

South Australian Local Government Grants Commission

Financial report
for the year ended
30 June 2021



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To the Presiding Member South Australian Local Government Grants Commission

Opinion

I have audited the financial report of the South Australian Local Government Grants Commission (the Commission) for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Commission as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member and the Executive Officer.

Basis for opinion

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

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

Responsibilities of the Executive Officer and members of the Commission for the financial report

The Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Commission for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Officer
- conclude on the appropriateness of the Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

Auditor-General

11 October 2021

South Australian Local Government Grants Commission

Financial Statements

For the year ended 30 June 2021

South Australian Local Government Grants Commission
Certification of the Financial Statements
for the year ended 30 June 2021

We certify that the:

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



Peter Ilee
Executive Officer
South Australian Local Government Grants Commission
30 September 2021



Bruce Green
Presiding Member
South Australian Local Government Grants Commission
30 September 2021

South Australian Local Government Grants Commission
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
SA Government grants, subsidies and transfers	2.1	468	461
Interest Revenue	2.2	-	7
Resources received free of charge	2.3	33	31
Total income		501	499
Expenses			
Employee benefits expenses	3.3	385	280
Supplies and services	4.1	87	127
Total expenses		472	407
Net result		29	92
Total comprehensive result		29	92

The accompanying notes form part of these financial statements.

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

South Australian Local Government Grants Commission
Statement of Financial Position
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	5.1	1 582	1 423
Receivables	5.2	15	-
Total current assets		1 597	1 423
Total assets			
		1 597	1 423
Current liabilities			
Payables	6.1	150	16
Employee benefits	3.5	40	37
Total current liabilities		190	53
Non-current liabilities			
Payables	6.1	12	11
Employee benefits	3.5	127	120
Total non-current liabilities		139	131
Total liabilities			
		329	184
Net assets			
		1 268	1 239
Equity			
Retained Earnings		1 268	1 239
Total equity		1 268	1 239

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

South Australian Local Government Grants Commission
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019	1 147	1 147
Net result for 2019-20	92	92
Total comprehensive result for 2019-20	92	92
Balance at 30 June 2020	1 239	1 239
Net result for 2020-21	29	29
Total comprehensive result for 2020-21	29	29
Balance at 30 June 2021	1 268	1 268

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

South Australian Local Government Grants Commission
Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Cash inflows			
SA Government grants, subsidies and transfers		602	461
Interest received		-	9
Cash generated from operating activities		<u>602</u>	<u>470</u>
Cash outflows			
Employee benefit payments		(374)	(285)
Payments for supplies and services		(69)	(107)
Cash used in operating activities		<u>(443)</u>	<u>(392)</u>
Net cash provided by operating activities		<u>159</u>	<u>78</u>
Net increase / (decrease) in cash and cash equivalents		<u>159</u>	<u>78</u>
Cash and cash equivalents at the beginning of the reporting period		1 423	1 345
Cash and cash equivalents at the end of the reporting period	5.1	<u>1 582</u>	<u>1 423</u>

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1. About the Local Government Grants Commission

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

1.1. Basis of Preparation

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

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

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

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

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

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

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

The net amount of the GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Commission is a member of an approved GST group of which the Attorney-General's Department is responsible for the remittance and collection of GST.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.2. Objectives and programs

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

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

The Commission distributes Commonwealth financial assistance grants to local governing authorities in South Australia in accordance with State and Federal legislative requirements. The financial assistance grants are an administered function of the Commission. All revenues and expenditures from the receipt and disbursement of grant funds, and any year end cash balances are reflected separately in note 9.

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

1.3. Impact of COVID-19 pandemic on the Commission

The COVID-19 pandemic has had no material impact on the operations of the Commission in 2020-21. At this stage, there is insufficient information to determine whether the COVID-19 pandemic will have a material impact on the operations of the Commission in 2021-22.

The Commission will continue to assess the impact of the COVID-19 pandemic on their operations in 2021-22.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2. Income

2.1. SA Government grants, subsidies and transfers

	2021	2020
	\$'000	\$'000
SA Government transfers	468	461
Total SA Government grants, subsidies and transfers	468	461

SA Government transfers are recognised on receipt.

2.2. Interest Revenue

	2021	2020
	\$'000	\$'000
Interest from the Department of Treasury and Finance	-	7
Total interest revenue	-	7

2.3. Resources received free of charge

	2021	2020
	\$'000	\$'000
Resources received free of charge	33	31
Total resources received free of charge	33	31

Resources received free of charge relates to accommodation provided by the Department of Infrastructure and Transport (DIT).

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3. Board, committees and employees

3.1. Key Management Personnel

Key management personnel of the Commission includes the Minister for Planning and Local Government, three Commission members and the Executive Officer who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel in 2021 was \$180 461 (\$162 690). Salaries and other benefits the Minister for Planning and Local Government receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Transactions with Key Management Personnel and other related parties

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

3.2. Remuneration of Commission Members

Members during the 2020 - 2021 financial year were:

- Burgess D J (expired 22/11/20)
- Green B
- Campana W A
- Vickery E J (appointed 3/12/2020)

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

	2021	2020
	No	No
\$0 - \$19 999	3	3
\$20 000 - \$39 999	1	-
Total number of members	4	3

The total remuneration received or receivable by members was \$50 000 (\$33 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3. Employee Benefit Expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	273	185
Commission fees	47	30
Employment on-costs	47	36
Annual Leave	15	19
Skills and experience retention leave	3	-
Long service leave	-	9
Other	-	1
Total employee benefits expenses	385	280

3.4. Remuneration of employees

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.5. Employee Benefits Liability

	2021	2020
	\$'000	\$'000
Current		
Accrued salaries and wages	16	6
Annual leave	20	18
Long service leave	2	11
Skills and experience retention leave	2	2
Total current employee benefits	40	37
Non-current		
Long service leave	127	120
Total non-current employee benefits	127	120
Total employee benefits	167	157

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

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

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided in note 8.1.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4. Expenses

4.1. Supplies and Services

	2021	2020
	\$'000	\$'000
Accommodation*	33	31
Information technology and communication	20	20
Auditor's remuneration	12	11
Service contracts	9	4
Travel	8	7
Administrative costs	4	-
Service Level Agreement	-	47
Other	1	7
Total supplies and services	87	127

*Accommodation is provided free of charge by the Department of Infrastructure and Transport (DIT)

5. Financial Assets

5.1. Cash

	2021	2020
	\$'000	\$'000
Deposits at call with the Treasurer	1 582	1 423
Total cash	1 582	1 423

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

5.2. Receivables

	2021	2020
	\$'000	\$'000
Current		
Receivables	15	-
Total current receivables	15	-
Total receivables	15	-

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 are non-interest bearing. Receivables are held with the objective of collecting contractual cash flows and they are measured at amortised cost.

Collectability of receivables is reviewed on an ongoing basis.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6. Liabilities

6.1. Payables

	2021	2020
	\$'000	\$'000
Current		
Accrued expenses	11	11
Employment on-costs	5	5
Creditors	134	-
Total current payables	150	16
Non-current		
Employment on-costs	12	11
Total non-current payables	12	11
Total payables	162	27

Creditors and accruals are raised for amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. 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 and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The Commission contributes 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.

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 the same as the 2020 rate at 42%, and the average factor for the calculation of employer superannuation on-costs has increased to 10.1% (9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year on employment on-costs and employee benefit expense is immaterial. The estimated impact on 2021 is not expected to be material.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7. Outlook

7.1. Unrecognised Contractual Commitments

	2021	2020
	\$'000	\$'000
Within one year	-	78
Total commitments	-	78

7.2. Contingent Assets and Liabilities

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

The Commission is not aware of any contingent assets or liabilities as at 30 June 2021.

7.3. Events After the Reporting Period

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

8. Measurement and risk

8.1. Long service leave liability – measurement

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

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

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 0.75% (2020) to 1.25% (2021).

This increase 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 has kept the salary inflation rate the same at 2.5% for long service leave liability.

The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$8 000 and employee benefits expense of \$8 000. 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 long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

8.2. Fair value

All financial assets and liabilities are measured at amortised cost and are current for 2020 and 2021.

8.3. Financial Instruments

Financial risk management

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

Liquidity risk

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

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

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

9. Disclosures of Administered Items

	2021	2020
	\$'000	\$'000
Administered Commonwealth Revenues		
Commonwealth Financial Assistance Grants	166 096	166 068
Commonwealth Roads to Recovery Grants	6 075	6 075
Total Administered Revenues - Commonwealth receipts	172 171	172 143
Interest Revenue		
Interest on cash deposits	-	26
Total Interest Revenue	-	26
Other Revenue		
Other Revenue	12	-
Total Other Revenue	12	-
Total Revenues	172 183	172 169
Administered Commonwealth Expenditure Grants		
Commonwealth Financial Assistance Grants	166 096	166 068
Commonwealth Roads to Recovery Grants	6 075	6 075
Supplementary Local Road Funding Grants	3 025	3 000
Total Administered Expenses - Commonwealth payments	175 196	175 143
Assets		
Cash	13	3 026
Total Assets	13	3 026
Equity		
Retained Earnings	13	3 026
Total Equity	13	3 026
Cash Flows from Operating Activities		
Cash Inflows		
Commonwealth Grants	172 171	172 143
Interest Received	-	26
Other Revenue	12	-
Cash generated from Operations	172 183	172 169
Cash Outflows		
Commonwealth Grants	175 196	175 143
Cash used in Operations	175 196	175 143
Net cash (used in) operating activities		
Net (decrease) in cash held	(3 013)	(2 974)
Cash 1 July	3 026	6 000
Cash 30 June	13	3 026