

South Australian
Local Government Grants Commission

Financial report
for the year ended
30 June 2019



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To the Presiding Member 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 (the 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 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 Presiding Member and the 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 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 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 Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

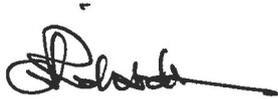
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control
- 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 the members of the Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

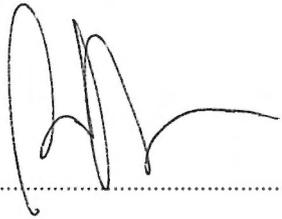
Auditor-General

30 September 2019

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.



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Peter Ilee
Executive Officer
South Australian Local Government
Grants Commission

27 September 2019



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Bruce Green
Presiding Member
South Australian Local Government
Grants Commission

27 September 2019

South Australian Local Government Grants Commission
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note No	2019 \$'000	2018 \$'000
Expenses			
Employee benefit expenses	2.3	317	293
Supplies and services	3.1	121	129
Total Expenses		438	422
Income			
Interest revenue	4.2	23	27
Total Income		23	27
Net cost of providing services		(415)	(395)
Revenues from (payments to) SA Government			
Revenues from SA Government	4.1	450	447
Net Revenues from SA Government		450	447
Net Result		35	52
Total comprehensive result		35	52

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 2019

	Note No	2019 \$'000	2018 \$'000
Current assets			
Cash	5.1	1 345	1 277
Receivables	5.2	2	1
Total Current Assets		1 347	1 278
Total Assets		1 347	1 278
Current liabilities			
Payables	6.1	27	15
Employee benefits	2.5	38	30
Total Current Liabilities		65	45
Non-current liabilities			
Payables	6.1	11	11
Employee benefits	2.5	124	110
Total Non-Current Liabilities		135	121
Total Liabilities		200	166
Net assets		1 147	1 112
Equity			
Retained earnings		1 147	1 112
Total Equity		1 147	1 112

Total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	7.1
Contingent assets and liabilities	7.2

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 2019

	Retained Earnings	Total Equity
	\$'000	\$'000
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
Net result for 2018-19	35	35
Total Comprehensive Result for 2018-19	35	35
Balance at 30 June 2019	1 147	1 147

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 2019

	Note No	2019 \$'000 Inflows (Outflows)	2018 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Employee benefit payments		(293)	(307)
Supplies and services		(111)	(128)
Cash used in Operations		(404)	(435)
Cash inflows			
Interest received		22	27
Cash generated from Operations		22	27
Cash flows from SA Government			
Receipts from SA Government		450	447
Cash Generated from SA Government		450	447
Net Cash provided by / (used in) Operating Activities		68	39
Net (decrease) / increase in cash			
Cash at 1 July		1 277	1 238
Cash at 30 June	5.1	1 345	1 277

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. About the 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.

1.1. Basis of Preparation

The financial statements of the Commission are general purpose statements and have been prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards (Reduced Disclosure Requirements)

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

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.

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.

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 DPTI is responsible for the remittance and collection of GST.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs

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*.

On 1 January 2019, the Minister for Transport, Infrastructure and Local Government under the *Local Government (Boundary Adjustment) Amendment Act 2017* appointed the Local Government Grants Commission as the body responsible to undertake assessment of boundary change proposals, oversee investigations and make recommendations to the Minister.

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 9.

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.

1.3. Significant transactions with government related entities

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.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key Management Personnel

Key management personnel of the Commission includes the Minister for Transport, Infrastructure and Local Government, 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 \$176 370 (\$179 908). 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*.

Transactions with Key Management Personnel and other related parties

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

2.2. Remuneration of Commission Members

Members during the 2019 financial year were:

Burgess D J (appointed 23/05/2017)
Green B (appointed 31/01/2019)
McEwen R J (resigned 08/05/2019)
Patetsos M (appointment ended 15/11/2018)

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

	2019	2018
	Number	Number
\$1 - \$19 999	4	2
\$20 000 - \$39 999	-	1
Total number of members	4	3

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 \$49 000 (\$54 000).

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee Benefit Expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	185	173
Annual Leave	25	18
Long service leave	12	8
Skills and experience retention leave	-	5
Employment on-costs	48	37
Commission fees	45	50
Other employee related expenses	2	2
Total Employee Benefits Expense	317	293

Targeted Voluntary Separation Packages (TVSPs)

No employees were paid TVSPs during the period 1 July 2018 to 30 June 2019.

2.4. Remuneration of employees

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

2.5. Employee Benefits Liability

	2019	2018
	\$'000	\$'000
Current:		
Annual leave	16	11
Long service leave	15	12
Skills and experience retention leave	2	2
Accrued salaries and wages	5	5
Total Current Employee Benefits	38	30
Non-Current:		
Long service leave	124	110
Total Non-Current Employee Benefits	124	110
Total Employee Benefits	162	140

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.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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 in note 8.1.

3. Expenses

3.1. Supplies and Services

	2019	2018
	\$'000	\$'000
Service Level Agreement	74	72
Information technology	22	22
Auditor's remuneration	11	11
Travel	7	11
Other	5	11
Other service contracts	2	2
Total Supplies and Services	121	129

4. Income

4.1. Net revenues from SA Government

	2019	2018
	\$'000	\$'000
Revenue from SA Government	450	447
Total Revenues from SA Government	450	447

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.2. Interest Revenue

	2019 \$'000	2018 \$'000
Interest from the Department of Treasury and Finance	23	27
Total Interest Revenue	23	27

5. Financial Assets

5.1. Cash

	2019 \$'000	2018 \$'000
Deposits at call with the Treasurer	1 345	1 277
Total Cash	1 345	1 277

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

5.2. Receivables

	2019 \$'000	2018 \$'000
Current:		
Accrued Interest on deposits	2	1
Total Current Receivables	2	1
Total Receivables	2	1

6. Liabilities

6.1. Payables

	2019 \$'000	2018 \$'000
Current:		
Creditors	-	1
Accrued expenses	22	11
Employment on-costs	5	3
Total Current Payables	27	15
Non-Current:		
Employment on-costs	11	11
Total Non-Current Payables	11	11
Total Payables	38	26

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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 with respect to outstanding liabilities for salaries and wages and associated 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 payable outstanding at reporting date relates to any contributions due but not yet paid.

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 remained unchanged from the 2018 rate of 41% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2018 rate of 9.9% to 9.8%. These rates are used in the employment on-cost calculation. The estimated impact on 2019 and 2020 is not expected to be material.

7. Outlook

7.1. Unrecognised Contractual Commitments

	2019	2018
	\$'000	\$'000
Within one year	76	74
Later than one year but not later than five years	78	154
Total commitments	154	228

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

The commitment relates to a service agreement.

7.2. Contingent Assets and Liabilities

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

The Commission is not aware of any contingent assets or liabilities as at 30 June 2019.

7.3. Events After the Reporting Period

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8. Measurement and risk

8.1. Long service leave liability – measurement

AASB 119 Employee Benefits contains the calculation methodology for long service leave.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from the 2018 rate of 2.5% to 1.25% in 2019.

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

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$0.011 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result there is no 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.

8.2. Fair value

All financial assets and liabilities are carried at cost and are current for 2019 and 2018.

8.3. 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.

Liquidity risk

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.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9. Disclosures of Administered Items

Statement of Administered Comprehensive Income

	2019	2018
	\$'000	\$'000
Administered Commonwealth Revenues		
Commonwealth Financial Assistance Grants	163 418	158 075
Commonwealth Roads to Recovery Grants	5 929	7 015
Supplementary Local Road Funding Grants	60 000	20 000
Total Administered Revenues - Commonwealth receipts	229 347	185 090
Administered Commonwealth Expenditure Grants		
Commonwealth Financial Assistance Grants	163 418	158 075
Commonwealth Roads to Recovery Grants	5 929	7 015
Supplementary Local Road Funding Grants	54 000	20 000
Total Administered Expenses - Commonwealth payments	223 347	185 090
Total Administered Comprehensive Result	6 000	-

Statement of Administered Financial Position

	2019	2018
	\$'000	\$'000
Assets		
Cash*	6 000	-
Total Assets	6 000	-
Equity		
Retained Earnings	6 000	-
Total Equity	6 000	-

Statement of Administered Cash Flows

	2019	2018
	\$'000	\$'000
Cash Flows from Operating Activities		
Cash Outflows		
Supplementary Local Road Funding Grants	223 347	185 090
Cash used in Operations	223 347	185 090
Cash Inflows		
Commonwealth Supplementary Local Road Funding Grants	229 347	185 090
Cash generated from Operations	229 347	185 090
Net cash provided by/(used in) operating activities		
Net increase (decrease) in cash held	6 000	-
Cash 1 July	-	-
Cash 30 June*	6 000	-

*Funds for the Supplementary Local Road Funding Grants program were transferred to the Local Government Financing Authority as at 30 June 2019 and are yet to be disbursed to grant funding recipients.