Australian National Audit Office

## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Senior Australians and Aged Care Services

### Opinion

In my opinion, the financial statements of the Aged Care Quality and Safety Commission (the Entity) for the year ended 30 June 2020:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Aged Care Quality and Safety Commission, which I have audited, comprise the following as at 30 June 2020 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter – re-issue of financial statements

I draw attention to the Overview section of the notes to the financial statements which describes that the financial statements for the year ended 30 June 2020, dated 24 June 2021, have been reissued due to the correction of an error related to the recognition of revenue for appropriations transferred from another entity. As a result, the accountable authority has determined that it is appropriate to reissue the financial statements for the year ended 30 June 2020, originally signed and approved on 21 September 2020. This audit report supersedes my previous independent audit report to the Minister for Senior Australians and Aged Care Services and dated 21 September 2020 on the financial statements for the year ended 30 June 2020, which was withdrawn on 9 April 2021. My opinion is not modified in relation to this matter.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

### Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Aged Care Quality and Safety Commission, the Commissioner is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Commissioner is also responsible for such internal control as the Commissioner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioner is responsible for assessing the ability of the Aged Care Quality and Safety Commission to continue as a going concern, taking into account whether the Aged Care Quality and Safety Commission's operations will cease as a result of an administrative restructure or for any other reason. The Commissioner 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.

### Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office 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 statements, 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 Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority'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 statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner regarding, 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 my audit.

Australian National Audit Office

Josephine Bushell

Senior Director

Delegate of the Auditor-General

Canberra

24 June 2021

Aged Care Quality and Safety Commission 2019-20 Annual Report – replacement page 161

Australian Government
Aged Care Quality and Safety Commission

Engage
*Empower*
**Safeguard**

**Aged Care Quality & Safety Commission**

**Statement by the Accountable Authority and Chief Financial Officer**

In our opinion the attached financial statements for the year ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Aged Care Quality and Safety Commission will be able to pay its debts as and when they fall due.

J. M. Anderson

Janet Anderson

Accountable Authority

Simon Officer

Simon Officer

Chief Financial Officer (Acting)

**1800 951 822**
agedcarequality.gov.au

## Statement of Comprehensive Income

For the year ended 30 June 2020

| | Notes | 2020 $'000 | 6 Months to 30 June 2019 $'000 | PBS $'000 |
|---|---|---|---|---|
| **Net cost of services** | | | | |
| **Expenses** | | | | |
| Employee benefits | 3A | **54,655** | 24,915 | 50,264 |
| Suppliers | 3B | **33,293** | 17,462 | 26,834 |
| Depreciation and amortisation | 6A-6C | **3,679** | 902 | 1,775 |
| Finance costs | 3C | **41** | – | 16 |
| Total expenses | | **91,668** | 43,279 | 78,889 |
| **Own-Source Income** | | | | |
| Revenue from contracts with customers | 4A | **7,092** | 7,268 | 7,754 |
| Other revenue | 4B | **411** | 924 | 38 |
| Total own-source income | | **7,503** | 8,192 | 7,792 |
| Net cost of services | | **84,165** | 35,087 | 71,097 |
| Revenue from Government | 4C | **85,607** | 34,190 | 69,322 |
| **Total comprehensive surplus/(deficit)** | | **1,442** | (897) | (1,775) |

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

Aged Care Quality and Safety Commission 2019-20 Annual Report – replacement page 163

# Statement of Financial Position

For the year ended 30 June 2020

| | Notes | 2020 $'000 | 2019 $'000 | PBS $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 5A | **11,006** | 3,677 | 1,001 |
| Trade and other receivables | 5B | **35,870** | 31,819 | 26,879 |
| Total financial assets | | **46,876** | 35,496 | 27,880 |
| **Non-financial assets** [1] | | | | |
| Buildings | 6A | **2,912** | – | – |
| Property plant and equipment | 6B | **2,196** | 1,604 | 2,991 |
| Computer software | 6C | **1,493** | 2,742 | 5,060 |
| Prepayments | | **98** | 350 | 439 |
| Total non-financial assets | | **6,699** | 4,696 | 8,490 |
| **Total assets** | | **53,575** | 40,192 | 36,370 |
| **Liabilities** | | | | |
| **Payables** | | | | |
| Suppliers | | **5,916** | 5,605 | 2,388 |
| Unearned income | 7A | **7,063** | 3,276 | 2,079 |
| Other payables | 7B | **955** | 483 | – |
| Total payables | | **13,934** | 9,364 | 4,467 |
| **Interest bearing liabilities** | | | | |
| Lease liabilities | 8 | **3,390** | – | – |
| **Provisions** | | | | |
| Employee provisions | 13 | **17,447** | 13,127 | 12,642 |
| Other provisions | 9 | **1,327** | 1,299 | 346 |
| Total provisions | | **18,774** | 14,426 | 12,988 |
| Total liabilities | | **36,098** | 23,790 | 17,455 |
| **Net assets** | | **17,477** | 16,402 | 18,915 |
| **Equity** | | | | |
| Contributed equity | | **16,826** | 17,299 | 22,866 |
| Accumulated surplus/(deficit) | | **651** | (897) | (3,951) |
| **Total equity** | | **17,477** | 16,402 | 18,915 |

1 Right-of-use assets are included in Buildings and Property plant and equipment.

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

## Statement of Changes in Equity

For the year ended 30 June 2020

| | Notes | 2020 $'000 | 2019 $'000 | PBS $'000 |
|---|---|---|---|---|
| **Contributed equity** | | | | |
| Opening balance | | **17,299** | – | 21,174 |
| *Distributions to owners:* | | | | |
| Return of capital | 10 | **(17,738)** | – | – |
| Restructuring | 18 | **(2,165)** | – | – |
| *Contributions by owners:* | | | | |
| Equity injection | 10 | **17,738** | 16,279 | – |
| Departmental capital budget | 10 | **1,692** | 1,020 | 1,692 |
| Total transactions with owners | | **(473)** | 17,299 | 1,692 |
| Closing balance as at 30 June | | **16,826** | 17,299 | 22,866 |
| **Accumulated surplus/(deficit)** | | | | |
| Opening balance | | **(897)** | – | (2,176) |
| Adjustment on initial application of AASB 16 | | **106** | – | – |
| Adjusted opening balance | | **(791)** | – | (2,176) |
| Surplus/(deficit) for the period | | **1,442** | (897) | (1,775) |
| Closing balance as at 30 June | | **651** | (897) | (3,951) |
| **Total equity** | | **17,477** | 16,402 | 18,915 |

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

## Cash Flow Statement

For the year ended 30 June 2020

| | Notes | 2020 $'000 | 6 Months to 30 June 2019 $'000 | PBS $'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| **Cash received** | | | | |
| Appropriations | | **76,496** | 32,922 | 69,363 |
| Sale of goods and rendering of services | | **10,911** | 6,759 | 8,392 |
| Other | | **949** | 400 | – |
| Net GST received | | **2,928** | 211 | – |
| Total cash received | | **91,284** | 40,292 | 77,755 |
| **Cash used** | | | | |
| Employees | | **(51,659)** | (23,517) | (49,482) |
| Suppliers | | **(35,141)** | (15,790) | (27,895) |
| Interest payments on lease liabilities | | **(41)** | – | – |
| Total cash used | | **(86,841)** | (39,307) | (77,377) |
| **Net cash from operating activities** | | **4,443** | 985 | 378 |
| **Investing activities** | | | | |
| **Cash received** | | | | |
| Proceeds from sale of property, plant and equipment | | **40** | – | – |
| Total cash received | | **40** | – | – |
| **Cash used** | | | | |
| Purchase of property, plant and equipment | | **(955)** | (885) | (1,157) |
| Purchase of computer software | | **(91)** | (1,001) | (1,079) |
| Total cash used | | **(1,046)** | (1,886) | (2,236) |
| **Net cash used by investing activities** | | **(1,006)** | (1,886) | (2,236) |
| **Financing activities** | | | | |
| **Cash received** | | | | |
| Contributed equity | | **5,430** | 1,020 | 1,692 |
| Other financing activity | | **–** | 3,558 | – |
| Total cash received | | **5,430** | 4,578 | 1,692 |
| **Cash used** | | | | |
| Principal repayments of lease liabilities | | **(1,538)** | – | – |
| Total cash used | | **(1,538)** | – | – |
| **Net cash from financing activities** | | **3,892** | 4,578 | 1,692 |
| Net (decrease)/increase in cash held | | **7,329** | 3,677 | (166) |
| Cash at the beginning of the period | | **3,677** | – | 1,167 |
| **Cash at the end of the period** | 5A | **11,006** | 3,677 | 1,001 |

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

# Overview

## Post balance date restatement of financial statements

The Commission's financial statements for the year ended 30 June 2020 presented here replace the financial statements dated 21 September 2020 due to a material error in revenue recognition.

The previously issued financial statements have been withdrawn and the audit has been withdrawn. The previous financial statements should not be utilised for any purpose.

### Background

On 1 January 2020, under a machinery of government change, certain functions relating to aged care regulation, together with the associated staff, were transferred from the Department of Health to the Commission.

In accordance with the provisions of Section 75 of the *Public Governance, Performance and Accountability Act 2013*, the Commission received a transfer of appropriation funding from the Department of Health to cover the operating costs of the transferred functions and, separately, the accumulated liability for employee entitlements. Whilst the funding for the operating costs was correctly disclosed as revenue, the funding for employee entitlements was incorrectly recognised as an equity receipt. This liability transfer was funded from allocations so should have been recognised as revenue not equity.

These revised financial statements correct this error and also adjust the notes to the financial statements to provide greater clarity on the Commission's appropriation funding.

### Changes to the financial statements

1. Corrections have been made to the treatment of appropriations received for the transfer of employee entitlements from the Department of Health as a result of the transfer of the aged care regulatory functions previously performed by the Department of Health.

| | | **2020** **$'000** |
|---|---|---|
| a) Statement of Comprehensive Income – Revenue from Government | | |
| Revenue from Government | Increase | **2,176** |
| Total comprehensive surplus/(deficit) | Increase | **2,176** |
| b) Statement of Financial Position | | |
| Contributed equity | Decrease | **(2,176)** |
| Accumulated surplus | Increase | **2,176** |
| c) Statement of Changes In Equity | | |
| Distributions to owners (Restructuring) | Increase | **(2,176)** |
| Closing balance as at 30 June (Contributed Equity) | Decrease | **(2,176)** |
| Surplus/(deficit) for the period | Increase | **2,176** |
| Closing balance as at 30 June | Increase | **2,176** |

2. Notes associated with the sources and use of appropriation funding have been revised to provide additional clarity on the Commission's position.

Note 10 has been updated to simplify the disclosure of appropriations and PGPA Act adjustments. The footnotes have been updated to provide additional information regarding these adjustments. The lapsing of the equity injection relating to Appropriation Act (No.4) 2016-17 has been removed from appropriation applied.

Note 11 has been updated to simplify the disclosure of available appropriations by the relevant Appropriation Act. Additional information has been provided as footnotes to clarify the position.

Note 18 has been updated to reflect only the liability for employee provisions transferred from the Department of Health and to exclude the amount now being treated as Revenue from Government.

## Objectives of the Aged Care Quality and Safety Commission

The Aged Care Quality and Safety Commission (the Commission) is a non-corporate Commonwealth entity established by the *Australian Aged Care Quality & Safety Commission Act 2018*. The Commission is subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Commission commenced operations on 1 January 2019, bringing together the functions of the Aged Care Quality Agency (which was abolished on 31 December 2018), the Aged Care Complaints Commissioner and, from 1 January 2020, the aged care regulatory functions previously performed by the Department of Health. The comparative numbers for the 2019 year are, accordingly, for a six-month period only.

The Commission's functions are:

- approving providers of aged care services;
- promoting the provision of quality care and services by approved providers;
- ensuring compliance of aged care services with the relevant legislation;
- imposing and lifting sanctions on aged care providers;
- consumer engagement functions;
- complaints functions;
- regulatory functions including accreditation of residential aged care services;
- education functions; and
- reconsidering and reviewing decisions.

There were no events after the reporting period that would significantly affect the ongoing structure and financial activities of the Commission.

## Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by Section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- *Public Governance Performance and Accountability (Financial Reporting) Rule 2015* (FRR), incorporating amendments in the *Public Governance, performance and Accountability (Financial Reporting) Amendments Rules 2019*; and
- Australian Accounting Standards and Interpretations – Reduced Reporting Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis, and in accordance with the historical costs convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values.

## Significant accounting estimates and judgements

Except where specifically identified and disclosed, the Commission has determined that no accounting assumptions and estimates have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

## New accounting standards

### Adoption of new Australian accounting standards requirements

No new, revised, amending statements and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect on the Commission's financial statements.

### Application of AASB 16 Leases

The Commission adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

The Commission elected to apply the practical expediency of not reassessing whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Commission adopted the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date;
- Relying on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 Impairment of assets as at the date of initial application; and
- Applying the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Commission previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Commission recognises right-of-use assets and lease liabilities for most leases. However, the Commission has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, the Commission recognised right-of-use assets and lease liabilities in relation to leases of office space and motor vehicles that had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Commission's incremental borrowing rate as at 1 July 2019. The Commission's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 1.0%.

The right-of-use assets were measured as follows:

a) Office space: measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

b) All other leases: the carrying value that would have resulted from AASB 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

**Impact on transition to AASB 16**

The impact on transition is summarised in note 1.

*Application of AASB 15 Revenue from contracts with Customers* / *AASB 1058 Income for Not-For-Profit-Entities. AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income for Not-For-Profit Entities* became effective on 1 July 2019.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including *AASB 118 Revenue, AASB 115 Construction Contracts, and Interpretation 13 Customer Loyalty Programmes*. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

AASB 1058 is relevant in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the Not-For-Profit (NFP) provisions of *AASB 1004 Contributions*, and applies to transactions where the consideration to acquire an asset principally to enable the entity to further its objectives is significantly less than its fair value, and where volunteer services are received.

Under the new income recognition model the Commission first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are sufficiently specific.

In terms of AASB 1058, the Commission is required to recognise volunteer services at fair value if those services would have been purchased had they not been provided voluntarily, and if the fair value of those services can be measured reliably.

**Impact on transition to AASB 15 and AASB 1058**

The requirements of AASB 15 and AASB 1058 are consistent with the way in which the Commission is currently, and historically, has accounted for its revenue from third parties, hence there is no impact from the adoption of these standards.

## Impact of COVID-19

The COVID-19 pandemic has impacted the Commission's operations and required adjustments to some regulatory functions focusing additional effort where needed to monitor the wellbeing and safety of consumers. Additional resources were committed to developing alternative methodologies utilising remote computer technology. The Commission's workforce was equipped to facilitate working from home arrangements and this involved an investment in portable computer devices and cloud-supported technology. The Commission's workforce was realigned and enhanced where needed to support the response to COVID-19, including provision of education and advice to the sector.

Notwithstanding these revised work practices the Commission was not able to complete all of the revenue-generating audit assessments that it would have undertaken, with a number of them having to be deferred to the next financial year.

## Taxation

The Commission is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

# Financial performance

## This section analyses the financial performance of the Commission for the year ended 30 June 2020

## Note 1: Impact of transition to AASB 16

### Impact on transition

On transition to AASB 16, the Commission recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

| | 1 July 2019 $'000 |
|---|---|
| **Departmental** | |
| Right-of-use assets – buildings | **4,388** |
| Right-of-use assets – property plant & equipment | **62** |
| Lease liabilities | **(4,450)** |
| Lease incentives | **106** |
| Retained earnings | **(106)** |

The following table reconciles the departmental minimum lease commitments disclosed in the Commission's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

| | 1 July 2019 $'000 |
|---|---|
| Minimum operating lease commitment at 30 June 2019 | **4,638** |
| Less: short-term leases not recognised under AASB 16 | **(101)** |
| Less: low-value leases not recognised under AASB 16 | **(17)** |
| **Undiscounted lease payments** | **4,520** |
| Less: effect of discounting using the incremental borrowing rate as at the date of initial application | **(70)** |
| **Lease liability recognised on 1 July 2019** | **4,450** |

# Note 2: Departmental budget commentary

Comments on significant variances between the Commission's original budget estimates, as published in the 2019-20 Portfolio Budget Statements, and the actual expenditure and the net assets for the year are provided in the table below.

| Explanation of major variances | Affected line item |
|---|---|
| **Employee benefits**<br>Increased level of staffing to cope with greater demands for complaints resolution and compliance-based activities as well as enhancing safety, quality and integrity in the home care compliance through the home care compliance framework. | Employee benefits<br>– Statement of Comprehensive Income<br>Employee provisions<br>– Statement of Financial Position<br>Cash Used for Employees<br>– Cash Flow Statement |
| **Suppliers**<br>Greater level of contract assessors and casual administration staff due to increasing demands of compliance and monitoring to further enhance safety, quality & integrity in home care, ongoing aged care reforms including risk-based targeting and information sharing, regulatory integration and COVID-19 response; uncapitalised project costs related to integrating operational software. | Supplier costs<br>– Statement of Comprehensive Income<br>Cash used for suppliers<br>– Cash Flow Statement<br>Cash used for investing activities<br>– Cash Flow Statement |
| **Depreciation and amortisation**<br>Lower than expected capitalised costs relating to integration of operational software; Implementation of new *AASB 116 Leases* accounting standard. | Depreciation & amortisation<br>– Statement of Comprehensive Income<br>Non financial assets<br>– Statement of Financial Position |
| **Own source income**<br>Lower level of accreditation audits as a result of COVID-19. | Total own source revenue<br>– Statement of Comprehensive Income<br>Unearned revenues from external parties – Statement of Financial Position<br>Cash from sale of goods and rendering of services – Cash Flow Statement |
| **Revenue from Government**<br>Additional appropriation for ongoing aged care reforms with the transfer of compliance function to the Commission from 1 January 2020 as well as funding for COVID-19 response and the Royal Commission into Aged Care Quality and Safety. | Revenue from Government<br>– Statement of Comprehensive Income<br>Trade and other receivables – Statement of Financial Position<br>Cash from appropriations – Cash Flow Statement |

# Note 3: Expenses

## Note 3A: Employee benefits

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| Wages and salaries | **44,725** | 20,482 |
| Superannuation | | |
| Defined contribution plans | **5,095** | 2,370 |
| Defined benefit plans | **2,115** | 938 |
| Leave and other entitlements | **2,659** | 1,125 |
| Separation and redundancies | **61** | – |
| **Total employee benefits** | **54,655** | 24,915 |

### Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

## Note 3B: Suppliers

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| **Goods and services provided** | | |
| Communications | **2,034** | 611 |
| Consultants | **119** | 134 |
| Contractors | **17,644** | 8,119 |
| IT Services | **1,353** | 760 |
| Legal | **1,654** | 1,377 |
| Serviced facilities | **4,170** | 1,149 |
| Shared services fees | **1,173** | 381 |
| Travel | **2,375** | 2,066 |
| Other | **2,313** | 1,610 |
| **Total goods and services provided** | **32,835** | 16,207 |
| **Other suppliers** | | |
| Operating lease rentals [1] | **–** | 1,149 |
| Short-term leases | **195** | – |
| Low-value leases | **9** | – |
| Workers compensation expenses | **254** | 106 |
| **Total other suppliers** | **458** | 1,255 |
| **Total suppliers** | **33,293** | 17,462 |

1 The Commission has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.
The above lease disclosures should be read in conjunction with the accompanying notes.
The Commission does not have any short-term lease commitments as at 30 June 2020.

### Accounting Policy

Short-term leases and low-value leases:

The Commission has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than $10,000). The entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Note 3C: Finance costs

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| Finance leases | **41** | – |

The Commission has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes 1, 3B, 7B, 8 and 17.

### Accounting Policy

All borrowing costs are expensed as incurred.

## Note 3D: Gain/(loss) from asset sales

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| **Property, plant and equipment** | | |
| Proceeds from sale | **40** | – |
| Carrying value of assets sold | **(40)** | – |
| **Net gain/(loss) from sale of assets** | **–** | – |

### Accounting Policy

Gains or losses from disposal of assets are recognised when control of the asset has passed to the buyer.

# Note 4: Own-source income

## Note 4A: Revenue from contracts with customers

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| Accreditation fees | **6,915** | 6,726 |
| Educational services | **171** | 542 |
| Licence fees | **6** | – |
| | **7,092** | 7,268 |

### Accounting Policy

Revenue from the sale of goods and services is recognised when control has been transferred to the buyer.

A contract is within the scope of AASB 15 when a contract gives rise to specific performance obligations which are sufficiently specific to enable the Commission to determine when they have been satisfied.

The following is a description of principal activities from which the Commission generates its revenue:

The Commission receives its main source of income from accreditation fees and providing educational activities. Accreditation fees are paid on application and held in unearned revenue in the Statement of Financial Position and brought to revenue, when the performance obligations are met, on completion of the accreditation audit.

Fees for educational services are paid in advance, at the time the customer reserves their place, and are held in unearned revenue in the Statement of Financial Position until the activity has been conducted.

Annual licence fees for the Commission's on-line learning platform are taken directly to revenue at the time of payment as customers are given immediate access at the time of payment.

The transaction price is the total amount of consideration to which the Commission expects to be entitled in exchange for transferring promised goods and services to a customer. The consideration promised in a contract with a contractor is a fixed amount.

## Note 4B: Other revenue

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| Assessor registration fees and guides | **65** | 56 |
| Revenue from joint development projects | **292** | 830 |
| **Resources received free of charge** | | |
| Remuneration of auditors | **54** | 38 |
| | **411** | 924 |

### Accounting Policy

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Assessor registration fee income is recognised as revenue on receipt of the registration fees.

Revenue from joint development projects is recognised as revenue over time depending on the stage of completion of the services provided. Generally these agreements have specific time lines and deliverables for completion which informs the timing of the revenue recognition.

## Note 4C: Revenue from Government

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| Departmental appropriations | **85,607** | 34,190 |

### Accounting Policy

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

## Note 4D: Unsatisfied obligations

The Commission expects to recognise as income any liability for unsatisfied obligations associated with contracts with customers within the following periods:

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| **Contracts with customers** | | |
| 1 year | **6,140** | 3,276 |

The liability for unsatisfied obligations is represented on the Statement of Financial Position as unearned income and is disclosed in Note 7A.

# Financial position

**The section analyses the Commission's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.**

## Note 5: Financial assets

### Note 5A: Cash and cash equivalents

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Cash at bank | **11,005** | 3,676 |
| Cash on hand | **1** | 1 |
| **Total cash and cash equivalents** | **11,006** | 3,677 |

**Accounting Policy**

Cash is recognised at its nominal amount.

## Note 5B: Trade and other receivables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Receivables for goods and services | **2** | 5 |
| Receivables other | **–** | 538 |
| Receivable employee entitlements | **130** | 441 |
| Departmental appropriations receivable | **20,676** | 11,565 |
| Equity injection receivable | **14,000** | 17,738 |
| GST receivable from the Australian Taxation Office | **1,062** | 1,532 |
| **Total trade and other receivables (gross)** | **35,870** | 31,819 |

There are no trade or other receivables expected to be recovered in more than 12 months.

### Accounting Policy

Financial assets:

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

# Note 6: Non-financial assets

## Note 6A: Reconciliation of opening and closing balances of buildings

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| As at 1 July 2019 | | |
| Recognition of right-of-use assets on initial application of AASB 16 | 4,388 | – |
| Depreciation expense | (1,476) | – |
| **Total as at 30 June 2020** | 2,912 | – |
| | | |
| Total as at 30 June 2020 represented by: | | |
| Gross book value | 4,388 | – |
| Accumulated depreciation | (1,476) | – |
| **Total as at 30 June 2020** | 2,912 | – |

## Note 6B: Reconciliation of opening and closing balances of property, plant and equipment

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| As at 1 July 2019 | | |
| Gross book value | **1,925** | – |
| Accumulated depreciation and impairment | **(321)** | – |
| Opening balance | **1,604** | – |
| Recognition of right-of-use assets on initial application of AASB 16 | **62** | – |
| **Total as at 1 July 2019** | **1,666** | – |
| | | |
| Acquisition through administrative arrangements orders [1] | **–** | 1,041 |
| Additions by right-of-use | **478** | – |
| Additions by purchase | **955** | 885 |
| Disposal | **(40)** | – |
| Depreciation expense | **(863)** | (322) |
| **Total as at 30 June 2020** | **2,196** | 1,604 |
| | | |
| Total as at 30 June 2020 represented by: | | |
| Gross book value | **3,250** | 1,925 |
| Accumulated depreciation | **(1,054)** | (321) |
| **Total as at 30 June 2020** | **2,196** | 1,604 |

1 Assets transferred from the Australian Aged Care Quality Agency at net book value.

## Accounting Policy

### Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to restructuring.

### Depreciation

Depreciable property, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods as appropriate.

### Impairment

All assets were assessed for impairment at 30 June 2020. Where indicators of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment is made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Commission were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Property, plant and equipment

1. Assets recognition threshold

Purchases of property, plant and equipment are initially recognised at cost in the Statement of Financial Position, except for purchases costing less than $1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

2. Lease right-of-use assets

Lease right-of-use assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 the Commission has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease right-of-use assets continue to be measured at cost after initial recognition.

3. Revaluation

Following initial recognition at cost, property, plant and equipment (excluding right-of-use assets) is carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to the asset revaluation reserve in equity except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class.

Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class of asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

4. Depreciation

Property, plant and equipment is depreciated on a straight-line basis over its anticipated useful life. The useful lives of the Commission's property, plant and equipment are 3 to 5 years (2019: 3 to 5 years).

The depreciation rates for right-of-use assets are based on the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

5. Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

## Note 6C: Reconciliation of opening and closing balances of intangibles

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| As at 1 July 2019 | | |
| Gross book value | **3,322** | – |
| Accumulated amortisation and impairment | **(580)** | – |
| Total as at 1 July 2019 | **2,742** | – |
| | | |
| Acquisition through administrative arrangements orders [1] | **–** | 2,321 |
| Additions by purchase | **91** | 1,001 |
| Amortisation expense | **(1,340)** | (580) |
| **Total as at 30 June 2020** | **1,493** | 2,742 |
| | | |
| Total as at 30 June 2020 represented by: | | |
| Gross book value | **3,413** | 3,322 |
| Accumulated amortisation and impairment | **(1,920)** | (580) |
| **Total as at 30 June 2020** | **1,493** | 2,742 |

1 Assets transferred from the Australian Aged Care Quality Agency at net book value.

### Accounting Policy

#### Intangibles

The Commission's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Commission's software are 3 to 5 years (2019: 3 to 5 years).

All software assets were assessed for indicators of impairment at 30 June 2020.

# Note 7: Payables

## Note 7A: Unearned income

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Unearned revenue from customers | **6,140** | 3,276 |
| Unearned revenue from joint venture projects | **923** | – |
| | **7,063** | 3,276 |

### Accounting Policy

Unearned revenues from customers represent a liability for cash receipts for accreditation and education services that have been paid in advance. Revenue is recognised from the liability when the accreditation activities or education services have been provided.

Unearned other income represents funds received in advance from project sponsors to undertake specified activities under the project. Funds will be recognised as income once the specified outcomes have been completed.

## Note 7B: Other payables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Salaries and wages | **866** | 336 |
| Employee deductions | **8** | 6 |
| Superannuation | **1** | 5 |
| Accrued expense | **80** | 30 |
| Lease incentives [1] | **–** | 106 |
| **Total other payables** | **955** | 483 |

1 The Commission has applied AASB16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

## Note 8: Interest bearing liabilities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Lease liabilities | | |
| Buildings | **2,977** | – |
| Property plant and equipment | **413** | – |
| | **3,390** | – |
| Current lease liabilities | **1,259** | – |
| Non-current lease liabilities | **2,131** | – |
| | **3,390** | – |

1 The Commission has applied AASB16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The total cash outflow for leases for the year ended 30 June 2020 was $1,578,272 (2019: $2,297,478).

# Note 9: Provisions

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Other provisions | | |
| Make good | **282** | 314 |
| Contractor and employee entitlements | **1,045** | 985 |
| | **1,327** | 1,299 |

| | | |
|---|---|---|
| Reconciliation of provision for make good | | |
| Opening balance | **314** | 314 |
| Additional provisions made/(utilised) | **(32)** | – |
| **Total as at 30 June** | **282** | 314 |

| | | |
|---|---|---|
| Reconciliation of provision for contractor and employee entitlements | | |
| Opening balance | **985** | 985 |
| Additional provisions made/(utilised) | **60** | – |
| **Total as at 30 June** | **1,045** | 985 |

### Provision for make good

The Commission currently has 4 (2019: 5) agreements for the leasing of premises that have provisions requiring the Commission to restore the premises to their original condition at the conclusion of the lease. The Commission has made a provision to reflect the present value of this obligation.

### Provision for contractor and employee entitlements

The provision for contractor and employee entitlements covers additional entitlements that may accrue to certain contractors and employees under arrangements made by the Commission's predecessor, the Australian Aged Care Quality Agency. The provision reflects claims for those entitlements expected to be paid in future periods by the Commission.

# Funding

**This section identifies the Commission's funding structure.**

## Note 10: Annual appropriations

**(recoverable GST exclusive)**

| | **2020 $'000** | **6 Months to 30 June 2019 $'000** |
|---|---|---|
| **Ordinary annual services** | | |
| Annual appropriation | **83,431** | 8,660 |
| *PGPA Act section 74 receipts* | **12,358** | 7,448 |
| *PGPA Act section 75 transfers – prior year* [1] | **–** | 35,827 |
| *PGPA Act section 75 transfers – current year* [2] | **2,176** | – |
| Adjustments to appropriation | **14,534** | 43,275 |
| Total appropriation | **97,965** | 51,935 |
| Appropriation applied (current and prior years) | **(81,525)** | (36,693) |
| Variance [3] | **16,440** | 15,242 |
| | | |
| **Capital budget** | | |
| Annual appropriation | **1,692** | – |
| *PGPA Act Section 75 transfers – prior year* [4] | **–** | 1,020 |
| Adjustments to appropriation | **–** | 1,020 |
| Total appropriation | **1,692** | 1,020 |
| Appropriation applied (current and prior years) | **(1,692)** | (1,020) |
| Variance | **–** | – |

**Equity injection**

Aged Care Quality and Safety Commission 2019-20 Annual Report – replacement page 189

| | 2020 $'000 | 6 Months to 30 June 2019 $'000 |
|---|---|---|
| **Equity injections** | | |
| Annual appropriation | **17,738** | – |
| *PGPA Act Section 75 transfers – prior year* [5] | **–** | 17,738 |
| Adjustments to appropriation | **–** | 17,738 |
| Total appropriation | **17,738** | 17,738 |
| Appropriation applied (current and prior years) | **(3,738)** | – |
| Variance [6] | **14,000** | 17,738 |
| **Total departmental** | | |
| Annual appropriation | **102,861** | 8,660 |
| Adjustments to appropriation | **14,534** | 62,033 |
| Total appropriation | **117,395** | 70,693 |
| Appropriation applied (current and prior years) | **(86,955)** | (37,713) |
| Variance | **30,440** | 32,980 |

## Notes

1 Reflects the Section 75 of PGPA Act transfer from the Department of Health for annual appropriation.

2 Reflects the Section 75 of PGPA Act transfer from the Department of Health for employee entitlements.

3 The variance for departmental ordinary annual services primarily represents the timing difference of payments to suppliers and employees, and receipts in advance of services having been provided.

4 Reflects the Section 75 of PGPA Act transfer from the Department of Health for departmental capital budget.

5 The equity injection was re-appropriated in 2019-20 as the amount previously transferred from the former Australian Aged Care Quality Agency through a section 75 of PGPA Act lapsed on 1 July 2019 when Appropriation Act No.4 2016-17 was repealed.

6 The variance in the equity injection relates to undrawn funding for liabilities transferred from the former Australian Aged Care Quality Agency, which will fall due in future periods.

### Accounting policy

Transactions with the Australian Government as owner:

#### Equity injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

#### Restructuring of administrative arrangements

Net assets received from or relinquished to another Australian Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

#### Other distributions to owners

The FRR requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

## Note 11: Unspent appropriations

**(recoverable GST exclusive)**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Departmental** | | |
| *Appropriation Act (No.4) 2016-17* [1] | **–** | 17,738 |
| *Appropriation Act (No.3) 2018-19* | **–** | 11,565 |
| *Appropriation Act (No.1) 2019-20* | **20,676** | – |
| *Appropriation Act (No.3) 2019-20* | **–** | – |
| *Appropriation Act (No.4) 2019-20* [1] | **14,000** | – |
| Cash at bank [2] | **11,006** | 3,677 |
| Total unspent departmental annual appropriation | **45,682** | 32,980 |

### Notes

1 The equity injection was re-appropriated as the amount previously transferred from the former Australian Aged Care Quality Agency through a section 75 of PGPA Act lapsed on 1 July 2019 when Appropriation Act (No.4) 2016-17 was repealed.

2 Cash at bank relates to the Appropriation Acts (No.1) for the relevant year.

## Note 12: Net cash appropriation arrangements

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations | **3,583** | 5 |
| Less: depreciation/amortisation expenses previously funded through revenue appropriation | **(2,075)** | (902) |
| Less: depreciation right-of-use assets | **(1,604)** | – |
| Add: principal repayments – leased assets | **1,538** | – |
| **Total comprehensive surplus/(deficit) per the Statement of Comprehensive Income** | **1,442** | (897) |

From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through entity appropriations. Capital budgets are appropriated in the period when cash payment for capital equipment is required.

The inclusion of depreciation/amortisation expenses related to right-of-use leased assets and lease liability principal repayment amounts reflects the cash impact on implementation of AASB 16 Leases, it does not directly reflect a change in appropriation arrangements.

# People and relationships

**This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.**

## Note 13: Employee provisions

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Leave | **17,277** | 13,018 |
| Separations and redundancies | **170** | 109 |
| **Total employee provisions** | **17,447** | 13,127 |

### Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

**Leave**

The liability for employee benefits includes provision for annual leave and long service leave. 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 of the agency is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the estimated future cash flows to be made in respect to all employees as at 30 June 2020. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

**Separation and redundancy**

Provision is made for separation and redundancy benefit payments. The Commission recognises a provision for termination when it has developed a detailed formal plan for the terminations or where the circumstances indicate that separations and redundancies are more likely to occur than not.

**Superannuation**

The majority of the staff of the Commission are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Commission makes employer contributions to the CSS and PSS superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the period for all staff.

# Note 14: Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Commission, directly or indirectly, including any director (whether executive or otherwise) of the Commission. The Commission has determined the key management personnel to be the Commissioner and the Senior Executive Service staff as follows:

| | 2020 $'000 | 6 months to 30 June 2019 $'000 |
|---|---|---|
| **Expenses recognised in relation to key management personnel** | | |
| Short-term employee benefits | | |
| Salary | **1,799** | 681 |
| Other benefits and allowances | **90** | 21 |
| Total short-term employee benefits | **1,889** | 702 |
| Superannuation | **301** | 112 |
| Long-service leave | **44** | 16 |
| **Total key management remuneration expenses** | **2,234** | 830 |

The total number of key management personnel that are included in the above table is 8 (2019: 6).

The above key management personnel remuneration excludes the remuneration and other benefits of the portfolio minister. The portfolio minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Commission.

# Note 15: Related party disclosures

**Related party relationships**

The Commission is an Australian government controlled entity. Related parties to this entity are key management personnel including the portfolio minister and other Australian government entities.

**Transactions with related parties**

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the Commission, it has been determined that there are no related party transactions to be separately disclosed.

# Managing uncertainties

**This section analyses how the Commission manages financial risks within its operating environment.**

## Note 16: Contingent assets and liabilities

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### Quantifiable contingencies

The Commission has two (2019: two) bank guarantees in respect of office lease guarantees with a total of $175,876 (2019: $175,876).

### Unquantifiable contingencies

At 30 June 2020, the Commission has an unquantifiable contingency in relation to potential additional contractor entitlements arising from historical services provided by contractors to prior entities.
An unquantifiable contingency has been disclosed because an obligation has not yet been determined and is not yet possible to estimate the amounts of any eventual payments that may be required in relation to these entitlement. Refer note 9 above.

### Significant remote contingencies

The Commission had no significant remote contingencies.

# Note 17: Financial instruments

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Categories of financial instruments** | | |
| **Financial assets** | | |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | **11,006** | 3,677 |
| Trade and other receivables | **2** | 543 |
| **Total financial assets at amortised cost** | **11,008** | 4,220 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | | |
| Supplier payables | **5,916** | 5,605 |
| Unearned revenue | **7,063** | 3,276 |
| Other payables | **955** | 483 |
| **Total financial liabilities measured at amortised cost** | **13,934** | 9,364 |

## Accounting Policy

### Financial assets

With the implementation of AASB 9 Financial Instruments for the first time in 2019, the financial assets are classified in the following categories:

(a) financial assets at fair value through profit or loss;

(b) financial assets at fair value through other comprehensive income; and

(c) financial assets measured at amortised cost.

The classification depends on both the Commission's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the Commission becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash, and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Under AASB 9 Financial Instruments, the Commission classified its financial assets at amortised cost using the effective interest method.

### Financial assets at amortised cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

### Effective interest method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

The Commission categorises its financial liabilities at amortised cost.

### Financial liabilities at amortised cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Aged Care Quality and Safety Commission 2019-20 Annual Report – replacement page 199

# Other information

## Note 18: Departmental restructuring

| | Department of Health [1] $'000 |
|---|---|
| **Functions assumed** | |
| **Liabilities recognised** | |
| Employee provisions [1] | **(2,165)** |
| **Total liabilities recognised** | **(2,165)** |
| **Net liabilities recognised** | **(2,165)** |

1 During the reporting period, the liability and funding for employee entitlements for the Health Compliance & Reporting staff who transferred on 1 January 2020, was transferred from the Department of Health to the Commission

Aged Care Quality and Safety Commission 2019-20 Annual Report – replacement page 200

# Note 19: Aggregate assets and liabilities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Assets expected to be recovered in:** | | |
| No more than 12 months | **46,974** | 35,846 |
| More than 12 months | **6,601** | 4,346 |
| **Total assets** | **53,575** | 40,192 |
| | | |
| **Liabilities expected to be settled in:** | | |
| No more than 12 months | **31,507** | 20,383 |
| More than 12 months | **4,591** | 3,407 |
| **Total liabilities** | **36,098** | 23,790 |