
Leave paid to separated employees	130
Recovery from DTF	(494)
Net cost to OCPSE	130

2.4. Employee benefits liability

	2019 \$'000
<u>Current</u>	
Accrued salaries and wages	337
Annual leave	578
Long service leave	162
Skills and experience retention leave	57
Total current employee benefits	1 134
<u>Non-current</u>	
Long service leave	1 701
Total non-current employee benefits	1 701
Total employee benefits	2 835

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 salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at 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.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019 \$'000
Contractors and temporary staff	1 431
General administration and consumables	1 019
Accommodation and telecommunication	652
Consultants	559
Information technology charges	191
Sponsorship	147
Minor works, maintenance and equipment	106
Legal costs	69
Other	202
Total supplies and services	4 376

Operating leases payments

Operating lease payments are recognised on a straight-line basis over the lease term.

Consultants

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

	2019 Number	2019 \$'000
Below \$10 000	4	17
\$10 000 or above	9	542
Total paid / payable to the consultants engaged	13	559

3.2. Other expenses

	2019 \$'000
Reimbursement of SIMS cost paid by DPC	479
Total other expenses	479

4. Income

4.1. Net revenues from SA Government

	2019 \$'000
<u>Revenues from SA Government</u>	
Contribution from SA Government	8 043
Transfers from the Treasurer's Contingency Fund	605
Total revenues from SA Government	8 648
Net revenues from SA Government	8 648

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.2. Fees and charges

	2019
	\$'000
Work health safety injury management	1 395
Leadership development	1 283
Self insurance management system	641
SA Government salary sacrifice arrangements	622
IworkforSA jobs board	341
Aboriginal employment	246
Flexibility for the future	159
Remuneration tribunal	51
Other fees and charges	187
Total fees and charges	4 925

4.3. Resources received free of charge

	2019
	\$'000
Services received free of charge - DTF	137
Total resources received free of charge	137

4.4. Grants

	2019
	\$'000
Skilling SA project*	3 865
Public sector mobilisation policy project	95
Total grants	3 960

*The income was from the Department for Innovation and Skills to fund the delivery of the Skilling South Australia Government Apprenticeship and Traineeship Signature Project, which will run over four years commencing in 2018-19.

5. Financial assets

5.1. Cash and cash equivalents

	2019
	\$'000
Deposits with the Treasurer	7 602
Total cash and cash equivalents	7 602

Deposits with the Treasurer

OCPSE does not earn interest on its deposits with the Treasurer.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5.2. Receivables

	2019 \$'000
<u>Current</u>	
<u>Trade receivables</u>	
From government entities	561
From non-government entities	171
Total trade receivables	732
Accrued revenues	16
Prepayments	31
Total current receivables	779
<u>Non-current</u>	
Receivables	1
Total non-current receivables	1
Total receivables	780

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.

6. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

6.1. Payables

	2019 \$'000
<u>Current</u>	
Trade payables	16
Accrued expenses	1 487
Employment on-costs	132
Total current payables	1 635
<u>Non-current</u>	
Employment on-costs	156
Total non-current payables	156
Total payables	1 791

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.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6.1. Payables (continued)

Employment on-costs

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

OCPSE makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to Superannuation Schemes.

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken in 2019 is 41% and the average factor for the calculation of employer superannuation cost on-costs is 9.8%. These rates are used in the employment on-cost calculation.

6.2. Provisions

	2019 \$'000
<u>Current</u>	
Provision for workers compensation	16
Total current provisions	16
<u>Non-current</u>	
Provision for workers compensation	25
Total non-current provisions	25
Total provisions	41

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment provided by an external consultancy for the outstanding liability as at 30 June 2019. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

OCPSE is responsible for the payment of workers compensation claims.

7. Other disclosures

7.1. Cash flow

DTF prepares the Business Activity Statement on behalf of OCPSE under the grouping provisions of the GST legislation. Under these provisions, DTF is liable for payments and entitled to receipts associated with GST. GST cash flows applicable to OCPSE are recorded in DTF's Statement of Cash Flows.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8. Changes in accounting policy

8.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- removal of the additional requirement to report a statement of equity for administered items
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting

These changes, however, do not impact on the amounts reported in the financial statements. The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

8.2. AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

As part of the adoption of AASB 9, OCPSE adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8.2. AASB 9 Financial instruments (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of OCPSE are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

This model generally results in earlier recognition of credit losses than the previous one.

In the preparation of these financial statements, no impairments were deemed to be required.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. OCPSE has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

9. Outlook

9.1. Unrecognised contractual commitments

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

Operating lease commitments

At the reporting date, the OCPSE has operating leases for office accommodation and motor vehicle.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure (DPTI) and DTF. Rental is payable in arrears.

Motor vehicles are leased from SA Government Financing Authority through their agent LeasePlan, these leases are non-cancellable with terms of 3 years.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2019
	\$'000
Within one year	332
Later than one year but not later than five years	233
Total operating lease commitments	565

Other commitments

The OCPSE's other commitments are primarily agreements for actuarial services and software services.

	2019
	\$'000
Within one year	471
Later than one year and not later than five years	638
Total other commitments	1 109

Office of the Commissioner for Public Sector Employment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9.2. Contingent assets and liabilities

South Australian Government Salary Sacrifice Agreement

In 2012, the Government entered into a salary sacrificing agreement with Maxxia Pty Ltd. The agreement allows the Minister or his delegate to withdraw up to a total of \$10 million when an unconditional financial undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees. The financial undertaking is in place until 30 June 2024.

9.3. Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on the financial statements.

9.4. Impact of standards and statements not yet effective

OCPSE has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 8.1. There are no Accounting Policy Statements that are not yet effective.

AASB 16 – Leases

OCPSE will adopt AASB 16 – Leases from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces *AASB 117 Leases* and *Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives* and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

OCPSE has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. OCPSE has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by OCPSE prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

The estimated impact is set out below.

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9.4 Impact of standards and statements not yet effective (continued)

	as at 1 July 2019 \$'000
<u>Assets</u>	
Right-of-use assets	555
<u>Liabilities</u>	
Lease liabilities	550
Net impact on equity	<u>-</u>

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in Supplies and services will mostly be replaced with:

- a depreciation expense 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.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Depreciation and amortisation	31
Supplies and services	(32)
Borrowing costs	1
Net impact on net cost of providing services	<u>-</u>

The amounts disclosed are current estimates only. OCPSE is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that OCPSE must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that OCPSE will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that OCPSE will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.

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9.4 Impact of standards and statements not yet effective (continued)

- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by DTF.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable OCPSE to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

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 DTF 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.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in measurement of the long service liability. The yield on long-term Commonwealth Government bonds is 1.25%.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability.

10.2. Financial instruments

Financial risk management

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

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

Liquidity risk

OCPSE is funded principally from appropriation by the SA Government. OCPSE works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 6.1 for further information.

Categorisation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

OCPSE measures all financial instruments at amortised cost.

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10.2. Financial instruments (continued)

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000
<u>Financial assets</u>		
Cash and cash equivalents	5.1	7 602
Financial assets at amortised cost		
Receivables	5.2	749
Total financial assets		8 351
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables	6.1	1 404
Total financial liabilities		1 404

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; 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 (not materially different from amortised cost).

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 5.2.