

South Australian Local Government Grants Commission

Financial report
for the year ended
30 June 2018



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To the Chair
South Australian Local Government Grants Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the South Australian Local Government Grants Commission for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Local Government Grants Commission as at 30 June 2018, 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair and Executive Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Local Government Grants 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 Executive Officer and members of the South Australian Local Government Grants Commission for the financial report

The Executive Officer 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 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 that is free from material misstatement, whether due to fraud or error.

The members of the South Australian Local Government Grants Commission are responsible for overseeing the entity's financial reporting process.

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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Executive Officer and members of the South Australian Local Government Grants Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

28 September 2018

South Australian Local Government Grants Commission CERTIFICATION OF THE FINANCIAL STATEMENTS

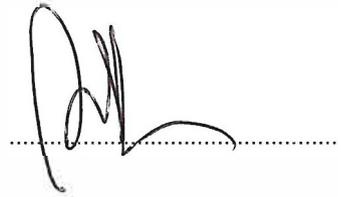
We certify that the:

- financial statements of the South Australian Local Government Grants Commission:
 - are in accordance with the accounts and records of the South Australian Local Government Grants Commission; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the South Australian Local Government Grants Commission at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the South Australian Local Government Grants Commission over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Mary Patetsos
Chair
South Australian Local Government
Grants Commission

28 September 2018



Peter Ilee
Executive Officer
South Australian Local Government
Grants Commission

28 September 2018

South Australian Local Government Grants Commission

Financial Statements

for the year ended 30 June 2018

South Australian Local Government Grants Commission
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018	2017
	No	\$'000	\$'000
Expenses			
Employee benefit expenses	3	293	300
Supplies and services	5	129	88
Total Expenses		422	388
Income			
Interest revenue	6	27	22
Total Income		27	22
Net cost of providing services		(395)	(366)
Revenues from (payments to) SA Government			
Revenues from SA Government	7	447	478
Net Revenues from SA Government		447	478
Net Result		52	112
Total comprehensive result		52	112

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

The above statement should be read in conjunction with the accompanying notes.

South Australian Local Government Grants Commission
Statement of Financial Position
as at 30 June 2018

	Note No	2018 \$'000	2017 \$'000
Current assets			
Cash	8	1 277	1 238
Receivables	9	1	1
Total Current Assets		1 278	1 239
Total Assets		1 278	1 239
Current liabilities			
Payables	10	15	15
Employee benefits	11	30	34
Total Current Liabilities		45	49
Non-current liabilities			
Payables	10	11	11
Employee benefits	11	110	119
Total Non-Current Liabilities		121	130
Total Liabilities		166	179
Net assets		1 112	1 060
Equity			
Retained earnings		1 112	1 060
Total Equity		1 112	1 060

Total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	12
Contingent assets and liabilities	13

The above statement should be read in conjunction with the accompanying notes.

South Australian Local Government Grants Commission
Statement of Changes In Equity
for the year ended 30 June 2018

	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2016	948	948
Net result for 2016-17	112	112
Total Comprehensive Result for 2016-17	112	112
Balance at 30 June 2017	1 060	1 060
Net result for 2017-18	52	52
Total Comprehensive Result for 2017-18	52	52
Balance at 30 June 2018	1 112	1 112

All changes in equity are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

South Australian Local Government Grants Commission
Statement of Cash Flows
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities		
Employee benefit payments	(307)	(289)
Supplies and services	(128)	(87)
Cash used in Operations	(435)	(376)
Cash inflows		
Interest received	27	24
Cash generated from Operations	27	24
Cash flows from SA Government		
Receipts from SA Government	447	478
Cash Generated from SA Government	447	478
Net Cash provided by / (used in) Operating Activities	39	126
Net (decrease) / increase in cash	39	126
Cash at 1 July	1 238	1 112
Cash at 30 June	1 277	1 238

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 1: Objectives of the South Australian Local Government Grants Commission

The South Australian Local Government Grants Commission (the Commission) is responsible for making recommendations to the Minister for Transport, Infrastructure and Local Government on the distribution of untied Commonwealth financial assistance grants to local governing authorities in South Australia in accordance with State and Federal legislative requirements.

Note 2: Basis of Financial Statements

a) Reporting Entity

The Commission was established pursuant to the *South Australian Local Government Grants Commission Act 1992*, which prescribes its responsibilities in accordance with the provisions of the *Commonwealth Local Government (Financial Assistance) Act 1995*.

The Commission distributes Commonwealth financial assistance grants to local governing authorities in South Australia in accordance with State and Federal legislative requirements. The assistance grants are an administered function of the Commission. All revenues and expenditures from the receipt and disbursement of grant funds, and any year end cash balances are reflected separately in Note 17.

The Commission does not control any other entity and has no interests in unconsolidated structured entities. The Commission has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

b) Statement of compliance

The financial statements of the Commission have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements), and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

c) Basis of preparation

The financial statements have been prepared based on a twelve month period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the notes.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

d) Taxation

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

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.
- receivables and payables, which are stated with the amount of GST included.

The net amount of the GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Commission is a member of an approved GST group of which the Department of Planning, Transport and Infrastructure is responsible for the remittance and collection of GST.

There are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

Note 3: Employee Benefit Expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	173	186
Annual Leave	18	20
Long service leave	8	8
Skills and experience retention leave	5	2
Employment on-costs	37	39
Commission fees	50	43
Other employee related expenses	2	2
Total Employee Benefits Expense	293	300

Targeted Voluntary Separation Packages (TVSPs)

No employees were paid TVSPs during the period 1 July 2017 to 30 June 2018.

3.1 Remuneration of employees

No employees received remuneration greater than the base executive remuneration level during the year.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3.2 Key Management Personnel

Key management personnel of the Commission includes the three Commission members and the Executive Officer who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$179 908 (\$171 558). Salaries and other benefits the Minister for Transport, Infrastructure and Local Government receives are excluded from this total. 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*.

Note 4: Remuneration of Commission Members

Members during the 2018 financial year were:

Burgess D J
 McEwen R J
 Patetsos M

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

	2018	2017
\$0 - \$9 999	-	2
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	1	1
Total number of members	3	5

Remuneration of members reflects all costs of performing commission member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$54 000 (\$48 000).

Note 5: Supplies and Services

	2018	2017
	\$'000	\$'000
Service Level Agreement	72	44
Information technology	22	23
Auditor's remuneration	11	11
Travel	11	2
Other	11	8
Other service contracts	2	-
Total Supplies and Services	129	88

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 6: Interest Revenue

	2018 \$'000	2017 \$'000
Interest from the Department of Treasury and Finance	27	22
Total Interest Revenue	27	22

Note 7: Revenues from SA Government

	2018 \$'000	2017 \$'000
Revenue from SA Government	447	478
Total Revenues from SA Government	447	478

Revenues are recognised when the Commission obtains control over the funding. Control over revenues is normally upon receipt.

Note 8: Cash

	2018 \$'000	2017 \$'000
Deposits at call with the Treasurer	1 277	1 238
Total Cash	1 277	1 238

Cash is measured at nominal amounts. Deposits at call with the Treasurer earn a floating interest rate, based on daily banking deposit rates.

Note 9: Receivables

	2018 \$'000	2017 \$'000
Current:		
Accrued Interest on deposits	1	1
Total Current Receivables	1	1
Total Receivables	1	1

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 10: Payables

	2018	2017
	\$'000	\$'000
Current:		
Creditors	1	-
Accrued expenses	11	11
Employment on-costs	3	4
Total Current Payables	15	15
Non-Current:		
Employment on-costs	11	11
Total Non-Current Payables	11	11
Total Payables	26	26

Payables are measured at their nominal amount. Creditors and accruals are raised for amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

Employment on-costs include payroll tax and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave. The Commission 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 contributions due but not yet paid to the superannuation scheme managers.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed the 2017 rate of 40% to 41% and the average factor for the calculation of employer superannuation on-cost has changed from the 2017 rate of 10.1% to 9.9%. These rates are used in the employment on-cost calculation. The net financial effect is not material.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 11: Employee Benefits

	2018	2017
	\$'000	\$'000
Current:		
Annual leave	11	15
Long service leave	12	11
Skills and experience retention leave	2	2
Accrued salaries and wages	5	6
Total Current Employee Benefits	30	34
Non-Current:		
Long service leave	110	119
Total Non-Current Employee Benefits	110	119
Total Employee Benefits	140	153

Employee benefits accrue as a result of services provided by employees 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 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.

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.

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 liability. The yield on long term Commonwealth Government bonds remains unchanged from 2017 (2.5%).

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 12: Unrecognised Contractual Commitments

	2018	2017
	\$'000	\$'000
Within one year	74	72
Later than one year but not later than five years	154	228
Total commitments	228	300

The commitment relates to a service agreement.

Note 13: Contingent Assets and Liabilities

The Commission is not aware of any contingent assets or liabilities as at 30 June 2018.

Note 14: Financial Risk Management/Financial Instruments

Financial Risk Management

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

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

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

All financial assets and liabilities are carried at cost and are current for 2018 and 2017.

Note 15: Related Party Transactions

The Commission is a statutory authority established pursuant to the *South Australian Local Government Grants Commission Act 1992* and is a wholly owned and controlled entity of the Crown.

Related parties of the Commission include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Transactions with Key Management Personnel and other related parties

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2018

Note 16: After Balance Date Events

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

Note 17: Disclosures of Administered Items

	2018	2017
	\$'000	\$'000
Administered Commonwealth Revenues		
Commonwealth Financial Assistance Grants	158 075	229 453
Commonwealth Roads to Recovery Grants	7 015	9 843
Supplementary Local Road Funding Grants	20 000	-
Total Administered Revenues - Commonwealth receipts	185 090	239 296
Administered Commonwealth Expenditure Grants		
Commonwealth Financial Assistance Grants	158 075	229 453
Commonwealth Roads to Recovery Grants	7 015	10 042
Supplementary Local Road Funding Grants	20 000	-
Total Administered Expenses - Commonwealth payments	185 090	239 495