

Legislative Council

Financial report
for the year ended
30 June 2019



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To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Legislative Council for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 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 Clerk, Legislative Council and the Chief Finance Officer, Joint Parliamentary Service.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Legislative Council. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

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

The Clerk of the Legislative Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 the Clerk of the Legislative Council 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

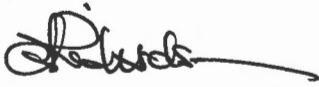
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

13 September 2019

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Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.2	2,228	2,104
Members' salaries and allowances	2.3	5,100	5,461
Supplies and services	3.1	1,510	1,482
Depreciation and amortisation	3.2	42	52
Assets provided for nil consideration to the Joint Parliamentary Service	5.1	286	114
Total expenses		9,166	9,213
Income			
Other income		46	44
Total income		46	44
Net cost of providing services		9,120	9,169
Revenues from /(payments to) SA Government			
Revenues from SA Government	4.1	10,772	10,516
Payments to SA Government	4.1	(698)	-
Net result		954	1,347
Total comprehensive result		954	1,347

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	3,497	2,615
Receivables	6.2	17	40
Total current assets		3,514	2,655
Non-current assets			
Property, plant and equipment	5.1	1,353	1,067
Total non-current assets		1,353	1,067
Total assets		4,867	3,722
Current liabilities			
Payables	7.1	186	141
Employee benefits	2.4	256	235
Provisions	7.2	3	3
Total current liabilities		445	379
Non-current liabilities			
Payables	7.1	104	93
Employee benefits	2.4	1,011	897
Provisions	7.2	5	5
Total non current liabilities		1,120	995
Total liabilities		1,565	1,374
Net assets		3,302	2,348
Equity			
Retained earnings	8.1	3,226	2,272
Asset revaluation surplus	8.1	76	76
Total equity		3,302	2,348
Unrecognised contractual commitments	10.1		

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the year ended 30 June 2019

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2017		76	925	1,001
Net result for 2017-18		-	1,347	1,347
Total comprehensive result for 2017-18		-	1,347	1,347
Balance at 30 June 2018		76	2,272	2,348
Net result for 2018-19		-	954	954
Total comprehensive result for 2018-19		-	954	954
Balance at 30 June 2019		76	3,226	3,302

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(2,092)	(2,629)
Members' salaries allowances and superannuation		(5,100)	(5,461)
Payments for supplies and services		(1,661)	(1,760)
Cash used in operations		(8,853)	(9,850)
Cash inflows			
GST recovered from the ATO		225	213
Other receipts		50	50
Cash generated from operations		275	263
Cash flows from SA Government			
Receipts from State Government		10,772	10,516
Payments to SA Government		(698)	-
Cash generated from SA Government		10,074	10,516
Net cash provided by operating activities	8.2	1,496	929
Cash flows from investing activities			
Purchase of property, plant and equipment		(614)	(121)
Net cash used in investing activities		(614)	(121)
Net increase in cash and cash equivalents		882	808
Cash and cash equivalents at 1 July		2,615	1,807
Cash and cash equivalents at 30 June	6.1	3,497	2,615

The accompanying notes form part of these financial statements.

Legislative Council

Financial Statements

1. About the Legislative Council

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

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

The Legislative Council does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the House of Assembly.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the Legislative Council 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 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

1.2 Objectives

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

2. Employees

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

2.1 Key management personnel

Key management personnel of the Legislative Council include the Clerk and the Deputy Clerk.

Total compensation for key management personnel was \$409,000 in 2018-19 and \$989,000 in 2017-18.

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2.2 Employee benefits expenses	2019 \$'000	2018 \$'000
Salaries and wages	1,938	1,764
Superannuation	178	265
Employee benefits - on-costs	112	70
Workers compensation	-	5
Total employee benefits expenses	2,228	2,104

Employment on-costs – superannuation

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

Executive remuneration	2019 No	2018 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$171,001 – 191,000	1	1
\$191,001 – 211,000	-	1
\$231,001 – 251,000	1	-
\$671,001 – 691,000	-	1
Total	2	3

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.

2.3 Members' salaries and allowances	2019 \$'000	2018 \$'000
Members' salaries and allowances	4,381	4,579
On-costs - superannuation	685	841
On-costs - other	34	41
Total members' salaries and allowances	5,100	5,461

Members' salaries, electorate allowances and additional salaries of \$4.4 million (2018 \$4.6 million) reflected in these financial statements are paid from Appropriations provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$1.4 million (2018 \$1.1 million) and superannuation of \$383,000 (2018 \$209,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

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2.4 Employee benefits - liability	2019	2018
	\$'000	\$'000
Current		
Annual leave	130	120
Long service leave	54	50
Skills and experience retention leave	36	33
Accrued salaries and wages	36	32
Total current employee benefits	256	235
Non-current		
Annual leave	173	166
Long service leave	838	731
Total non-current employee benefits	1,011	897
Total employee benefits	1,267	1,132

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

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3. Expenses

Employee benefits expenses and Members' salaries and allowances are disclosed in notes 2.2 and 2.3, respectively.

3.1 Supplies and services

	2019	2018
	\$'000	\$'000
Publications	29	39
Printing	237	207
Information technology	31	10
Lease	64	61
Members global allowance	365	506
Security	214	206
Vehicle hire	9	13
Members travel, accommodation and related expenses	120	84
Travelling expenses	70	38
Fringe benefits tax	55	76
Stationery	17	15
Telephone	6	5
Consultants fees	92	112
Advertisements	62	3
Community engagement	16	12
Commonwealth Parliamentary Association	35	31
Minor works and equipment	18	7
Other	70	57
Total supplies and services	<u>1,510</u>	<u>1,482</u>

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

	2019		2018	
	No	\$'000	No	\$'000
Below \$10,000	-	-	3	15
\$10,000 or above	3	92	5	97
Total	<u>3</u>	<u>92</u>	<u>8</u>	<u>112</u>

3.2 Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Plant and equipment	3	11
Fixtures and fittings	13	16
Computer equipment	26	25
Total depreciation and amortisation	<u>42</u>	<u>52</u>

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are review and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

Depreciation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

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

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

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

4. Income

4.1 Net revenues from SA Government

	2019	2018
	\$'000	\$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	5,476	5,367
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	5,296	5,149
Total revenues from SA Government	<u>10,772</u>	<u>10,516</u>
Payments to SA Government		
Return of surplus cash pursuant to cash alignment policy	698	-
Total payments to SA Government	<u>698</u>	<u>-</u>
Net revenues from SA Government	<u><u>10,074</u></u>	<u><u>10,516</u></u>

Appropriations

Appropriations are recognised on receipt.

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5. Non-financial assets

5.1 Property, plant and equipment

	2019	2018
	\$'000	\$'000
Plant and equipment		
At cost (deemed fair value)	75	83
Less: Accumulated depreciation	(74)	(79)
Total plant and equipment	<u>1</u>	<u>4</u>
Fixtures and fittings		
At cost (deemed fair value)	648	648
Less: Accumulated depreciation	(108)	(95)
Total fixtures and fittings	<u>540</u>	<u>553</u>
Computer equipment		
At cost (deemed fair value)	672	675
Less: Accumulated depreciation	(600)	(604)
Total computer equipment	<u>72</u>	<u>71</u>
Works of art		
At cost (deemed fair value)	399	399
Total works of art	<u>399</u>	<u>399</u>
Capital works in progress		
Capital works in progress	341	40
Total capital works in progress	<u>341</u>	<u>40</u>
Total property, plant and equipment	<u><u>1,353</u></u>	<u><u>1,067</u></u>

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

Property, plant and equipment is recorded at fair value. Detail about the Legislative Council's approach to fair value is set out in note 11.2.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

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Reconciliation 2018-19

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	4	553	71	399	40	1,067
Additions	-	-	26	-	588	614
Assets provided for nil consideration	-	-	-	-	(286)	(286)
Depreciation	(3)	(13)	(26)	-	-	(42)
Other	-	-	1	-	(1)	-
Carrying amount at 30 June	1	540	72	399	341	1,353

Reconciliation 2017-18

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	15	570	95	399	33	1,112
Additions	-	-	-	-	121	121
Assets provided for nil consideration	-	-	-	-	(114)	(114)
Depreciation	(11)	(16)	(25)	-	-	(52)
Other	-	(1)	1	-	-	-
Carrying amount at 30 June	4	553	71	399	40	1,067

6. Financial assets

6.1 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash held with the Joint Parliamentary Service	1,504	622
Deposits with the Treasurer	1,993	1,993
Total cash and cash equivalents	3,497	2,615

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account.

Although the Legislative Council controls the money in the Accrual Appropriation Account, its use must be approved by the Treasurer. The Legislative Council does not earn interest on its deposits with the Treasurer.

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6.2 Receivables	2019	2018
	\$'000	\$'000
Prepayments	17	40
Total current receivables	17	40

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.3.

7.1 Payables	2019	2018
	\$'000	\$'000
Current		
Creditors	10	9
Accrued expenses	139	97
Employment on-costs	37	35
Total current payables	186	141
Non-current		
Employment on-costs	104	93
Total non-current payables	104	93
Total payables	290	234

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.

The net amount of GST recoverable from the ATO is included as part of payables.

Employment on-costs

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

The Legislative Council 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 the South Australian Superannuation Board.

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	2019	2018
	\$'000	\$'000
7.2 Provisions		
Current		
Provision for workers compensation	3	3
Total current provisions	<u>3</u>	<u>3</u>
Non current		
Provision for workers compensation	5	5
Total non-current provisions	<u>5</u>	<u>5</u>
Total provisions	<u>8</u>	<u>8</u>
Provision movement		
Carrying amount at 1 July	8	3
Additional provisions recognised	-	5
Carrying amount at 30 June	<u>8</u>	<u>8</u>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

8. Other disclosures

8.1 Equity

The asset revaluation surplus is to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

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8.2 Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

<i>Cash flow reconciliation</i>	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June		
Cash and cash equivalents disclosed in the Statement of Financial Position	3,497	2,615
Balance as per the Statement of Cash Flows	3,497	2,615
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	1,496	929
Less revenues from SA Government	(10,772)	(10,516)
Add payments to SA Government	698	-
Add/less non-cash items		
Depreciation expense of non-current assets	(42)	(52)
Assets provided for nil consideration to the Joint Parliamentary Service	(286)	(114)
Movements in assets and liabilities		
(Decrease)/increase in receivables	(23)	5
(Increase)/decrease in payables	(55)	54
(Increase)/decrease in employee benefits	(136)	530
Decrease/(increase) in provisions	-	(5)
Net cost of providing services	(9,120)	(9,169)

9. Changes in accounting policy

9.1 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.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

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9.2 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. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Legislative Council 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. In prior year, this information was presented as part of other expenses.
- *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.

10. Outlook

10.1 Unrecognised contractual commitments

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

<i>Operating lease commitments</i>	2019	2018
	\$'000	\$'000
Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	57	52
Later than one year but no longer than five years	84	53
Total operating lease commitments	141	105

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

10.2 Contingent assets and liabilities

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

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

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10.3 Impact of standards and statements not yet effective

AASB 16 – Leases

The Legislative Council 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, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease .*

Impact on 2019-20 financial statements

The Legislative Council 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.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The Legislative Council 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 the Legislative Council prior to 1 July 2019. The incremental borrowing rates applied to the lease liability were SAFA’s interest rates for principal and interest loans to SA Government agencies for 1 July 2019.

The estimated impact is set out below.

	as at 1 July 2019 \$’000
Assets	
Right-of-use assets	119
Liabilities	
Lease liabilities	119
Net impact on equity	<u><u>-</u></u>

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

	2020 \$’000
Depreciation and amortisation	49
Supplies and services	(48)
Borrowing costs	1
Net impact on net cost of providing services	<u><u>2</u></u>

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The amounts disclosed are current estimates only. The Legislative Council 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.

11. Measurement and risk

11.1 Long service leave liability – measurement

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

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

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

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 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 net financial effect resulting from changes in the salary inflation rate.

The conditional portion of the long service leave provision is classified as current as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The conditional portion of long service leave relates to employees with less than ten years' service. These amounts have been calculated by the Department of Treasury and Finance.

11.2 Fair value

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

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Revaluation

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

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

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

11.3 Financial instruments

Financial risk management

Risk management is managed by the Legislative Council's executive management and 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*.

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

Liquidity risk

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

Refer to note 7.1 for further information.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/financial liability note.

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Loan and receivables
- Financial liabilities measured at cost.

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Classification applicable from 1 July 2018 under AASB 9 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.

The Legislative Council measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2019	2019	2018	2018
		Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000	Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	3,497	3,497	2,615	2,615
Financial assets at amortised cost					
Receivables	6.2	-	-	-	-
Total financial assets		<u>3,497</u>	<u>3,497</u>	<u>2,615</u>	<u>2,615</u>
Financial liabilities					
Financial liabilities at cost					
Payables	7.1	121	121	78	78
Total financial liabilities		<u>121</u>	<u>121</u>	<u>78</u>	<u>78</u>

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 6.2.

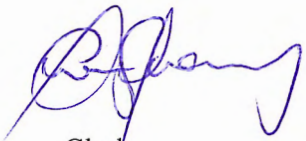
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Certification of the Financial Statements

We certify that the:

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



Clerk
Legislative Council

10/09/2019



Chief Finance Officer
Joint Parliamentary Service

9/9/2019