

South Australian Mental Health Commission

Financial report
for the year ended
30 June 2019



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the South Australian Mental Health Commissioner

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of South Australian Mental Health Commission 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 South Australian Mental Health Commission 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 South Australian Mental Health Commissioner and the Acting Executive Director, South Australian Mental Health Commission.

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 South Australian Mental Health 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 have been met.

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

Responsibilities of the South Australian Mental Health Commissioner for the financial report

The South Australian Mental Health Commissioner 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

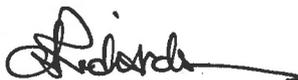
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 South Australian Mental Health Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the South Australian Mental Health Commissioner
- 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 South Australian Mental Health Commissioner 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.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

10 September 2019

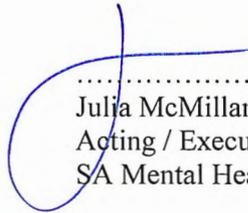
Certification of the financial statements

We certify that the:

- financial statements of the South Australian Mental Health Commission:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority 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 South Australian Mental Health Commission over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....
Chris Burns CSC
Commissioner
SA Mental Health Commission



.....
Julia McMillan
Acting / Executive Director
SA Mental Health Commission

Date 6 Sep 2019

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	3	1,361	1,219
Supplies and services	4	686	923
Grants and subsidies	5	6	-
Other expenses	6	17	17
Total expenses		<u>2,070</u>	<u>2,159</u>
Income			
Resources received free of charge	7	90	112
Other revenues/income	8	-	10
Total income		<u>90</u>	<u>122</u>
Net cost of providing services		<u>1,980</u>	<u>2,037</u>
Revenues from SA Government			
Revenues from SA Government	9	2,054	2,013
Total revenue from SA Government		<u>2,054</u>	<u>2,013</u>
Net result		<u>74</u>	<u>(24)</u>
Total comprehensive result		<u>74</u>	<u>(24)</u>

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

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 \$ '000	2018 \$ '000
Current assets			
Cash and cash equivalents	10	751	630
Receivables	11	17	18
Total current assets		<u>768</u>	<u>648</u>
Total assets		<u>768</u>	<u>648</u>
Current liabilities			
Payables	12	67	75
Employee benefits	13	108	118
Provisions		2	2
Total current liabilities		<u>177</u>	<u>195</u>
Non-current liabilities			
Payables	12	14	9
Employee benefits	13	155	96
Provisions		2	2
Total non-current liabilities		<u>171</u>	<u>107</u>
Total liabilities		<u>348</u>	<u>302</u>
Net assets		<u>420</u>	<u>346</u>
Equity			
Retained earnings		420	346
Total equity		<u>420</u>	<u>346</u>

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

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Retained earnings	Total equity
	\$ '000	\$ '000
Balance at 30 June 2017	<u>370</u>	<u>370</u>
Net result for 2017-18	<u>(24)</u>	<u>(24)</u>
Total comprehensive result for 2017-18	<u>(24)</u>	<u>(24)</u>
Balance at 30 June 2018	<u>346</u>	<u>346</u>
Net result for 2018-19	<u>74</u>	<u>74</u>
Total comprehensive result for 2018-19	<u>74</u>	<u>74</u>
Balance at 30 June 2019	<u>420</u>	<u>420</u>

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

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 \$ '000	2018 \$ '000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(1,309)	(1,857)
Payments for supplies and services		(665)	(1,419)
Payments of grants and subsidies		(6)	-
Other payments		(9)	(17)
Cash used in operations		<u>(1,989)</u>	<u>(3,293)</u>
Cash inflows			
GST recovered		54	68
Other receipts		2	10
Cash generated from operations		<u>56</u>	<u>78</u>
Cash flows from SA Government			
Receipts from SA Government		<u>2,054</u>	<u>2,013</u>
Cash generated from SA Government		<u>2,054</u>	<u>2,013</u>
Net cash provided by/(used in) operating activities		<u>121</u>	<u>(1,202)</u>
Net increase/(decrease) in cash and cash equivalents		121	(1,202)
Cash and cash equivalents at the beginning of the period		630	1,832
Cash and cash equivalents at the end of the period	10	<u>751</u>	<u>630</u>

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1 Basis of financial statements

1.1 Reporting entity

The South Australian Mental Health Commission (the Commission) is a not-for-profit administrative unit of the State of South Australia, established 29 October 2015 pursuant to the *SA Public Sector Act 2009*.

The financial statements include all controlled activities of the Commission.

1.2 Statement of compliance

These 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 that are applicable to Tier 2 not-for-profit entities, as the Commission is a Tier 2 not-for-profit entity.

1.3 Basis of preparation

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs.

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

Significant accounting policies are set out throughout the notes.

1.4 Taxation

The Commission is not subject to income tax. The Commission is liable for fringe benefits tax (FBT), goods and services tax (GST) and for payroll tax.

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 (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.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. 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.

1.5 Change in accounting policy

The Commission did not voluntarily change any of its accounting policies during 2018-19.

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change, or as otherwise noted. The restated comparative amounts do not replace the original financial statements for the preceding period.

On 22 March 2019, pursuant to the *Public Finance and Audit Act 1987*, the Treasurer issued *Treasurer's Instructions (Accounting Policy Statements)* and revoked all previously issued Accounting Policy Statements. The new Accounting Policy Statements have largely been prepared on a no-policy change basis. The change in bands from \$10,000 to \$20,000 for employee, board and committee member reporting does not impact the amounts reported in the financial statements.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to recognition, classification, impairment and measurement of the Commission's financial assets.

Under AASB 9, the Commission's receivables and term deposits are measured at amortised cost, similar to the previous classifications of 'receivables' and 'held to maturity' respectively. As the Commission only holds cash, the provisions of AASB 9 had no impact on the measurement or classification of financial instruments.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

2 Objectives and activities

The Commission is responsible for strengthening the mental health and wellbeing of South Australians and providing greater access to quality care and support when required.

The Commission is responsible to the Minister for Health and Wellbeing (the Minister) for implementing the South Australian Mental Health Strategic Plan 2017-2022, undertaking policy development to improve mental health services and engaging with the mental health sector and the community.

The Commissioner administers and manages the Commission under delegation from the Minister and is directly accountable to the Minister.

3 Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	1,049	986
Long Service Leave	69	17
Annual leave	99	64
Skills and Experience Retention Leave	3	1
Employment on-costs - superannuation*	112	99
Employment on-costs - other	13	10
Workers compensation	-	4
Board and committee fees	14	21
Other employee related expenses	2	17
Total employee benefits expenses	1,361	1,219

* The superannuation employment on-cost charge represents the Commission's contribution to superannuation plans in respect of current services of the Commission's current employees. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

3.1 Key Management Personnel

Key management personnel (KMP) of the Commission includes the Minister for Health and Wellbeing, the SA Mental Health Commissioner and the Executive Director, all who have responsibility for the strategic direction and management of the Commission.

The compensation detailed below excludes salaries and other benefits received by the Minister. The Minister'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 the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2019	2018
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	397	391
Post-employment benefits	37	36
Total	434	427

The Commission did not enter into any transactions with Key Management Personnel or their close family during the reporting period.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

3.2 Remuneration of Board & Committee Members

Board/committee name	Government employee members*	Other members
SAMHC Community Advisory Committee	4	Agius A, Albrecht L (appointed 13/02/2019), Ball M (appointed 13/02/2019 and resigned 23/04/2019), Banders A, Bickley W (resigned 13/02/2019), Bolton N (appointed 13/02/2019), Cordon A, Cornes G (appointed 13/02/2019), Cummins K (resigned 13/02/2019), Gosden A (appointed 13/02/2019), Hodges E, Kelly L (appointed 13/02/2019), Mian A (resigned 26/10/2018), Nowak H (resigned 13/02/2019), O'Neil S (resigned 13/02/2019), Oudih E, Post D (appointed 13/02/2019), Rault R (appointed 13/02/2019), Reece B (resigned 25/07/2018), Reece S (resigned 25/07/2018), Reidy M, Robelin K (appointed 13/02/2019), Rosa J (appointed 13/02/2019), Whiteway L (appointed 13/02/2019).
SMS4DadsSA Project Steering Group	8	Amey S, Fletcher R, Hosking K, Lee D, Mannion J, Mishra S, Symonds I.
Youth Advisory Group	1	Sweeting C (chair), Abio F, Blackmore M, Boulton Z, Clifford J, Huser G, Lai S, Lochert T, Lymn C, Malpass M, Richards A.

The number of board and committee members whose remuneration received or receivable falls within the following bands is:

	2019 No. of Members	2018 No. of Members
\$0	20	45
\$1 - \$20,000	33	33
Total	53	78

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, 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 or receivable by members was \$14,093 (\$21,272).

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

The following board members received payments for contracting engagements during the financial year: Clifford J \$875, Lai S \$10,250, Sweeting C \$3,908.

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.

3.3 Remuneration of employees

	2019 No.	2018 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$171,001 - \$191,000	-	1
\$191,001 - \$211,000	1	-
\$231,001 - \$251,000	1	1
Total	2	2

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 those employees for the year was \$0.433 million (\$0.427 million).

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

4 Supplies and services

	2019	2018
	\$'000	\$'000
Administration	2	37
Advertising	57	84
Communication	17	68
Computing	29	29
Consultants	86	109
Contractors	25	8
Contractors - agency staff	-	66
Housekeeping	21	13
Minor equipment	-	37
Occupancy rent and rates	216	196
Services from Shared Services SA	10	9
Postage	2	-
Services from the Department for Health and Wellbeing	80	102
Printing and stationery	15	9
Repairs and maintenance	4	28
Staff training and development	40	38
Staff travel expenses	47	65
Other supplies and services	35	25
Total supplies and services	686	923

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term as it is representative of the pattern of benefits derived from the leased assets.

Consultants

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

	No.	2019 \$'000	No.	2018 \$'000
Below \$10,000	2	15	4	17
Above \$10,000	2	71	5	92
Total	4	86	9	109

5 Grants and subsidies

	Note	2019 \$'000	2018 \$'000
Funding to non-government organisations		6	-
Total grants and subsidies		6	-

Grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Department has a present obligation to pay the contribution and the expense recognition criteria are met.

6 Other expenses

	Note	2019 \$'000	2018 \$'000
Other*		17	17
Total other expenses		17	17

*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$17,000 (\$17,000). No other services were provided by the Auditor-General's Department.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 For the year ended 30 June 2019

7 Resources received free of charge

	2019	2018
	\$'000	\$'000
Contributed services	90	112
Total resources received free of charge	90	112

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

The Commission receives Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA and Financial and Systems support from Department for Health and Wellbeing (DHW) free of charge. In addition, DHW provides other bureau services to the Commission at no direct cost, however, these services cannot be reliably measured and have been excluded.

8 Other revenues/income

	2019	2018
	\$'000	\$'000
Other	-	10
Total other revenues/income	-	10

9 Revenues from SA Government

	2019	2018
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	2,054	2,013
Total revenues from SA Government	2,054	2,013

Appropriations are recognised upon receipt.

10 Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Deposits with Treasurer	751	630
Total cash	751	630

Cash is measured at nominal amounts. The Government has a policy to align agency cash balances with the appropriation and expenditure authority. The Commission has a deposit account with the Treasurer. The Commission does not earn interest on the general operating account held with the Treasurer.

11 Receivables

	2019	2018
	\$'000	\$'000
Current		
Prepayments	10	7
Sundry receivables and accrued revenue	-	2
GST input tax recoverable	7	9
Total current receivables	17	18
Total receivables	17	18

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Commission's trading terms for receivables are generally 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.

Other than as recognised in the allowance for impairment of receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 For the year ended 30 June 2019

12 Payables

	2019	2018
	\$'000	\$'000
Current		
Creditors and accrued expenses	49	61
Paid Parental Leave Scheme	3	-
Employment on-costs*	15	14
Total current payables	67	75
Non-current		
Employment on-costs*	14	9
Total non-current payables	14	9
Total payables	81	84

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed and unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employee on-costs are settled when the respective employee benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to their short term nature.

*Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions. The Commission makes contributions to the State Government superannuation schemes. These contributions are treated as an expense when they occur. 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 percentage of the portion of long service leave taken as leave has remained unchanged at the 2018 rate of 41%. DTF has determined that the average factors for the calculation of employer superannuation cost on-cost has increased from the 2018 rate 9.50% to 9.80%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost liability of \$219 and employee benefits expense of \$219. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

The 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.

13 Employee benefits

	2019	2018
	\$'000	\$'000
Current		
Annual leave	73	75
Long service leave	14	9
Accrued salaries and wages	18	18
Fringe benefits tax	2	14
Skills and experience retention leave	1	2
Total current employee benefits	108	118
Non-current		
Long service leave	155	96
Total non-current employee benefits	155	96
Total employee benefits	263	214

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.

13.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability 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.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13.2 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.

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. These assumptions are based on employee data over SA Government entities.

AASB 119 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 2018 (2.62%) to 2019 (1.25%). This decrease of the bond yield, which is used as the rate to discount future long service leave cash flows, resulted in an increase in the reported long service leave liability.

The net financial effect of the changes in the bond yield and actuarial assumptions, including experience profile of employee promotion and and departures, in the current year is an increase in the long service leave liability of \$34,000 and employee benefits expense of \$34,000. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption being the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.00% for the long service leave liability and decreased the salary inflation rate from 3.00% to 2.20% for annual leave and skills, experience and retention leave liability. The net financial effect of the change in the salary inflation rate in the current financial year is a decrease in the annual leave liability of \$570, skills and experience retention leave liability of \$9 and employee benefits expense of \$579.

14 Unrecognised contractual commitments

Commitments include operating and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

14.1 Operating lease expenditure commitments

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

	2019	2018
	\$'000	\$'000
Within one year	92	-
Total operating lease commitments	92	-
Representing:		
Non-cancellable operating leases	92	-
Total operating lease commitments	92	-

The Commission has a lease agreement for the use of property in 60 Hindmarsh Square Adelaide.

14.2 Expenditure Commitments

	2019	2018
	\$'000	\$'000
14.2.2 Other expenditure commitments		
Within one year	-	61
Total other expenditure commitments	-	61

The Commission expenditure commitments are for agreements for goods and services ordered but not received.

15 Contingent assets and liabilities

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

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

15.1 Guarantees

The Commission has made no guarantees.

16 Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June. Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue, where the events relate to a condition which arose after 30 June, and which may have a material impact on the results of subsequent years.

The Commission is not aware of any events after balance date.

17 Impact of Standards not yet implemented

The Commission has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements (APS) that are not yet effective. The material impacts on the Commission are outlined below.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

The Commission will adopt these standards from 1 July 2019.

AASB 15 establishes a comprehensive framework for determining the nature, amount and timing of revenue arising from contracts with customers. The objective of AASB 15 is for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. This standard replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not for profit entities, in conjunction with AASB 15. This standard replaces parts of AASB 1004 *Contributions*.

Adopting AASB 15 and AASB 1058 will not have an impact on the timing and recognition of revenue of the Commission.

The Commission has completed an extensive review of all revenue streams to ensure compliance with AASB 15 and AASB 1058, and assessed the impact on the nature, amount and timing of revenue recognition as:

- Revenues from SA Government (96%) largely reflects Appropriations and will continue to be recognised as income when the Commission obtains control of the funds (ie upon receipt).
- Resources received free of charge (4%) relates to contributed services. Material contributed services will continue to be recognised where they would have been purchased if they were not donated via AASB 1058 (previously AASB 1004).

As per the Accounting Policy Statements, the Commission will apply AASB 15 and AASB 1058 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply the completed contract expedient; and not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 Leases

The Commission will adopt this standard from 1 July 2019. This standard replaces AASB 117 *Leases* and Interpretations 4, 115 and 127.

AASB 16 largely retains the current lessor accounting model but introduces a single lessee accounting model. It requires a lessee to recognise assets (representing rights to use the underlying leased asset) and liabilities (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying asset value is low. In effect, the majority of leases presently classified as operating leases will be recognised in the Statement of Financial Position.

The right of use asset will initially be recognised at cost and will give rise to a depreciation expense. The lease liability will initially be recognised as the present value of the lease payments during the term of the lease. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. These payments will now reduce the recognised liability over time and the finance charge component recognised as an expense.

The Commission has assessed the impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements outlined in the APS. As per the APS, the Commission will apply AASB 16's transition approach only to those leases already identified as a lease under AASB 117; and apply incremental borrowing rates based on SAFA's rates for principal and interest loans to SA Government agencies.

SOUTH AUSTRALIAN MENTAL HEALTH COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

AASB 16 will not have an impact on the Statement of Financial Position, the Commission has only short term lease arrangements, accordingly it has applied the short-term lease recognition exemption.

The Commission has assessed the impact on the Statement of Comprehensive Income. As the short-term lease recognition exemption applies, there will also be no impact on the Statement of Comprehensive Income.

As per the APS, the Commission will apply AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply AASB 16 to contracts that were not previously identified as containing a lease under AASB 117; not transition operating leases for which the lease term ends before 30 June 2020.

In addition, the Commission will not apply AASB 16 to intangible assets; will adopt a \$15,000 threshold for determining whether an underlying asset is a low value asset; will apply the short-term lease recognition exemption (as mentioned above); will adopt the revaluation model where permitted; and not record at fair value leases that have significantly below-market terms and conditions.

18 Financial instruments / financial risk management

18.1 Financial risk management

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.

18.2 Liquidity risk

The Commission is funded principally by appropriation from the SA Government. The Commission works with the Department of Treasury and Finance to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

18.3 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.

The carrying amounts of each of the following categories of financial assets and liabilities measured at cost are detailed below.

Category of financial asset and financial liability	Notes	2019 Carrying amount/ Fair value \$'000	2018 Carrying amount/ Fair value \$'000
Financial assets			
Cash and equivalent			
Cash and cash equivalents	10	751	630
Amortised cost			
Receivables ^{(1) (2)}	11	-	2
Total financial assets		751	632
Financial liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾	12	32	45
Total financial liabilities		32	45

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes etc.). 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 etc. 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).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 11 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.