Lifetime Support Authority of South Australia

Financial report for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chair of the Board
Lifetime Support Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accident (Lifetime Support Scheme) Act 2013*, I have audited the financial report of the Lifetime Support Authority of South Australia 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 Lifetime Support Authority of South Australia 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 Chair and the Chief Executive.

Significant inherent uncertainty – provision for participant treatment, care and support

Without qualification to the opinion expressed above, attention is drawn to note 7.2 of the financial report. There is a significant inherent uncertainty surrounding the estimate of the provision for participant treatment, care and support services because of the long-term nature of the provision and limited participant experience to date. This uncertainty will remain until sufficient participant experience is available.

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 Lifetime Support Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Executive and members of the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 Board 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 Lifetime Support Authority of South Australia's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive 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.

Andrew Richardson
Auditor-General
20 September 2019

Lifetime Support Authority of South Australia
Statement of Certification
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Lifetime Support Authority of South Australia (LSA):

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

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

TTomic

Tamara Tomic
Chief Executive
16 September 2019

Juliet M Brown

Juliet Brown
Chair
16 September 2019

Lifetime Support Authority of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Expenses			
Participant treatment, care and support expenses	3.1	122 093	130 265
Duty on LSS Fund levy		15 478	14 963
Reinsurance		2 730	2 769
Employee benefits expenses	2.3	6 743	4 789
Service delivery and corporate expenses	3.2	3 805	2 495
Research, education and programs		2 227	2 517
Depreciation and amortisation	3.3	306	375
Total expenses		**153 382**	**158 173**
Income			
Revenues from LSS Fund levy		156 186	150 715
Investment revenues	4.1	55 210	49 546
Other revenues	4.2	2	4
Total income		**211 398**	**200 265**
Net cost of providing services		**58 016**	**42 092**
Net result		**58 016**	**42 092**
Total comprehensive result		**58 016**	**42 092**

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

Lifetime Support Authority of South Australia
Statement of Financial Position
as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	6.1	1 848	1 359
Receivables	6.2	2 199	2 688
Total current assets		**4 047**	**4 047**
Non-current assets			
Financial assets at fair value	6.3	760 903	597 767
Property, plant and equipment	5.1	10	234
Intangible assets	5.2	226	199
Total non-current assets		**761 139**	**598 200**
Total assets		**765 186**	**602 247**
Current liabilities			
Payables	7.1	4 613	4 346
Employee benefits	2.4	574	460
Provisions	7.2	38 159	36 727
Total current liabilities		**43 346**	**41 533**
Non-current liabilities			
Payables	7.1	89	62
Employee benefits	2.4	973	672
Provisions	7.2	463 845	361 063
Total non-current liabilities		**464 907**	**361 797**
Total liabilities		**508 253**	**403 330**
Net Assets		**256 933**	**198 917**
Equity			
Retained earnings		256 933	198 917
Total Equity		**256 933**	**198 917**

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

Lifetime Support Authority of South Australia
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	$'000	**$'000**
Balance at 30 June 2017	156 825	156 825
Net result for 2017-18	42 092	42 092
Total comprehensive result for 2017-18	**42 092**	**42 092**
Balance at 30 June 2018	**198 917**	**198 917**
Net result for 2018-19	58 016	58 016
Total comprehensive result for 2018-19	**58 016**	**58 016**
Balance at 30 June 2019	**256 933**	**256 933**

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

Lifetime Support Authority of South Australia
Statement of Cash Flows
for the year ended 30 June 2019

Cash flows from operating activities	**Note**	**2019 $'000**	**2018 $'000**
Cash outflows			
Duty on LSS Fund levy		(15 478)	(14 989)
Participant treatment, care and support expenses		(17 899)	(14 995)
Employee benefits expenses		(6 238)	(4 314)
Reinsurance		(2 115)	(3 535)
Service delivery and corporate expenses		(3 586)	(3 149)
Research, education and programs		(2 171)	(2 475)
GST paid to the ATO		-	(56)
Cash used in operations		**(47 487)**	**(43 513)**
Cash inflows			
LSS Fund levy		155 993	150 969
Interest received		39	32
GST recovered from the ATO		46	-
Other revenues		2	4
Receipts for Paid Parental Leave Scheme		5	-
Cash generated from operations		**156 085**	**151 005**
Net cash provided by / (used in) operating activities	8.1	**108 598**	**107 492**
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(59)
Purchase of intangibles		(109)	-
Purchase of investments		(108 000)	(107 200)
Cash used in investing activities		**(108 109)**	**(107 259)**
Net cash provided by / (used in) investing activities		**(108 109)**	**(107 259)**
Net increase / (decrease) in cash and cash equivalents		**489**	**233**
Cash and cash equivalents at the beginning of the reporting period		1 359	1 126
Cash and cash equivalents at the end of the reporting period	6.1	**1 848**	**1 359**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. About the Lifetime Support Authority of South Australia

The Lifetime Support Authority (the LSA) is a not-for-profit government authority of the State of South Australia. The LSA does not control any other entity and has no interest in unconsolidated structured entities.

The LSA was established on 1 July 2013 under section 7 of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (the Act).

The Board is the governing body of the LSA, and was appointed by the Governor effective from 8 October 2013.

The LSA is responsible for the administration of the Lifetime Support Scheme (LSS), which commenced on 1 July 2014.

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 LSA 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.

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the LSA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives

The LSS provides necessary and reasonable treatment, care and support for people who suffer very serious injuries in motor vehicle accidents in South Australia, regardless of fault. People who sustain injuries that cause paraplegia or quadriplegia, brain injury, amputations or equivalent, major burns or blindness, in accordance with the LSS Rules, qualify for support. The LSS is funded by the LSS Fund levy paid on motor vehicle registrations. The LSS is governed by the LSS Rules, which are made by the Governor on the recommendation of the Lifetime Support Authority of South Australia.

The functions of the LSA under the Act are to:

- monitor the operation of the LSS
- provide advice to the Minister about the administration, efficiency and effectiveness of the LSS
- provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS

1.2 Objectives (continued)

- disseminate information about the LSS
- keep the LSS Rules under review
- be responsible for the LSS Fund.

1.3. Significant transactions with government related entities

Significant transactions with the SA Government are defined as exceeding $5.0m in the financial year. In 2019, these comprise the below:

- The LSA is funded by the LSS Fund levy, paid on motor vehicle registrations in South Australia. During 2019 $156.2m (2018: $150.7m) was received by the Department of Planning, Transport and Infrastructure (DPTI) which was remitted to the LSA (refer to Statement of Comprehensive Income).
- Duty on the LSS Fund levy of $15.5m (2018: $15.0m) was paid to Revenue SA (refer to Statement of Comprehensive Income).
- The LSA invests in Funds SA, the South Australian Government owned corporation, which invests and manages funds of approved authorities. As at 30 June 2019, the fair value of the investment was $760.9m (2018: $597.8m) as set out in note 6.3. The increase of $163.1m (2018: $156.7m) was comprised of funds invested of $108.0m (2018: $107.2m) and a return on investments of $55.2m (2018: $49.5m).
- The LSA has a Memorandum of Administrative Agreement with the Department for Health and Wellbeing and the Lifetime Support Authority in relation to the funding for Lifetime Support Scheme Participants receiving acute and non-acute services in Public Hospitals. The total amount payable under this agreement in 2019 was $5.3m (2018: $4.1m).

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the LSA are the minister, the LSA Board, the Chief Executive Officer and other directors/members of the Executive Team who have responsibility for the strategic direction and management of the LSA.

Total compensation for key management personnel was $1 202 000 in 2018-19 and $1 025 000 in 2017-18.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. 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 $'000	2018 $'000
Compensation		
Short term benefits	1 099	937
Post-employment benefits	103	88
Total compensation	**1 202**	**1 025**

2.2. Board and committee members

Members during the 2019 financial year were:

LSA Board

Juliet Brown (Chair)

Arabella Branson

Melinda OLeary

George Potter

Joseph Ullianich

Kenneth Williams

Audit Committee

Joseph Ullianich (Chair)

Juliet Brown

George Potter

Kenneth Williams

Applications and Rules Committee

Arabella Branson (Chair)

George Potter

Joseph Ullianich

Finance and Investment Committee

Kenneth Williams (Chair)

Juliet Brown

Melinda OLeary

Board and committee remuneration

The number of members whose remuneration received/receivable falls within the following bands:	2019	2018
$20 000 - $39 999	-	1
$40 000 - $59 999	5	5
$80 000 - $99 999	1	1
Total number of members	**6**	**7**

The total remuneration received or receivable by members was $346 000 ($376 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3. Employee benefits expenses

	2019 $'000	2018 $'000
Salaries and wages	4 566	3 176
Board and committee fees	315	341
Employment on-costs - superannuation	538	385
Employment on-costs - Payroll Tax	303	222
Long service leave	422	284
Annual leave	429	350
Targeted voluntary separation packages	130	-
Skills and experience retention leave	10	14
Other employee related expenses	30	17
Total employee benefits expenses	**6 743**	**4 789**

2.3. Employee benefits expenses (continued)

Employment on-costs – superannuation

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

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2019 Number	2018 Number
$151 001 - $171 000	1	-
$171 001 - $191 000	-	2
$191 001 - $211 000	2	-
$271 001 - $291 000	1	1
Total	**4**	**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 reflect all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefit tax paid or payable in respect of those benefits. The total remuneration received by those employees for the year was $840 000(2018: $648 000).

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was 1 (0).

	2019 $'000	2018 $'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	130	-
Less recovery from Department of Treasury and Finance	(130)	-
Leave paid to separated employees	61	-
Net cost to the authority	**61**	**-**

2.4. Employee benefits liability

	2019 $'000	2018 $'000
Current		
Accrued salaries and wages	122	99
Annual leave	408	342
Long service leave	27	7
Skills and experience retention leave	17	12
Total current employee benefits	**574**	**460**
Non-current		
Long service leave	973	672
Total non-current employee benefits	**973**	**672**
Total employee benefits	**1 547**	**1 132**

2.4. Employee benefits liability (continued)

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.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Participant treatment, care and support expenses

	2019	2018
	$'000	**$'000**
Hospital	5 193	4 539
Rehabilitation	3 264	2 901
Equipment	1 695	1 566
Attendant care	6 483	4 583
Home and vehicle modifications	473	692
Medical treatment services	568	451
Other	223	209
	17 899	**14 941**
Movement in provision for participants' treatment, care and support services (refer note 7.2)	**104 194**	**115 324**
Total participant treatment care and support	122 093	130 265

Participant treatment, care and support expenses

People very seriously injured in motor vehicle accidents from 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant treatment, care and support expenses relate to the necessary and reasonable benefits provided to participants, related to the motor vehicle injury and in line with criteria detailed in the LSS Rules, from date of acceptance into the LSS. Costs are recognised in the reporting period in which they are incurred, via the movement in the provision for Participant treatment, care and support or when the service has been provided.

3.2. Service delivery and corporate expenses

	2019	2018
	$'000	$'000
Professional fees	82	97
Information technology	555	383
Training and development	166	107
General administration and consumables	236	100
Accommodation and telecommunication	458	203
Consultants	669	757
Contractors and other outsourced services	924	269
Minor works maintenance and equipment	43	44
Service level agreement fees	297	267
Other expenses	375	268
Total service delivery and corporate expenses	**3 805**	**2 495**

Service delivery and corporate expenses generally represent day-to-day running costs incurred in the normal operations of the LSA. These items are recognised as an expense in the reporting period in which they are incurred.

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* were $42 000 (2018: $38 000). No other services were provided by the Auditor-General's Department.

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	No	2018
		$'000		$'000
$10 000 or above	5	669	5	757
Total	**5**	**669**	**5**	**757**

3.3. Depreciation and amortisation

	2019	2018
	$'000	$'000
Internally developed software	82	82
Plant and equipment	5	-
Leasehold improvements	219	293
Total depreciation and amortisation	**306**	**375**

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.

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.

3.3. Depreciation and amortisation (continued)

Useful life

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following class of assets as follows:

Class of asset	Useful life (years)
Leasehold Improvements	Life of lease
Internally Developed Software	5 Years
Plant and equipment	3 - 5 Years

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

4. Income

4.1. Investment revenues

	2019 $'000	2018 $'000
Interest income	74	32
Net gain on financial assets designated at fair value through profit or loss	55 136	49 514
Total investment revenues	**55 210**	**49 546**

4.2. Other revenues

	2019 $'000	2018 $'000
Managed client	2	1
Other recoveries	-	3
Total other revenues	**2**	**4**

5. Non-financial assets

5.1. Property, plant and equipment

	2019	2018
	$'000	**$'000**
Leasehold improvements at fair value	732	732
Accumulated amortisation at the end of the period	(732)	(513)
Total leasehold improvements	**-**	**219**
Plant and equipment at cost (deemed fair value)	10	15
Total plant and equipment	**10**	**15**
Total property, plant and equipment	**10**	**234**

Acquisition and recognition

Property, plant and equipment with a value equal to or in excess of $10 000 is capitalised. Items of equipment purchased for participant treatment, care and support are expensed as incurred.

Property, plant and equipment is recorded at fair value. Detail about the department'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.

The LSA holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any cost of disposal will be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The LSA also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

There were no indications of impairment of property, plant and equipment at 30 June 2019.

Reconciliation 2018-19

	Leasehold improvements	Plant and equipment	Total
	$'000	**$'000**	**$'000**
Carrying amount at 1 July 2018	219	15	234
Depreciation and amortisation	(219)	(5)	(224)
Carrying amount at 30 June 2019	**-**	**10**	**10**

Reconciliation 2017-18

	Leasehold improvements	Plant and equipment	Total
	$'000	**$'000**	**$'000**
Carrying amount at 1 July 2017	512	-	512
Acquisitions	-	15	15
Depreciation and amortisation	(293)	-	(293)
Carrying amount at 30 June 2018	**219**	**15**	**234**

5.2. Intangible assets

Computer software	2019 $'000	2018 $'000
Internally developed software - work in progress	109	-
Internally developed software	412	412
Accumulated amortisation	(295)	(213)
Total computer software	**226**	**199**

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to $10 000.

The internally developed computer software relates to the authority's customer management system database and consolidated reporting package with a remaining useful life of 1.4 years (2018: 2.4 years) and carrying amount of $117 000 (2018: $199 000).

There were no indications of impairment for Intangible assets as at 30 June 2019.

Reconciliation 2018-19

	Internally developed software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July 2018	199	-	199
Acquisitions	-	109	109
Amortisation	(82)	-	(82)
Carrying amount at 30 June 2019	**117**	**109**	**226**

The following table shows the movement of intangible assets during 2017-18:

	Internally developed software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July 2017	281	-	281
Amortisation	(82)	-	(82)
Carrying amount at 30 June 2018	**199**	**-**	**199**

6. Financial assets

6.1. Cash and cash equivalents

	2019 $'000	2018 $'000
Special Deposit Account	1 848	1 359
Total cash and cash equivalents	**1 848**	**1 359**

Special Deposit Accounts are interest bearing and earn a variable interest rate. The carrying amount of cash and cash equivalents represents fair value.

6.2. Receivables

	2019 $'000	2018 $'000
Current		
Accrued revenues	2 042	1 814
Receivables	-	56
GST input tax recoverable	40	86
Prepayments	117	732
Total current receivables	**2 199**	**2 688**
Total receivables	**2 199**	**2 688**

Receivables include accrued revenue related to the LSS levy, prepayments, reinsurance recoveries and the net amount of GST payable to the ATO.

The LSS Fund levy is received by the LSA four days in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June 2019, but not yet received by the LSA.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts or provision for impairment is raised when there is objective evidence that the LSA will not be able to collect the amounts owed. Bad debts are written off when identified.

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.

Prepayments and accrued revenues are non-interest bearing.

6.3. Financial assets at fair value

	2019 $'000	2018 $'000
Funds SA LSA Strategy	760 903	597 767
Total financial assets at fair value	**760 903**	**597 767**

Categorisation of financial instruments and risk exposure information - refer to note 11.3.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as investment revenue in the Statement of Comprehensive Income.

The LSA's financial assets consist of investments managed by Funds SA, the South Australian Government owned corporation which invests and manages funds of approved authorities. The LSA invests in Funds SA's untaxed funds.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019 $'000	2018 $'000
Current		
Accrued expenses	4 464	4 274
Trade payables	31	-
Employment on-costs	113	72
Paid Parental Leave Scheme payable	5	-
Total current payables	**4 613**	**4 346**
Non-current		
Employment on-costs	89	62
Total non-current payables	**89**	**62**
Total payables	**4 702**	**4 408**

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.

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.

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 at the 2018 rate 41% and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2018 rate (9.9%) to 9.8 %. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

Paid parent leave scheme

Paid Parental Leave Scheme payable represents amounts which the LSA has received from the Commonwealth Government to forward onto eligible employees via the LSA's standard payroll processes. That is, the LSA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

7.2. Provisions

	2019 $'000	2018 $'000
Current		
Provision for participant treatment, care and support	38 151	36 727
Provision for workers' compensation - current	8	-
Total current provisions	**38 159**	**36 727**
Non-current		
Provision for participant treatment, care and support	463 833	361 063
Provision for workers' compensation - non current	12	-
Total non-current provisions	**463 845**	**361 063**
Total provisions	**502 004**	**397 790**

Provision for participant treatment, care and support services

The liability for participant treatment, care and support is measured as the present value of the expected future payments. The present values after discounting are as follows:

	2019 $'000	2018 $'000
Current		
Provision for participant treatment, care and support	38 151	36 727
Total current provisions	**38 151**	**36 727**
Non-current		
Provision for participant treatment, care and support	463 833	361 063
Total non-current provisions	**463 833**	**361 063**
Total provisions	**501 984**	**397 790**

	2019 $'000	2018 $'000
Not later than one year	38 151	36 727
Later than one year but not later than five years	93 164	72 275
Later than five years but not later than ten years	88 731	66 621
Later than ten years	281 938	222 167
Total provisions	**501 984**	**397 790**

The LSA's provisions consist of liabilities for participant treatment, care and support expenses, valued by the LSS Actuary, Finity Consulting Pty Ltd, as at the end of the financial year.

The LSA's provisions are measured at the present value of the expected future payments for claims of the LSS incurred as at the date of valuation, including claims incurred but not yet reported, discounted for the time value of money, and take account of the risks specific to the liability.

7.2. Provisions (continued)

Movement in provisions

Movements in the provision for participant treatment, care and support during the financial year are set out below.

	2019 $'000	2018 $'000
Carrying amount at the beginning of the period	397 790	305 751
Payments	(16 791)	(10 754)
Changes in Actuarial Assumptions	14 226	(14 798)
Additional provisions recognised	106 759	117 591
Carrying amount at the end of the period	**501 984**	**397 790**

Sensitivity analysis for the valuation as at 30 June 2019

The liability represents the best estimate and is based on standard actuarial assessment. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists in the estimate due to the long-term nature of the liability, and the ultimate liability is subject to the outcomes of events yet to occur.

These include, but are not limited to, factors such as the improvement in the injury severity of participants, mortality assumptions and levels of future treatment, care and support provided to participants.

	30 June 2019 Liability	Effect on Liability	Percentage Effect
	$m	$m	%
Central estimate of provisions	502.0		
Different long term gap assumptions			
a. One per cent per annum lower for all future years	437.3	(64.7)	(13%)
b. One per cent per annum higher for all future years	587.6	85.6	17%
Mortality assumptions			
a. One percent per annum increase in mortality improvement	542.8	40.8	8%
b. One percent per annum decrease in mortality improvement	467.2	(34.8)	(7%)
Other assumptions			
a. All participants with a brain injury decrease by 1 score on the CANS scale	391.1	(110.9)	(22%)
b. Long term attendant care rate (in 2017/18 dollars) is 10% higher	541.1	39.1	8%

Actuarial assumptions and methods

In determining the liability each participant is valued on an individual level based on their injury, age and expected future care needs. The following assumptions were used in determining the liability:

	2019	2018
Weighted mean term	**Years**	**Years**
Uninflated, undiscounted	20.3	21.1
Inflated, discounted	15.9	16.1

	2019	2018
Equivalent single rate (all future years)	**%**	**%**
Inflation rate	4.25	4.25
Investment return rate	6.25	6.25

7.2. Provisions (continued)

Definitions

Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the LSA must manage and control the cost of these claims.

Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. Inflation is with reference to wage inflation (a key driver of attendant care costs and rehabilitation type services). A wages growth rate of 3.5% p.a. has been adopted.

Inflation also includes an allowance for superimposed inflation (that is, the growth in claims cost not explained by underlying inflation or other factors). This includes an allowance for:

- medical inflation costs to grow faster than underlying inflation (0.75% p.a. for all services plus an additional 0.5% per annum for medical services for participants with a brain injury)
- attendant care costs to grow faster than underlying inflation (market supply and demand for services) by 0.75% per annum.

Discount rates

The adopted discount rate reflects the expected long term return for the LSA's portfolio of assets.

Provision for workers compensation

	2019 $'000	2018 $'000
Current		
Provision for workers compensation - current	8	-
Total current provisions	**8**	**-**
Non-current		
Provision for workers compensation - non current	12	-
Total non-current provisions	**12**	**-**
Total provisions for workers compensation	**20**	**-**

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 authority is responsible for the payment of workers compensation claims.

8. Other disclosures

8.1. Cash flow

	2019 $'000	2018 $'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	1 848	1 359
Balance as per the Statement of Cash Flows	1 848	1 359
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	108 598	107 492
Add / (less) non-cash Items		
Depreciation and amortisation expense of non-current assets	(306)	(375)
Unrealised gain/(loss) on financial assets	55 136	49 514
Movement in assets and liabilities		
Increase/(decrease) in receivables	(489)	(22 695)
(Increase)/decrease in payables	(294)	613
(Increase)/decrease in employee benefits	(415)	(418)
(Increase)/decrease in provisions	(104 214)	(92 039)
Net result from operating activities	**58 016**	**42 092**

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.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

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 no changes to accounting policies and no adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Department of Treasury and Finance 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. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The LSA has reviewed the impact of *AASB 9 Financial Instruments* on the classification and measurement of its financial assets. The funds invested with Funds SA are currently classified as Available for Sales at Fair Value through Profit and Loss (FVTPL). On adoption of *AASB 9 Financial Instruments*, these instruments will continue to be measured at FVTPL and no election is required.

9.2. AASB 9 Financial Instruments (continued)

On 1 July 2018, the authority has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

On the date of initial application, department's financial instruments were as follows, with any reclassifications noted.

	Measurement category AASB 139	Measurement category AASB 9	AASB 139 at 30 June 2018 $'000	Carrying amount re-measurement $'000	AASB 9 at 1 July 2018 $'000
Non-current financial assets					
Investments with Funds SA	FVTPL	FVTPL	597 767	-	597 767
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	4 274	-	4 274

Impairment of financial assets

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

- trade receivables from provision of services

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

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

Trade receivables

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

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

Investments with Funds SA

LSA financial assets consist of investments managed by Funds SA, the South Australian Government owned corporation which invests and manages funds of approved authorities. The funds invested with Funds SA are currently classified as Available for Sale at FVTPL.

Financial assets qualify for amortised cost or Fair Value through Other Comprehensive Income (FVOCI), when there are cash flows that are 'solely payments of principal and interest' on the principal amount outstanding (SPPI test). AASB 9 establishes that instruments with contractual cash flows that are 'solely payments of principal and interest' on the principal amount outstanding are consistent with a basic lending arrangement. However, contractual terms that introduce exposure to risks or volatility in the contractual cash flows unrelated to a basic lending arrangement, such as exposure to changes in equity or commodity prices, do not give rise to contractual cash flows that are SPPI. In addition, when withdrawing the units, the ultimate amount received will depend on the current value of the underlying assets. Therefore, in its nature the investment structure will not be consistent with a basic lending arrangement. As a result, the amortised cost or FVOCI measurement methods are not available to this investment arrangement. This type of investment will continue to be measured at FVTPL.

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.

Expenditure commitments

	2019	2018
	$'000	$'000
Within one year	3 865	557
Later than one year but no longer than five years	3 126	1 131
Total expenditure commitments	**6 991**	**1 688**

Unrecognised grant commitments in 2019 total $5 772 000 (2018: $1 266 000). The 2018 value was not included in the 2018 disclosure.

Operating lease commitments

	2019	2018
	$'000	$'000
Within one year	29	10
Total operating lease commitments	**29**	**10**

Office accommodation is leased from the Department of Planning, Transport and Infrastructure (DPTI). 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 LSA is not aware of any contingent assets or contingent liabilities as at 30 June 2019.

10.3. Impact of standards and statements not yet effective

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

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the authority are outlined below.

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

The LSA will adopt *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts 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 or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

10.3. Impact of standards and statements not yet effective (continued)

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions*.

Impact on 2019-20 financial statements

The LSA has analysed the new revenue recognition requirements under these standards and there is no impact of AASB 15 and AASB 1058, revenue will continue to be treated the same under the new accounting standards.

AASB 16 – Leases

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

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

The authority has assessed the impact of the application of AASB 16 to the existing lease and it is not expected to have a material impact on the Authority. However, prior to 30 June the Board agreed to enter into an agreement for additional office space. At present, the financial impact of this cannot be quantified, however it is expected to have a material impact on the financial statements with the authority bring to account a value-in-use asset and lease liability in 2019-20.

10.4. Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the LSA's operations since 30 June 2019.

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 for 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 net financial effect of the changes to actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including 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 net financial effect resulting from changes in the salary inflation rate.

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.

Revaluation

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

The revaluation process is reviewed by the Senior Manager, Finance Operations and audit committee each year.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than $1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle. 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.

11.2. Fair value (continued)

Fair value hierarchy

The LSA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The LSA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

All non-financial assets are classified as Level 3 for fair value measurement, using significant unobservable inputs. The following is a reconciliation of movements:

	2019 $'000	2018 $'000
Property plant and equipment		
Carrying amount at the beginning of the year	234	512
Acquisitions	-	15
Depreciation and amortisation	(224)	(293)
Total property plant and equipment	**10**	**234**

11.3. Financial instruments

The LSA's principal financial instruments are outlined below. These financial instruments arise directly from the LSA's operations or are required to finance the LSA's operations. The LSA does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The LSA's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and has approved policies for managing each of these risks. The LSA's *Investment Policy Statement* describes the governance framework within which the LSA's investments are managed and monitored.

Refer to table 11.2 for the carrying amounts of each of the categories of financial assets and liabilities.

Fair value measurement

AASB 7 *Financial Instrument: Disclosures* requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The table below presents LSA's financial assets, consisting of investments managed by Funds SA, and measured and recognised at fair value.

11.3. Financial instruments (continued)

Table 11.1 LSA Categories of fair value measurement

Financial assets at fair value 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Funds SA LSA Strategy	-	760 903	-	760 903

Financial assets at fair value 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Funds SA LSA Strategy	-	597 767	-	597 767

Credit risk

Credit risk arises when there is the possibility of the LSA's debtors defaulting on their contractual obligations resulting in financial loss to the Lifetime Support Authority of South Australia. The LSA measures credit risk on a fair value basis and monitors risk on a regular basis.

The LSA has no concentration of credit risk. The LSA does not engage in high risk hedging for its financial assets.

The LSA has no financial assets past due. The following table discloses the maturity analysis of financial assets and financial liabilities:

Table 11.2: Categorisation and maturity analysis of financial assets and liabilities

			2019 Contractual maturities			
Category of financial asset and financial liability	**Note**	**Carrying amount / fair value $'000**	**Current $'000**	**Within 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets						
Cash and cash equivalents	6.1	1 848	1 848	-	-	-
Receivables	6.2	2 042	2 042	-	-	-
Financial assets at fair value	6.3	760 903	760 903	-	-	-
Total financial assets		**764 793**	**764 793**	**-**	**-**	**-**
Financial liabilities						
Payables	7.1	3 245	3 245	-	-	-
Total financial liabilities		**3 245**	**3 245**	**-**	**-**	**-**

			2018 Contractual maturities			
Category of financial asset and financial liability	**Note**	**Carrying amount / fair value $'000**	**Current $'000**	**Within 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets						
Cash and cash equivalents	6.1	1 359	1 359	-	-	-
Receivables	6.2	2 602	2 602	-	-	-
Financial assets at fair value	6.3	597 767	597 767	-	-	-
Total financial assets		**601 728**	**601 728**	**-**	**-**	**-**
Financial liabilities						
Payables	7.1	2 946	2 946	-	-	-
Total financial liabilities		**2 946**	**2 946**	**-**	**-**	**-**

11.3. Financial instruments (continued)

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, 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, 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).

Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 6.2.

The LSA invests in Funds SA's untaxed funds. The intention is to hold the investments on a long term basis, however, investments are available for a withdrawal at call.

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 in table 11.2 for each of the following categories of financial assets and liabilities:

- Receivables
- Financial liabilities measured at cost.

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.

Liquidity risk

Liquidity risk arises where the LSA is unable to meet its financial obligations as they fall due. The continued existence of the LSA is dependent on State Government policy for the LSA's administration and programs. The LSA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The LSA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in table 11.2 represent the LSA's maximum exposure to financial liabilities.

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The LSA's exposures to market risk are primarily associated with movement in the unit price of the investments with Funds SA. The LSA does not have direct exposure to foreign currency risk and its direct exposure to interest rate risk is insignificant based on a current assessment of risk.

The LSA does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The LSA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in Treasurer's Instruction 23 *Management of Foreign Currency Exposures*.

11.3. Financial instruments (continued)

Sensitivity disclosure analysis

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10 year period, quoted at two standard deviations (that is, 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption value as at 30 June 2019.

	Change in unit price		Impact on profit and loss		Impact on equity	
	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Funds SA Investment	28.3	26.4	215 335	157 810	215 335	157 810
	(12.9)	(8.2)	(98 156)	(49 017)	(98 156)	(49 017)

Capital management

To provide for a financially responsible and sustainable LSS over the long term, the LSA aims to maintain an appropriate capital balance to act as a buffer against uncertainties in the value of outstanding claims liabilities and investment returns. Detailed financial modelling suggests that the LSS's funding position will be at its most vulnerable to these uncertainties in the earlier years of the LSS.

The LSA has adopted for the LSS a minimum probability of sufficiency of 75% (the chance that the capital of the LSS is expected to be adequate to cover actual outcomes) through a solvency margin in excess of actuarial provisions. As at 30 June 2019, the probability of sufficiency for the LSS was 86%.

The Board continually reviews the LSA's funding position, and assesses the policy on an annual basis to ensure it remains appropriate.