

Department for Environment and Water

Financial report
for the year ended
30 June 2020



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To the Chief Executive Department for Environment and Water

Opinion

I have audited the financial report of Department for Environment and Water for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2020, its financial performance and its cash flows for 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- Notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2020
- a Statement of Administered Financial Position as at 30 June 2020
- a Statement of Administered Cash Flows for the year ended 30 June 2020
- a Schedule of Income and Expenses attributable to administered activities for the year ended 30 June 2020
- Notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial 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 Department for Environment and Water. 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 Chief Executive for the financial report

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

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 Department for Environment and Water for the financial year ended 30 June 2020.

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.

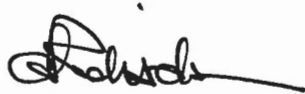
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Department for Environment and Water's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson
Auditor-General
22 September 2020

**Department for Environment and Water
(DEW)**

Financial Statements

For the year ended 30 June 2020

Department for Environment and Water
Certification of Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Department for Environment and Water:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the department
- present a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2020 and the results of its operations and cash flows for the financial year.

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



John Schutz
Chief Executive
17 September 2020



Shaun O'Brien
Chief Financial Officer
17 September 2020

Department for Environment and Water
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriation	2.1	149 986	151 819
Fees and charges	2.2	98 179	101 982
Grants	2.3	100 683	81 467
Intra-government transfers	2.4	3 907	12 883
Interest	2.5	274	900
Net gain from disposal of non-current assets	2.6	1	27
Resources received free of charge	2.7	9 144	26 242
Other income	2.8	9 790	1 394
Total income		371 964	376 714
Expenses			
Employee benefits expenses	3.4	156 318	168 318
Supplies and services	4.1	77 880	79 217
Grants and subsidies	4.2	32 953	31 912
Depreciation and amortisation	4.3	26 878	24 620
Borrowing costs	4.4	116	-
Impairment loss on receivables	6.2	358	642
Assets transferred for nil consideration	4.5	8 296	47 575
Other expenses	4.6	12 368	5 820
Surplus cash returned to DTF		-	4 432
Total expenses		315 167	362 536
Net result		56 797	14 178
Other comprehensive income			
Changes in property, plant and equipment asset revaluation surplus	5.2	33 764	-
Total other comprehensive income		33 764	-
Total comprehensive result		90 561	14 178

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

Department for Environment and Water
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	184 843	187 373
Receivables	6.2	12 527	21 905
Inventories	5.5	1 868	2 226
Other assets	6.3	1 250	1 054
Total current assets		200 488	212 558
Non-current assets			
Receivables	6.2	38	26
Property, plant and equipment	5.1	829 956	767 202
Intangible assets	5.4	4 551	5 150
Total non-current assets		834 545	772 378
Total assets		1 035 033	984 936
Current liabilities			
Payables	7.1	24 289	43 162
Financial liabilities	7.2	2 122	-
Contract liabilities	2.3	7 523	-
Employee benefits	3.5	17 829	18 074
Provisions	7.3	522	512
Other liabilities	7.4	1 989	1 847
Total current liabilities		54 274	63 595
Non-current liabilities			
Payables	7.1	3 253	3 417
Financial liabilities	7.2	3 232	-
Employee benefits	3.5	35 092	37 045
Provisions	7.3	1 779	1 635
Other liabilities	7.4	17 137	18 516
Total non-current liabilities		60 493	60 613
Total liabilities		114 767	124 208
Net assets		920 266	860 728
Equity			
Contributed capital		22 612	22 612
Retained earnings		444 279	418 310
Asset revaluation surplus		453 375	419 806
Total equity		920 266	860 728

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

Department for Environment and Water
Statement of Changes in Equity
for the year ended 30 June 2020

	Note	Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018		22 612	419 806	405 738	848 156
Changes in accounting policy on adoption of AASB 9		-	-	(170)	(170)
Error correction - property, plant and equipment	5.2	-	-	(595)	(595)
Error correction - receivables	6.2	-	-	(85)	(85)
Error correction - other liabilities	7.4	-	-	415	415
Restated balance at 1 July 2018		22 612	419 806	405 303	847 721
Net result for 2018-19		-	-	14 178	14 178
Total comprehensive result for 2018-19		-	-	14 178	14 178
Transfer between equity components					
Net assets transferred as a result of an administrative restructure		-	-	(1 171)	(1 171)
Balance at 30 June 2019		22 612	419 806	418 310	860 728
Changes in accounting policy on adoption of AASB 15	9.2	-	-	(1 204)	(1 204)
AASB 1058	9.3	-	-	(29 600)	(29 600)
Error correction - receivables	6.2	-	-	(219)	(219)
Adjusted balance at 1 July 2019		22 612	419 806	387 287	829 705
Net result for 2019-20		-	-	56 797	56 797
Equity transfer on asset disposal		-	(195)	195	-
Gain/(Loss) on revaluation of property, plant and equipment		-	33 764	-	33 764
Total comprehensive result for 2019-20		-	33 569	56 992	90 561
Balance at 30 June 2020		22 612	453 375	444 279	920 266

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

Department for Environment and Water
Statement of Cash Flows
for the year ended 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Appropriations		153 893	164 702
Fees and charges		112 830	94 783
Receipts from grants		81 032	84 990
Interest received		351	896
GST recovered from the Australian Taxation Office		11 754	11 311
Other receipts		5 331	771
Cash generated from operating activities		365 191	357 453
Cash outflows			
Employee benefits payments		(158 054)	(161 905)
Payments for supplies and services		(95 460)	(90 834)
Surplus cash returned to DTF		-	(4 526)
Payments of grants and subsidies		(36 146)	(34 095)
Interest paid		(116)	-
Other payments		(3 498)	(647)
GST paid to the ATO		(1 454)	-
Cash used in operating activities		(294 728)	(292 007)
Net cash provided by operating activities	8.1	70 463	65 446
Cash flows from investing activities			
Cash inflows			
Proceeds from the sale of property, plant and equipment		89	30
Cash generated from investing activities		89	30
Cash outflows			
Purchase of property, plant and equipment		(70 785)	(61 672)
Cash used in investing activities		(70 785)	(61 672)
Net cash (used in) investing activities		(70 696)	(61 642)
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(2 297)	-
Cash generated from financing activities		(2 297)	-
Net cash provided by / (used in) financing activities		(2 297)	-
Net (decrease)/increase in cash and cash equivalents		(2 530)	3 804
Cash and cash equivalents at the beginning of the reporting period		187 373	183 569
Cash and cash equivalents at the end of the reporting period	6.1	184 843	187 373

The accompanying notes form part of these financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Department for Environment and Water

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. About the Department for Environment and Water

The Department for Environment and Water (DEW) is a government department of the State of South Australia and operates within the *Public Sector Act 2009*. DEW is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of DEW (refer to the Disaggregated Schedule for details of the DEW's controlled activities). Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to DEW's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

1.1. Basis of preparation

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

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

For the 2019-20 financial statements the department adopted AASB 15 – *Revenue from Contracts with customers*, AASB 16 – *Leases* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in note 9.

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable

DEW prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DEW is liable for the GST payments and entitled to the GST receipts associated with these entities and items.

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

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

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.2. Objectives and programs

Objectives

DEW plays a critical role in conserving and delivering practical outcomes for the state's unique environment and cultural resources in a changing climate, for the prosperity and wellbeing of all South Australians.

To support this, the department:

- manages the state's nature, parks, places, wildlife and cultural assets for the health, enjoyment and prosperity of South Australians
- ensures water, including the River Murray, is managed sustainably for the benefit of the environment, community and economy
- works in partnership with key bodies to develop and deliver policies that protect and conserve the state's environment and heritage and support sustainable development
- leads coordinated, whole of government action to address climate change risk and opportunity for South Australia.

Programs

In achieving its objectives, DEW provides a range of services classified into the following programs:

National Parks and Wildlife

Sustainably manage South Australia's nature, parks, places, wildlife and cultural assets to ensure the social, environmental and economic prosperity of the state.

Water and the River Murray

Sustainably manage South Australia's water resources for the benefit of the economy, community and environment.

Environment, Heritage and Sustainability

Develop and deliver policies that support sustainable development and protect and conserve the state's environment and heritage, in partnership with key bodies in the face of a changing climate.

The table on the following page presents expenses and income information attributable to each program. *AASB 1052 Disaggregated Disclosures* requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DEW cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.2. Objectives and programs (continued)

Expenses and income by program

	National Parks and Wildlife		Water and the River Murray		Environment, Heritage and Sustainability		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income								
Appropriation	80 303	74 580	31 589	37 965	38 094	39 274	149 986	151 819
Fees and charges	25 707	29 368	34 834	36 805	37 638	35 809	98 179	101 982
Grants	10 636	4 605	74 737	66 582	15 310	10 280	100 683	81 467
Intra-government transfers	662	5 080	2 552	4 367	693	3 436	3 907	12 883
Interest	8	30	266	869	-	1	274	900
Net gain from disposal of non-current assets	1	12	-	5	-	10	1	27
Resources received free of charge	6 822	5 208	812	893	1 510	20 141	9 144	26 242
Other income	6 157	1 187	3 086	83	547	124	9 790	1 394
Total income	130 296	120 070	147 876	147 569	93 792	109 075	371 964	376 714
Expenses								
Employee benefits expenses	64 613	70 898	32 836	35 037	58 869	62 383	156 318	168 318
Supplies and services	32 366	33 829	20 200	21 645	25 314	23 743	77 880	79 217
Grants and subsidies	2 824	3 290	27 054	27 264	3 075	1 358	32 953	31 912
Depreciation and amortisation	11 216	10 460	10 636	10 048	5 026	4 112	26 878	24 620
Borrowing costs	48	-	24	-	44	-	116	-
Impairment loss on receivables	358	529	-	34	-	79	358	642
Assets transferred for nil consideration	3	963	7 120	46 612	1 173	-	8 296	47 575
Other expenses	7 662	2 927	3 205	953	1 501	1 940	12 368	5 820
Surplus cash returned to DTF	-	1 881	-	852	-	1 699	-	4 432
Total expenses	119 090	124 777	101 075	142 445	95 002	95 314	315 167	362 536
Net result	11 206	(4 707)	46 801	5 124	(1 210)	13 761	56 797	14 178

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.3. Impact of COVID-19 pandemic on the department

DEW's operations were impacted by the COVID-19 pandemic in 2019-20. The pandemic impacted from March 2020 resulting in a significant number of staff moving to work from home arrangements where feasible. Precautions were taken for staff and the public where sites and facilities remained open, adopting best practice advice to ensure personal safety at those sites.

National Parks have remained open during the pandemic to allow the community to exercise and access recreation, where safe to do so. However the department closed a number of commercial sites in parks during April and into May, including Cleland Wildlife Park and Seal Bay Conservation Park and all campgrounds. All sites reopened in May although with restrictions adopted to ensure numbers were limited and social distancing requirements were met in accordance with government guidelines.

Site closures resulted in lost revenues from admissions and fees estimated to be \$2.7 million (refer note 2.2). Although expenses did not decrease significantly at those sites due to the nature of the operations that were required to be continued including animal care and ranger activities.

DEW, supported by South Australian government Business and Job Support Fund, also provided rent relief and fee waivers costing \$425 000 in 2019-20 (refer note 2.2) for tourism and hospitality operators that lease sites or premises from the department or conducted commercial activities in National Parks.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4. Budget performance

The budget performance table compares DEW's outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

Statement of Comprehensive Income	Note	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Income				
Appropriation	a	141 869	149 986	8 117
Fees and charges		94 535	98 179	3 644
Grants		103 059	100 683	(2 376)
Intra-government transfers		-	3 907	3 907
Interest		124	274	150
Net gain from disposal of non-current assets		-	1	1
Resources received free of charge	b	-	9 144	9 144
Other income	c	1 893	9 790	7 897
Total income		341 480	371 964	30 484
Expenses				
Employee benefits expenses		153 134	156 318	3 184
Supplies and services	d	68 333	77 880	9 547
Grants and subsidies		32 007	32 953	946
Depreciation and amortisation		27 895	26 878	(1 017)
Borrowing costs		-	116	116
Impairment loss on receivables		-	358	358
Assets transferred for nil consideration	e	-	8 296	8 296
Other expenses	f	3 058	12 368	9 310
Total expenses		284 427	315 167	30 740
Net result		(57 053)	(56 797)	256

Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

- a. Additional appropriation provided for the Parks 2025 program and extraordinary bushfire and COVID-19 events were not included in the original budget
- b. Resources received free of charge (see note 2.7) were not included in the original budget
- c. Insurance received from SAICORP for bushfire recovery as well as asset adjustments were not included in the original budget (see note 2.8)
- d. Expenditure associated with the Healthy Coorong and Healthy Basin program and carryovers of other Commonwealth initiatives were not included in the original budget
- e. Assets transferred for nil consideration (see note 4.5) were not included in the original budget
- f. Includes asset write-offs and impairment expense related to bushfires that were not included in the original budget (see note 4.6).

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4. Budget performance (continued)

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Investing expenditure summary				
Total new projects	g	4 628	3 673	(955)
Total existing projects	h	67 733	41 377	(26 356)
Total annual program	i	7 902	10 081	2 179
Total investing expenditure		80 263	55 131	(25 132)

- g. Re-profiling the Water Management Solutions Program in line with project milestones and completion dates
- h. Re-profiling the South Australian Riverland Floodplains Integrated Infrastructure Program in line with project milestones and completion dates
- i. The higher actuals amount relates to additional budget approvals during 2019-20.

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- A substantial portion of accommodation expenses relate to accommodation supplied by the Department of Planning, Transport and Infrastructure
- Operating lease payments include expenses paid for vehicles supplied by Fleet SA
- Fees and charges revenue includes Natural Resource Management (NRM) Board salary recoveries relating to salary recoups for DEW employees providing services to the NRM Boards
- Fees and charges revenue also includes service recoveries relating to water planning management cost recoveries from SA Water
- The South Australian Insurance Corporation (SAICORP) are in the process of settling an insurance claim with DEW for assets damaged and destroyed by bushfires in 2019-20. An interim payment of \$2.5 million was received by DEW in 2019-20 to assist with clean up and initial works pending future full settlement of the claim.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the Appropriation Act	141 869	151 819
Appropriations under other Acts	8 117	-
Total appropriation	149 986	151 819

Appropriation

Appropriations are recognised upon receipt.

This table does not show appropriations in the form of a loan or an equity contribution. Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of DEW and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

The total appropriations consist of \$139.032 million (2019: \$141.462 million) for operational funding and \$10.963 million (2019: \$10.357 million) for capital projects.

2.2. Fees and charges

	2020	2019
	\$'000	\$'000
NRM Board salary recovery	29 805	29 270
Service recoveries	19 379	18 906
Sale of support services	18 372	17 234
Admissions and guided tours*	7 741	9 850
Property rental and related income*	5 053	6 206
Sale of professional services	4 944	9 437
Sale of goods	4 519	4 635
Fees, levies and licences	2 938	2 424
Other salary recoveries	2 448	1 453
Provision of services	2 110	1 852
Sale of spatial information	602	544
Sale of freehold titles	268	171
Total revenues from fees and charges	98 179	101 982

* COVID-19 pandemic has resulted in revenue decreases.

All revenue is recognised on receipt with the exception of admissions and guided tours, sale of professional services and property and rental related income which are recognised as revenue when the services have been provided to the customer.

Contract balances

	2020	2019
	\$'000	\$'000
Contract liabilities	1 265	-

Contract liabilities relates to property rental and related income which has been received in advance.

Department of Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.3. Grant revenues

	2020	2019
	\$'000	\$'000
Grant revenues from the Commonwealth		
SA Riverland Floodplain Infrastructure Program*	47 843	40 000
Coorong, Lower Lakes and Murray Mouth - Long Term Plan	8 809	6 701
Flows for the future	5 727	900
Murray Futures - Water Management Solutions Project	3 600	6 300
Implementing the Murray Darling Basin reform	1 486	1 486
The Living Murray - Chowilla	1 158	1 046
The Living Murray - Lower Lakes, Coorong and Murray Mouth	994	900
Improving Great Artesian Basin Drought Resilience	848	-
MDBA River Management	837	-
SDL Supply and Constraints Measures in the Murray Darling	482	-
Adelaide Desalination Plant Feasibility Study	387	-
Australian Heritage Grant Nilpena	180	-
The Living Murray - Coorong Waterbirds Monitoring	130	-
Murray Futures - Riverine Recovery	-	6 387
The Interim Great Artesian Basin Infrastructure Investment Program	-	1 822
Other	1 670	584
Total grant revenues from the Commonwealth	74 151	66 126
Grant revenues from SA Government		
Climate change initiatives	8 358	3 709
Community Emergency Services Funding	5 952	3 540
Adelaide Living Beaches strategy	2 859	2 789
Native Vegetation funding	1 973	1 229
Mid Murray Council WEMWS Project	1 025	-
Greener Neighbourhoods	1 000	-
Compliance and Monitoring	378	876
Water Industry Act	178	174
Botanic Gardens - Aquifer Storage and Recovery	-	655
Carbon Neutral Adelaide	-	250
Other	2 514	1 600
Total grant revenues from SA Government	24 237	14 822
Grant revenues from private industry and local government		
Other	2 295	519
Total grant revenues from private industry and local government	2 295	519
Total grant revenues	100 683	81 467

All grant revenues are recognised on receipt except for the South Australian Riverland Floodplains Integrated Infrastructure Program where the capital component is recognised on construction of the asset and the operating component is recognised on receipt.

Department for Environment and Water
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2.3. Grant revenues (continued)

Contract balances

	2020	2019
	\$'000	\$'000
Contract liabilities	6 258	-

Contract liabilities primarily relate to the multi-year advance consideration received in regard to the South Australian Riverland Floodplains Integrated Infrastructure Program, for which revenue is recognised on construction of the asset.

*Net revenue totalling \$23.342 million was recognised in 2019-20 that was included in contract liabilities at 1 July 2019 (refer note 9.4).

2.4. Intra-government transfers

	2020	2019
	\$'000	\$'000
Recovery from the Department of Treasury and Finance for Additional Expenditure	2 760	2 773
Recovery from the Department of Treasury and Finance for TVSPs	1 147	10 110
Total intra-government transfers	3 907	12 883

Intra-government transfers are recognised as income on receipt.

2.5. Interest

	2020	2019
	\$'000	\$'000
Interest	274	900
Total interest revenues	274	900

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2.6. Net gain / (loss) from disposal of non-current assets

	2020	2019
	\$'000	\$'000
Buildings and improvements		
Proceeds from disposal	-	-
Less net book value of assets disposed	(75)	-
Net gain / (loss) from disposal of buildings and improvements	<u>(75)</u>	<u>-</u>
Plant and equipment		
Proceeds from disposal	89	30
Less net book value of assets disposed	(13)	(3)
Net gain / (loss) from disposal of plant and equipment	<u>76</u>	<u>27</u>
Total assets		
Proceeds from disposal	89	30
Less net book value of assets disposed	(88)	(3)
Total net gain / (loss) from disposal of non-current assets	<u>1</u>	<u>27</u>

Gains/losses on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

2.7. Resources received free of charge

	2020	2019
	\$'000	\$'000
Assets received free of charge	5 200	21 615
Services received free of charge - Shared Services SA	3 944	4 627
Total resources received free of charge	<u>9 144</u>	<u>26 242</u>

Assets received free of charge in 2019-20 comprised \$5.200 million (2019: \$3.171 million) transferred from DEW Administered Items (Crown lands) following the proclamation of new parks and additions to existing parks and reserves. 2019 balances included transfers of heritage assets donated from the Department of Planning, Transport and Infrastructure (\$18.361 million).

Department for Environment and Water
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2.8. Other income

	2020	2019
	\$'000	\$'000
Asset related adjustments	4 952	693
Insurance recoveries	2 714	288
Leased Vehicle Recovery from NRM Boards	1 044	-
Water sales	998	39
Salaries and wages recoveries	44	69
Sponsorships, donations, commissions and bequests	27	17
Other sundry revenue	11	288
Total other income	9 790	1 394

Other Income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

Insurance recoveries include \$2.5 million interim payment from SAICORP as part of the insurance claim for assets damaged in bushfires.

Asset related adjustments relate to assets that were not previously recognised by DEW which have been identified through asset stocktake processes during the financial year.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of DEW include the Minister, the Chief Executive and the six members (seven in 2018-19) of the Executive Team who have responsibility for the strategic direction and management of the department.

Total compensation for key management personnel was \$1.782 million in 2019-20 and \$1.975 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Environment and Water receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	1 607	1 789
Post-employment benefits	175	186
Total compensation	1 782	1 975

3.2. Related party transactions

The Department for Environment and Water is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of DEW include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

No transactions with key management personnel or related parties have occurred throughout the 2019-20 financial year, other than those disclosed.

Department for Environment and Water
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3.3. Board and committee members

Members during 2019-20 financial year were:

Animal Welfare Advisory Committee

M S Doroudi* (Chair)

G I Anderson

R F Eyers

M Greenslade

S J Hazel

J A Bellamy (appointed April 2020)

R I Mussell (Expires December 2019)

P S Warren

A M Piggott

Arabana Parks Advisory Committee

F J Gill* (Chair, re-appointed August 2019)

P R P Watts (Deputy Chair, appointed August 2019)

L W Baxter* (appointed August 2019)

M Stuart (appointed August 2019)

J Wingfield (appointed August 2019)

T B Gotch* (re-appointed August 2019)

Witjira National Park Board of Management

G A Pelton* (Chair re-appointed December 2019)

M R Ah Chee (Deputy Chair, expired October 2019)

A Ah Chee (expired October 2019)

A B Magor* (re-appointed December 2019)

R Tjami (re-appointed December 2019)

A S McInerney* (re-appointed December 2019)

T L Naismith (expired October 2019)

J Ah Chee (expired October 2019)

B Shields (appointed December 2019)

M Doolan (appointed December 2019)

R Finn (appointed December 2019)

Kangaroo Management Reference Group

R Borda

G Coulthard

N D De Preu

L Loan*

S Williams

G Mills

J H Neal

R Eyers

G Antony

C Cowin

Flinders Ranges National Park Co-Management Board

B P Grear* (Chair)

P J Coulthard (formerly McKenzie) (Deputy Chair)

T C Coulthard

L M Loan*

M McKenzie (Snr)

T O'Loughlin*

B M Patterson

S A M Paul*

Premier's Climate Change Council

A S Ferguson (expires June 2020)

N M Halsey (expires June 2020)

P S Heithersay*(expires June 2020)

J A Paradiso (expires June 2020)

M K Haese (Presiding Member)

A M Stock (expires June 2020)

S M J Verschoor (expires June 2020)

C N Wilkins (expires June 2020)

C Woolford (expires June 2020)

South Australian Heritage Council

K A Conlon (Chair)

M J H Constantine

J D Ferguson

A G MacKinnon

K McDougall

M J Rolfe

J Schulz

D J Stevenson

R J Taylor

A Ben Kahn (Deputy Member)

D M Lindsay (Deputy Member)

W D Cornell (Deputy Member)

Ngaut Ngaut Conservation Park Co-Management Board

I M Campbell (Chair)

P G Gillen* (Deputy Chair)

I L Campbell

C M Hutchinson

J Tesoriero*

J Irving*

Department for Environment and Water
Notes to and forming part of the financial statements
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3.3. Board and committee members (continued)

Members during 2019-20 financial year were:

Cooperative Management Committee

Vulkathunha-Gammon Ranges National Park

J Irving* (Chair)
J M Coulthard (Deputy Chair)
M F G Anderson (Expires March 2020)
A Breeding*
S Coulthard
K Johnson (Expires March 2020)
S Kondylas*
T L Naismith*
R W Johnson (appointed March 2020)
V Coulthard (appointed March 2020)

DEW Risk and Performance Committee

T Stubbs (Chair)
S Carruthers*
M Martin*
P Martin
S Spadavecchia
A Swanson*
M Swart*
S Paul* (appointed January 2020)

**Nullarbor Wilderness Protection Area Co-Management
Advisory Committee**

C L Lawrie (Chair)
M J Ward* (Deputy Chair)
M J Anderson*
L M Halliday*
K Kerdel*
V Lawrie
P J Richter*
N Miller (Deputy Member)
A S Munday

YYPA Committee Coongie Lakes National Park

J A Gates* (Chair)
E S Dahl*
T J Elliot
J L Gregg-Smith*
L J Harris Snr
A M Paterson
G Rigney
J Fluin*
R Singleton* (Deputy Member)
L J Harris Jr (Deputy Member)

Yumbarra Conservation Park Co-management Board

M J Ward* (Deputy Chair)
W Miller (Chair)
M J Anderson*
H Coleman
T Murragilli
P J Richter*
W Ware
L M Halliday*
L J Cox (formerly Scott) (Deputy member)
K Ware (Deputy Member)
L Scott (Deputy Member)

Parks and Wilderness Council

A McEwen (Presiding Member) (expires October 2019)
M I Bossley (expires October 2019)
G M Coulthard*(expires October 2019)
C B Daniels*(expires October 2019)
E J Forster (expires October 2019)
K James (expires October 2019)
W R McIntosh (expires October 2019)
J E Schutz* (Member (Ex Officio, expires September 2019)
W D F MacKenzie (expires October 2019)
M J Williams* (appointed September 2019)

* In accordance with the Premier and Cabinet's Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Department for Environment and Water
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3.3. Board and committee members (continued)

Board and committee remuneration

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

Individuals may be members of more than one Board, Committee or Group associated with DEW.

The total remuneration received or receivable by members was \$212 000 (2019: \$224 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

	2020	2019
\$0 - \$19 999	119	138
\$20 000 - \$39 999	2	1
Total number of members	121	139

3.4. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	120 259	116 341
Employment on-costs - superannuation	13 334	13 255
Annual leave	11 135	11 015
Employment on-costs - other	7 264	7 501
Long service leave (LSL)	1 235	7 126
Workers compensation	1 036	1 943
Targeted Voluntary Separation Packages (refer below)	926	9 937
Skills and experience retention leave (SERL)	672	693
Board and committees fees	299	286
Other employee related expenses	158	221
Total employee benefits expenses	156 318	168 318

Employment on-costs - superannuation

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

Executive remuneration

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

	2020	2019
	Number	Number
\$154 001 - \$174 000	4	9
\$174 001 - \$194 000	11	6
\$194 001 - \$214 000	6	3
\$214 001 - \$234 000	2	4
\$234 001 - \$254 000*	2	2
\$254 001 - \$274 000	1	1
\$274 001 - \$294 000*	1	2
\$294 001 - \$314 000*	1	3
\$354 001 - \$374 000*	-	1
\$374 001 - \$394 000	-	1
\$394 001 - \$414 000	1	-
\$494 001 - \$514 000*	-	1
Total	29	33

Department for Environment and Water
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3.4. Employee benefits expenses (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The total remuneration received by those employees for the year was \$6.456 million (\$7.574 million).

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

* This bandwidth includes payment of long service leave, annual leave and termination benefits for officers who have left the department in the 2018-19 financial year.

Targeted Voluntary Separation Packages (TVSPs)

The number of employees who accepted a TVSP during the reporting period was 12 (2019: 119).

	2020	2019
	\$'000	\$'000
Amount paid/payable to separated employees:		
TVSPs	926	9 937
Leave paid/payable to separated employees	298	2 743
Recovery from the Department of Treasury and Finance	(1 147)	(13 062)
Net cost to the department	77	(382)

3.5. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Annual leave	11 150	9 362
Long service leave	2 903	2 763
Accrued salaries and wages	2 912	5 158
Skills and experience retention leave	864	791
Total current employee benefits	17 829	18 074
Non-current		
Long service leave	35 092	37 045
Total non-current employee benefits	35 092	37 045
Total employee benefits	52 921	55 119

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

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

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

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

Department for Environment and Water
Notes to and forming part of the financial statements
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3.5. Employee benefits liability (continued)

Long service leave

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

4. Expenses

Employee benefits expenses are disclosed in note 3.4.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Fee for service	15 641	18 964
Accommodation	13 100	12 579
Information technology & communication	9 384	9 371
General administration	9 306	10 005
Sand replenishment	7 662	6 266
Minor works, maintenance & equipment	4 120	3 721
Vehicle and aircraft	2 608	4 781
Contractors	2 519	1 522
Bore drilling services	2 365	1 900
Cost of goods sold	1 713	1 691
Travel and accommodation	1 178	1 459
Operating lease payments	1 025	-
Staff development	897	1 086
Scientific and technical services	852	758
Monitoring fees	628	533
Consultants	337	404
Transportation	306	358
Other	4 239	3 819
Total supplies and services	77 880	79 217

Accommodation

Most of the department's accommodation is provided by the Department of Planning, Transport and Infrastructure under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

In prior years expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this re-classification is set out in note 9.1.

Department for Environment and Water
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4.1. Supplies and services (continued)

Consultants

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

	2020 Number	2020 \$'000	2019 Number	2019 \$'000
Below \$10 000	4	13	6	36
\$10 000 or above	4	324	7	368
Total	8	337	13	404

4.2. Grants and subsidies

	2020 \$'000	2019 \$'000
Murray Darling Basin Authority	22 325	22 687
Healthy Coorong Healthy Basin	1 354	-
Gurra Gurra construction	1 160	-
Administration of the <i>Animal Welfare Act 1985</i>	1 160	1 132
New Life for Coastal Environment	1 091	-
Greener Neighbourhoods	643	-
SA Riverland Floodplain Infrastructure Program	606	464
Riverine Recovery Project	43	681
Goyder Institute	-	2 000
Other	4 571	4 948
Total grants and subsidies	32 953	31 912

Grants and subsidies paid / payable to entities within the SA Government

	2020 \$'000	2019 \$'000
Other	765	592
Total grants and subsidies - SA Government entities	765	592

Department for Environment and Water
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4.3. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Buildings and improvements	3 368	3 667
Park infrastructure	2 728	2 771
Roads, tracks and trails	4 079	4 155
Groundwater monitoring wells	4 296	4 288
Salinity disposal schemes	452	440
Patawalonga seawater circulation and Barcoo outlet	486	530
Sand pumping infrastructure	940	940
Surface water monitoring network	170	170
Waste disposal stations	298	314
Regulators and embankments	1 821	1 278
Plant and equipment	3 213	2 800
Right-of-use plant and equipment	261	-
Right-of-use vehicles	2 036	-
Leasehold improvements	1 777	1 788
Other	15	18
Total depreciation	25 940	23 159
Amortisation		
Application software - internally generated	770	1 293
Application software - externally purchased	146	146
Other - war services leases	22	22
Total amortisation	938	1 461
Total depreciation and amortisation	26 878	24 620

Department for Environment and Water
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4.3. Depreciation and amortisation (continued)

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

Land is not depreciated.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
<i>Property, plant and equipment</i>	
Buildings and improvements	5-150
Groundwater monitoring wells	48-50
Regulators and embankments	10-200
Park infrastructure	3-120
Patawalonga seawater circulation and Barcoo Outlet	15-100
Plant and equipment	3-50
Right-of-use plant and equipment	4
Right-of-use vehicles	3-5
Roads, tracks and trails	4-50
Salinity disposal schemes	20-100
Surface water monitoring network	40-80
Waste disposal stations	50
Sand pumping infrastructure	10-50
Leasehold improvements	12
Other	45-99
<i>Intangible assets</i>	
Externally acquired	3-10
Internally acquired	2-12
War services leases	44

Review of accounting estimates

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

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4.4. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	116	-
Total Borrowing costs	116	-

4.5. Assets transferred for nil consideration

	2020	2019
	\$'000	\$'000
Regulators and embankments	6 488	46 612
Plant and equipment	1 028	853
Land	505	-
Park infrastructure	209	30
Buildings and improvements	66	80
Total assets transferred for nil consideration	8 296	47 575

Regulators and embankments

The department donated assets associated with the South East Flows Restoration project to the value of \$4.368 million to local landholders (2019: \$42.278 million to the South Eastern Water Conservation and Drainage Board). The department also donated assets associated with the Riverland Recovery Project to the value of \$2.101 million to local landholders (2019: \$4.386 million).

4.6. Other expenses

	2020	2019
	\$'000	\$'000
Property, plant and equipment write-offs	6 470	2 218
Settlement of legal claims	2 754	20
Impairment loss	2 619	-
Capital project costs not capitalised	1 014	793
Audit fees	437	551
Assumption of liabilities	-	2 300
Intangible asset write-offs	-	-
Movement in Inventory	(100)	(68)
Reversal of impairment loss	(815)	-
Other	(11)	6
Total other expenses	12 368	5 820

Property, plant and equipment write-offs and Impairment losses

During the financial year the department incurred expenses related to asset write-offs of \$4.882 million and impairment losses of \$2.619 million associated with Kangaroo Island bushfires.

Audit fees

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.393 million (2019: \$0.489 million). No other services were provided by the Auditor-General's Department.

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5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property

	2020 \$'000	2019 \$'000
Land		
Land at fair value ⁽ⁱ⁾	360 971	330 370
Land at cost (deemed fair value) ⁽ⁱⁱ⁾	5 200	-
Total land	366 171	330 370
Buildings and improvements		
Buildings and improvements at fair value ⁽ⁱ⁾	192 143	200 057
Buildings and improvements at cost (deemed fair value) ⁽ⁱⁱ⁾	5 731	4 600
Accumulated depreciation	(134 869)	(136 435)
Total buildings and improvements	63 005	68 222
Park infrastructure		
Park infrastructure at fair value ⁽ⁱ⁾	204 197	209 202
Park infrastructure at cost (deemed fair value) ⁽ⁱⁱ⁾	11 399	9 688
Accumulated depreciation	(189 696)	(193 439)
Total park infrastructure	25 900	25 451
Roads, tracks and trails		
Roads, tracks and trails at fair value ⁽ⁱ⁾	214 374	219 054
Roads, tracks and trails at cost (deemed fair value) ⁽ⁱⁱ⁾	17 750	16 049
Accumulated depreciation	(209 370)	(212 280)
Total roads, tracks and trails	22 754	22 823
Groundwater monitoring wells		
Ground monitoring wells at fair value ⁽ⁱ⁾	222 896	223 231
Ground monitoring wells at cost (deemed fair value) ⁽ⁱⁱ⁾	382	-
Accumulated depreciation	(159 750)	(155 694)
Total groundwater monitoring wells	63 528	67 537
Salinity disposal schemes		
Salinity disposal schemes at fair value ⁽ⁱ⁾	39 768	43 067
Accumulated depreciation	(18 851)	(14 382)
Total salinity disposal schemes	20 917	28 685
Patawalonga seawater circulation and Barcoo outlet		
Patawalonga seawater circulation and Barcoo outlet at fair value ⁽ⁱ⁾	61 036	45 451
Accumulated depreciation	(21 712)	(16 412)
Total Patawalonga seawater circulation and Barcoo outlet	39 324	29 039
Sand pumping infrastructure		
Sand pumping infrastructure at fair value ⁽ⁱ⁾	23 116	23 116
Accumulated depreciation	(6 930)	(5 990)
Total sand pumping infrastructure	16 186	17 126

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5.1. Property, plant and equipment (continued)

	2020	2019
	\$'000	\$'000
Surface water monitoring network		
Surface water monitoring network at fair value ⁽ⁱ⁾	12 230	12 748
Accumulated depreciation	(5 819)	(5 831)
Total surface water monitoring network	6 411	6 917
Waste disposal stations		
Waste disposal stations at fair value ⁽ⁱ⁾	13 655	14 767
Waste disposal stations at cost ⁽ⁱⁱ⁾	1 146	1 147
Accumulated depreciation	(4 754)	(5 434)
Total waste disposal stations	10 047	10 480
Regulators and embankments		
Regulators and embankments at fair value ⁽ⁱ⁾	83 795	83 787
Regulators and embankments at cost (deemed fair value) ⁽ⁱⁱ⁾	39 846	12 940
Accumulated depreciation	(34 450)	(32 630)
Total regulators and embankments	89 191	64 097
Plant and equipment		
Plant and equipment at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	42 732	41 754
Accumulated depreciation	(26 271)	(25 255)
Total plant and equipment	16 461	16 499
Right-of-use plant and equipment		
Right-of-use plant and equipment at cost	868	-
Accumulated depreciation	(261)	-
Total plant and equipment	607	-
Right-of-use vehicles		
Right-of-use vehicles at cost	6 574	-
Accumulated depreciation	(1 825)	-
Total plant and equipment	4 749	-
Leasehold improvements		
Leasehold improvements at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	21 836	21 836
Accumulated depreciation	(7 539)	(5 762)
Total leasehold improvements	14 297	16 074
Other		
Other at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	1 868	1 868
Accumulated depreciation	(738)	(723)
Total other	1 130	1 145
Capital works in progress		
Capital works in progress	69 278	62 737
Total capital works in progress	69 278	62 737
Total property, plant and equipment	829 956	767 202

(i), (ii), (iii) refer note 11.2 for details of the carrying amounts of property, plant and equipment.

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

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

Department for Environment and Water
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5.2. Property, plant and equipment owned by the department

	Land \$'000	Buildings & improvements \$'000	Park infrastructure \$'000	Roads, tracks & trails \$'000	Groundwater monitoring wells \$'000	Salinity disposal schemes \$'000
Carrying amount at 1 July 2019	330 370	68 222	25 451	22 823	67 537	28 685
Acquisitions	505	20	-	-	-	-
Initial recognition	-	796	1 508	1 332	-	-
Transfer between classes	468	(206)	103	(118)	-	(172)
Assets received for nil consideration	5 200	-	-	-	-	-
Assets transferred for nil consideration	(505)	(66)	(209)	-	-	-
Disposals	-	(75)	-	-	-	-
Write-offs	-	(4 808)	(994)	(380)	-	-
Transfers to/(from) capital works in progress	-	1 610	3 212	4 069	382	-
Impairment loss	-	(85)	(433)	(1 716)	(95)	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Other changes via profit and loss	-	150	(10)	823	-	-
Subtotal	5 668	(2 664)	3 177	4 010	287	(172)
Gains/(losses) for the period recognised in net result:						
Depreciation	-	(3 368)	(2 728)	(4 079)	(4 296)	(452)
Reversal of impairment loss	-	815	-	-	-	-
Subtotal	-	(2 553)	(2 728)	(4 079)	(4 296)	(452)
Gains/(losses) for the period recognised in other comprehensive income:						
Net revaluation increment/(decrement)	30 133	-	-	-	-	(7 144)
Subtotal	30 133	-	-	-	-	(7 144)
Carrying amount at 30 June 2020	366 171	63 005	25 900	22 754	63 528	20 917

	Patawalonga seawater circulation \$'000	Sand pumping infrastructure \$'000	Surface water monitoring network \$'000	Waste disposal stations \$'000	Regulators and embankments \$'000
Carrying amount at 1 July 2019	29 039	17 126	6 917	10 480	64 097
Acquisitions	-	-	-	-	-
Initial recognition	18	-	-	-	-
Transfer between classes	-	-	-	-	(52)
Assets received for nil consideration	-	-	-	-	-
Assets transferred for nil consideration	-	-	-	-	(6 488)
Disposals	-	-	-	-	-
Write-offs	(22)	-	(46)	(135)	-
Transfers to/(from) capital works in progress	-	-	-	-	33 455
Impairment loss	-	-	(290)	-	-
Capital WIP - expensed in current period	-	-	-	-	-
Other changes via profit and loss	-	-	-	-	-
Subtotal	(4)	-	(336)	(135)	26 915
Gains/(losses) for the period recognised in net result:					
Depreciation	(486)	(940)	(170)	(298)	(1 821)
Reversal of impairment loss	-	-	-	-	-
Subtotal	(486)	(940)	(170)	(298)	(1 821)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	10 775	-	-	-	-
Subtotal	10 775	-	-	-	-
Carrying amount at 30 June 2020	39 324	16 186	6 411	10 047	89 191

Department for Environment and Water
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5.2. Property, plant and equipment owned by the department (continued)

	Plant & equipment \$'000	Leasehold improvements \$'000	Other \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 1 July 2019	16 499	16 074	1 145	62 737	767 202
Acquisitions	677	-	-	53 920	55 122
Initial recognition	336	-	-	-	3 990
Transfer between classes	(23)	-	-	-	-
Assets received for nil consideration	-	-	-	-	5 200
Assets transferred for nil consideration	(1 028)	-	-	-	(8 296)
Disposals	(13)	-	-	-	(88)
Write-offs	(85)	-	-	-	(6 470)
Transfers to/(from) capital works in progress	3 311	-	-	(46 365)	(326)
Impairment loss	-	-	-	-	(2 619)
Capital WIP - expensed in current period	-	-	-	(1 014)	(1 014)
Other changes via profit and loss	-	-	-	-	963
Subtotal	3 175	-	-	6 541	46 462
Gains/(losses) for the period recognised in net result:					
Depreciation	(3 213)	(1 777)	(15)	-	(23 643)
Reversal of impairment loss	-	-	-	-	815
Subtotal	(3 213)	(1 777)	(15)	-	(22 828)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	-	-	-	-	33 764
Subtotal	-	-	-	-	33 764
Carrying amount at 30 June 2020	16 461	14 297	1 130	69 278	824 600

	Land \$'000	Buildings & improvements \$'000	Park infrastructure \$'000	Roads, tracks & trails \$'000	Groundwater monitoring wells \$'000	Salinity disposal schemes \$'000
Carrying amount at 30 June 2018	315 183	65 244	24 701	32 631	71 825	29 125
Error correction	-	(168)	(288)	(416)	-	-
Carrying amount at 1 July 2018	315 183	65 076	24 413	32 215	71 825	29 125
Acquisitions	-	-	-	-	-	-
Transfer between classes	-	613	3 234	(3 900)	-	-
Assets received for nil consideration	15 187	6 400	11	-	-	-
Assets transferred for nil consideration	-	(80)	(30)	-	-	-
Disposals	-	-	-	-	-	-
Write-offs	-	(427)	(150)	(1 629)	-	-
Transfers to/(from) capital works in progress	-	309	467	17	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Other changes via profit and loss	-	(2)	277	275	-	-
Subtotal	15 187	6 813	3 809	(5 237)	-	-
Gains/(losses) for the period recognised in net result:						
Depreciation	-	(3 667)	(2 771)	(4 155)	(4 288)	(440)
Subtotal	-	(3 667)	(2 771)	(4 155)	(4 288)	(440)
Gains/(losses) for the period recognised in other comprehensive income:						
Net revaluation increment/(decrement)	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Carrying amount at 30 June 2019	330 370	68 222	25 451	22 823	67 537	28 685

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5.2. Property, plant and equipment owned by the department (continued)

	Patawalonga seawater circulation \$'000	Sand pumping infrastructure \$'000	Surface water monitoring network \$'000	Waste disposal stations \$'000	Regulators and embankments \$'000
Carrying amount at 30 June 2018	29 569	18 066	7 087	9 648	52 435
Error correction	-	-	-	-	-
Carrying amount at 1 July 2018	29 569	18 066	7 087	9 648	52 435
Acquisitions	-	-	-	-	-
Transfer between classes	-	-	-	-	-
Assets received for nil consideration	-	-	-	-	-
Assets transferred for nil consideration	-	-	-	-	(46 612)
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
Transfers to/(from) capital works in progress	-	-	-	1 146	59 552
Capital WIP - expensed in current period	-	-	-	-	-
Other changes via profit and loss	-	-	-	-	-
Subtotal	-	-	-	1 146	12 940
Gains/(losses) for the period recognised in net result:					
Depreciation	(530)	(940)	(170)	(314)	(1 278)
Subtotal	(530)	(940)	(170)	(314)	(1 278)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	-	-	-	-	-
Subtotal	-	-	-	-	-
Carrying amount at 30 June 2019	29 039	17 126	6 917	10 480	64 097

	Plant & equipment \$'000	Leasehold improvements \$'000	Other \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 30 June 2018	15 568	17 585	1 163	65 724	755 554
Error correction	-	277	-	-	(595)
Carrying amount at 1 July 2018	15 568	17 862	1 163	65 724	754 959
Acquisitions	861	-	-	63 724	64 585
Transfer between classes	53	-	-	-	-
Assets received for nil consideration	18	-	-	-	21 616
Assets transferred for nil consideration	(853)	-	-	-	(47 575)
Disposals	(3)	-	-	-	(3)
Write-offs	(12)	-	-	-	(2 218)
Transfers to/(from) capital works in progress	3 661	-	-	(66 055)	(903)
Capital WIP - expensed in current period	-	-	-	(793)	(793)
Other changes via profit and loss	6	-	-	137	693
Subtotal	3 731	-	-	(2 987)	35 402
Gains/(losses) for the period recognised in net result:					
Depreciation	(2 800)	(1 788)	(18)	-	(23 159)
Subtotal	(2 800)	(1 788)	(18)	-	(23 159)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	-	-	-	-	-
Subtotal	-	-	-	-	-
Carrying amount at 30 June 2019	16 499	16 074	1 145	62 737	767 202

Department for Environment and Water
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5.2. Property, plant and equipment owned by the department (continued)

Impairment

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

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

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

As at reporting date impairment losses of \$2.619 million were recognised as an expense in the Statement of Comprehensive Income. This impairment is related to assets impacted by the 2019-20 bushfires on Kangaroo Island.

Assets impacted by the fire events include buildings, park infrastructure, roads, tracks and trails, surface water monitoring network, groundwater monitoring wells and plant and equipment

5.3. Property, plant and equipment leased by the department

Property, plant and equipment leased by the department is recorded at cost. Net additions to leased property, plant and equipment during 2019-20 were \$5.358 million.

AASB 16 requires lessees to not recognise short term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 as right of use assets. The Treasurer has granted exemption from this requirement to all public authorities holding vehicles leases with SAFA.

The department has a limited number of leases:

- 348 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- 7 information technology leases with the Bank of Queensland Finance Limited to lease Oracle IT equipment relating to servers, data storage and back-up equipment. All leases are for a 3 years term, non-cancellable and payments are made quarterly in arrears. End of lease options exist to either extend the lease a further 12 months at a substantial discount or return the equipment.

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5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Internally developed intangible assets		
Computer software at cost (deemed fair value)	14 337	14 011
Accumulated amortisation	(13 182)	(12 412)
Total internally generated computer software	1 155	1 599
Externally acquired intangible assets		
Computer software	1 072	1 059
Accumulated amortisation	(969)	(823)
Total computer software	103	236
Water licences	2 610	2 610
Total externally acquired intangible assets	2 713	2 846
Other		
Revenue stream (War services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(317)	(295)
Total other	683	705
Total intangible assets	4 551	5 150

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

For the War Services Leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

DEW recognises the following intangible assets:

Computer software

DEW has capitalised the internal development of software for the Tenements and Billing System (TABS), Water Information and Licensing and Management Application system (WILMA) and Asset Register and Management Information System (ARAMIS) software systems. In addition, certain costs have been capitalised in respect of the Water Connect Portal (Natural Resources Management Information System) and other software specific to DEW's core activities. Some intangibles are currently included in work in progress. Externally acquired computer software relates to ArcGIS (Geographic Information System) software.

Water licences

An intangible asset for water licences has been recognised. These licences relate to environmental water holdings and are held at cost.

Department for Environment and Water
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5.4. Intangible assets (continued)

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by DEW was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangible asset movement reconciliation schedule

	Internally developed \$'000	Externally acquired \$'000	Revenue stream \$'000	Total \$'000
Carrying amount at 1 July 2019	1 599	2 846	705	5 150
Acquisitions	-	13	-	13
Transfers to/(from) capital works in progress	326	-	-	326
Amortisation	(770)	(146)	(22)	(938)
Carrying amount at 30 June 2020	1 155	2 713	683	4 551

	Internally developed \$'000	Externally acquired \$'000	Revenue stream \$'000	Total \$'000
Carrying amount at 1 July 2018	1 989	2 992	727	5 708
Transfers to/(from) capital works in progress	903	-	-	903
Amortisation	(1 293)	(146)	(22)	(1 461)
Carrying amount at 30 June 2019	1 599	2 846	705	5 150

Assets not recognised

Acquisition of Water Licences for Environmental Flows

While DEW recognises certain water licences controlled by the Minister for Environment and Water as intangible assets, the acquisition and/or transfer of water licences for environmental purposes linked to the provisions of Intergovernmental Agreements to which South Australia is party to is generally expensed when such expenditure is incurred.

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5.5. Inventories

	2020	2019
	\$'000	\$'000
Inventories held for distribution at no or nominal amount		
Inventories held for distribution - at cost	657	675
Total inventories held for distribution at no or nominal amount	<u>657</u>	<u>675</u>
Inventories held for resale - at cost		
Finished goods held for resale - at cost	1 211	1 551
Total inventories held for resale - at cost	<u>1 211</u>	<u>1 551</u>
Total inventories	<u><u>1 868</u></u>	<u><u>2 226</u></u>

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred.

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	184 672	187 196
Cash on hand/imprest account	171	177
Total cash and cash equivalents	<u><u>184 843</u></u>	<u><u>187 373</u></u>

Deposits with the Treasurer

DEW has two deposit accounts with the Treasurer, a General Operating Account (\$77.984 million) and an Accrual Appropriation Excess Funds Account (\$106.688 million). Although DEW controls the money in the Accrual Appropriation Excess Funds Account its use must be approved by the Treasurer.

Department of Environment and Water
Notes to and forming part of the financial statements
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6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	3 265	9 039
From non-government entities	3 447	3 846
Less allowance for doubtful debts	(1 776)	(1 418)
Total trade receivables	4 936	11 467
Accrued revenues	2 804	5 427
GST input tax recoverable	4 779	5 001
Workers compensation recoveries	8	10
Total current receivables	12 527	21 905
<u>Non-current</u>		
Workers compensation recoveries	38	26
Total non-current receivables	38	26
Total receivables	12 565	21 931

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

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

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

Error correction of (\$0.219) million is an adjustment for invoice raised in error in 2018-19.

Error correction of (\$0.085 million) is an adjustment for an invoice raised in error in 2017-18.

Impairment of receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	1 418	955
Amounts written off	-	(179)
Increase/(decrease) in the allowance recognised in profit or loss	358	642
Carrying amount at the end of the period	1 776	1 418

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

Department for Environment and Water
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6.3. Other assets

	2020	2019
	\$'000	\$'000
Current		
Prepaid supplies and services	1 248	1 053
Other	2	1
Total current other assets	<u>1 250</u>	<u>1 054</u>
Total other assets	<u><u>1 250</u></u>	<u><u>1 054</u></u>

7. Liabilities

Employee benefits liabilities are disclosed in note 3.5.

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Trade payables	19 816	39 134
Employment on-costs	3 525	3 061
Accrued expenses	908	949
Paid Parental Leave Scheme payable	40	18
Total current payables	<u>24 289</u>	<u>43 162</u>
Non-current		
Employment on-costs	<u>3 253</u>	<u>3 417</u>
Total non-current payables	<u>3 253</u>	<u>3 417</u>
Total payables	<u><u>27 542</u></u>	<u><u>46 579</u></u>

Creditors and accruals are raised for all 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.

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

Employment on-costs

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

DEW makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken as leave has changed from the 2019 rate of (41%) to 42%. The average factor for the calculation of employer superannuation on-costs has remained unchanged from the 2019 rate (9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year are immaterial.

Department for Environment and Water
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7.1. Payables (continued)

Paid parental leave scheme

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

7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Lease liabilities	2 122	-
Total current financial liabilities	<u>2 122</u>	<u>-</u>
<u>Non-current</u>		
Lease liabilities	3 232	-
Total non-current financial liabilities	<u>3 232</u>	<u>-</u>
Total Financial liabilities	<u><u>5 354</u></u>	<u><u>-</u></u>

The department measures financial liabilities including borrowings/debt at amortised cost.

Department for Environment and Water
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7.3. Provisions

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Provision for workers compensation	522	511
Additional provisions	-	1
Total current provisions	522	512
<u>Non-current</u>		
Provision for workers compensation	1 708	1 561
Additional provisions	71	74
Total non-current provisions	1 779	1 635
Total provisions	2 301	2 147
	2020	2019
	\$'000	\$'000
<i>Movement in provisions</i>		
Carrying amount at the beginning of the period	2 072	1 214
Reductions arising from payments	(1 190)	(2 801)
Increases resulting from remeasurement	1 348	3 659
Carrying amount at the end of the period	2 230	2 072
<i>Movement in additional provision</i>		
Carrying amount at the beginning of the period	75	-
Reductions resulting from remeasurement	(4)	-
Additional provisions recognised	-	75
Carrying amount at the end of the period	71	75

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

DEW is responsible for the payment of workers' compensation claims.

Department for Environment and Water
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7.4. Other liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Accommodation incentive	1 350	1 198
Unearned revenue	407	439
Other	232	210
Total current other liabilities	1 989	1 847
<u>Non-current</u>		
Accommodation incentive	14 429	15 779
Deposits held	465	465
Unearned revenue	2 243	2 272
Total non-current other liabilities	17 137	18 516
Total other liabilities	19 126	20 363

Accommodation incentive is effectively amortised over the lease term in accordance with AASB 117. A prior period error correction of (\$0.415 million) to accommodation incentive related to revised fit-out costs.

Department for Environment and Water
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8. Other disclosures

8.1. Cash flow

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

Cash flow reconciliation

Leases

	2020	2019
	\$'000	\$'000
Plant and equipment	312	-
Vehicles	2 099	-
Total cash outflow for leases	2 411	-

Reconciliation of net result to cash flows from operating activities

	2020	2019
	\$'000	\$'000

Reconciliation of cash and cash equivalents at the end of the reporting period

Cash and cash equivalents disclosed in the Statement of Financial Position	184 843	187 373
Balance as per the Statement of Cash Flows	184 843	187 373

Reconciliation of net cash provided by / (used in) operating activities to net result

Net cash provided by/(used in) operating activities	70 463	65 446
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Add / (less) non-cash items

Depreciation and amortisation	(26 878)	(24 620)
Capital work-in-progress and asset write-offs	(7 484)	(3 011)
Impairment of non-current assets	(1 804)	-
Gain/(loss) on disposal of non-current assets	1	27
Assets transferred for nil consideration	(8 296)	(47 575)
Other asset related adjustments	4 952	693
Supplies and services not requiring cash	(3 944)	(4 627)
Assumption of liabilities	-	(2 300)
Resources received free of charge	9 144	26 242

Movement in assets and liabilities

(Decrease)/increase in receivables	(9 366)	11 102
(Decrease)/increase in inventories	(358)	117
Increase in other assets	196	35
(Decrease) in other financial assets	-	(3)
Decrease/(increase) in payables	19 367	(2 396)
Decrease/(increase) in employee benefits	2 198	(5 273)
(Increase) in provisions	(154)	(933)
Increase in contract liabilities	7 523	-
Decrease in other liabilities	1 237	1 254
Net result	56 797	14 178

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8.2. South Australian Heritage Fund

The South Australian Heritage Fund (formerly the "State Heritage Fund") was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income
for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
Expenses		
Supplies and services	-	1
Total expenses	<u>-</u>	<u>1</u>
Net cost of providing services	<u>-</u>	<u>1</u>
Revenues from/(payments to) SA Government	-	-
Net result	<u>-</u>	<u>(1)</u>

Statement of Financial Position
as at 30 June 2020

	2020	2019
	\$'000	\$'000
Current assets		
Cash and cash equivalents	348	348
Total current assets	<u>348</u>	<u>348</u>
Total assets	<u>348</u>	<u>348</u>
Net assets	<u>348</u>	<u>348</u>
Equity		
Retained earnings	348	348
Total equity	<u>348</u>	<u>348</u>

Department for Environment and Water
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8.2. South Australian Heritage Fund (continued)

Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	349	349
Net result for 2018-19	(1)	(1)
Balance at 30 June 2019	<u>348</u>	<u>348</u>
Net result for 2019-20	-	-
Balance at 30 June 2020	<u><u>348</u></u>	<u><u>348</u></u>

Statement of Cash Flows
for the year ended 30 June 2020

	2020 Inflows (Outflows) \$'000	2019 Inflows (Outflows) \$'000
Cash flows from operating activities		
Cash outflows		
Payments for supplies and services	-	(1)
Cash used in operations	<u>-</u>	<u>(1)</u>
Net cash provided by / (used in) operating activities	<u>-</u>	<u>(1)</u>
Net increase / (decrease) in cash and cash equivalents	<u>-</u>	<u>(1)</u>
Cash and cash equivalents at the beginning of the reporting period	<u>348</u>	<u>349</u>
Cash and cash equivalents at the end of the reporting period	<u><u>348</u></u>	<u><u>348</u></u>

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8.3. General Reserves Fund

The General Reserves Fund (the Fund) was established under section 45 of the *National Parks and Wildlife Act 1972* (the Act) to perform duties in relation to the development and management of reserves. Reserves include any national park, conservation park, game reserve, recreation park or regional reserve constituted under the Act. The functions of the Fund are to undertake programs that are directed to achieving the objectives prescribed in section 37 of the Act, through the operation of a Fund account. The Fund provisions are used as the mechanism to provide expanded visitor facilities and services to the park. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income

for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
Income		
Fees and charges	13 299	15 389
Interest	7	25
Other income	(7)	6
Total income	<u>13 299</u>	<u>15 420</u>
Expenses		
Supplies and services	-	8
Grants and subsidies	13 299	15 412
Other expenses	-	-
Total expenses	<u>13 299</u>	<u>15 420</u>
Net result	<u>-</u>	<u>-</u>

Statement of Financial Position

as at 30 June 2020

	2020	2019
	\$'000	\$'000
Current assets		
Cash and cash equivalents	1 363	1 333
Receivables	1 250	1 316
Total assets	<u>2 613</u>	<u>2 649</u>
Current liabilities		
Unearned revenue	348	384
Total current liabilities	<u>348</u>	<u>384</u>
Total liabilities	<u>348</u>	<u>384</u>
Net assets	<u>2 265</u>	<u>2 265</u>
Equity		
Retained earnings	2 265	2 265
Total equity	<u>2 265</u>	<u>2 265</u>

Department for Environment and Water
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8.3. General Reserves Fund (continued)

Statement of Changes in Equity for the year ended 30 June 2020	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	2 265	2 265
Net result for 2018-19	-	-
Balance at 30 June 2019	<u>2 265</u>	<u>2 265</u>
Net result for 2019-20	-	-
Balance at 30 June 2020	<u><u>2 265</u></u>	<u><u>2 265</u></u>

Statement of Cash Flows for the year ended 30 June 2020	2020 Inflows (Outflow s) \$'000	2019 Inflows (Outflows) \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	13 237	16 156
Interest received	10	23
Other receipts	-	6
Cash generated from operations	<u>13 247</u>	<u>16 185</u>
Cash outflows		
Payments for supplies and services	-	(8)
Payments of grants and subsidies	(13 217)	(15 412)
Cash used in operations	<u>(13 217)</u>	<u>(15 420)</u>
Net cash provided by / (used in) operating activities	<u>30</u>	<u>765</u>
Net increase / (decrease) in cash and cash equivalents	<u>30</u>	<u>765</u>
Cash and cash equivalents at the beginning of the reporting period	1 333	568
Cash and cash equivalents at the end of the reporting period	<u><u>1 363</u></u>	<u><u>1 333</u></u>

Department for Environment and Water
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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 Leases only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 Leases applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 Leases largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

There was no impact on the department's retained earnings as at 1 July 2019 following the recognition of right-of-use assets and related financial liabilities.

The department disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$66.904 million under AASB 117.

The department has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$5.834 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

	1 July 2019
	\$'000
Operating lease commitments at 30 June 2019	66 904
<i>Adjustments to lease liabilities transferred in</i>	
Office accommodation under MOAA*	<u>(61 070)</u>
Undiscounted operating lease commitment at 30 June 2019	5 834
Operating lease commitments discounted	<u>(204)</u>
Lease liabilities recognised at 1 July 2019	<u>5 630</u>

There were no finance liabilities recognised at 30 June 2019.

*The undiscounted operating lease commitments relating to office accommodation under MoAA were removed from the financial liabilities recognised at 1 July 2019.

Department for Environment and Water
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9.1. AASB 16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.47%
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less
- the department, in the capacity of a lessee, does not include non-lease components in lease amounts
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

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9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue and related Interpretations* and applies to all revenue arising from contracts with customers.

Impact on retained earnings

On transition, there was a \$1.204 million adjustment to retained earnings for property rental and related income (refer to Statement of Changes in Equity).

Accounting policies on transition

The department has adopted AASB 15 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The department has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 *Income of Not-for-Profit Entities*, refer to note 9.4.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify requirements for public authorities in applying AASB 15. These requirements are reflected in the department's accounting policies as follows:

- for non-intellectual property licences, low value licences (i.e. assets which have a value of \$15 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The department has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the department would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the department's performance completed to date.
- there is no disclosures of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with para 16.

Significant accounting policies relate to the application of AASB 15 are disclosed under relevant notes.

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9.3. AASB 1058 Income for Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was a \$29.600 million adjustment to retained earnings for the recognition of revenue relating to funding received for the South Australian Riverland Flood Plains Integrated Infrastructure Program. Refer Statement of Changes in Equity.

9.4. Effects on financial statements from AASB 15 and AASB 1058

The following tables show the effect of adopting AASB 15 and AASB 1058 on the department's financial statements for the year ending 30 June 2020.

Statement of Comprehensive Income

	As reported \$'000	Adjustments AASB 15 \$'000	Adjustments AASB 1058 \$'000	Balances without adoption of AASB 15 & 1058 \$'000
Income				
Fees and charges	98 179	61	-	98 240
Commonwealth-sourced grants and payments	74 151	-	(23 342)	50 809
Grant revenues from SA government	24 237	-	-	24 237
Other grant revenues	2 295	-	-	2 295
Other income	9 790	-	-	9 790
Total income	208 652	61	(23 342)	185 371
Net result	208 652	61	(23 342)	185 371

The adoption of accounting standards AASB 15 and AASB 1058 has resulted in a \$61 000 and \$23.3 million net adjustment respectively to the Statement of Comprehensive Income. The \$23.3 million adjustment relates to recognising revenue as performance obligations associated with asset construction are satisfied for the South Australian Riverland Flood Plains Integrated Infrastructure Program. Previously these revenues were recognised on receipt.

Department for Environment and Water
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9.4. Effects on financial statements from AASB 15 and AASB 1058 (continued)

Statement of Financial Position

	As reported \$'000	Adjustments AASB 15 \$'000	Adjustments AASB 1058 \$'000	Balances without adoption of AASB 15 & 1058 \$'000
Contract liabilities	7 523	1 265	6 258	-
Total liabilities	7 523	1 265	6 258	-

The adoption of accounting standards AASB 15 and AASB 1058 results in revenue being recognised as performance obligations are satisfied. DEW has received \$1.265 million from Property income and \$6.258 million for the South Australian Riverland Flood Plains Integrated Infrastructure Program whereby performance obligations are yet to be satisfied. These amounts have been reflected as a contract liability and will be recognised once the obligations have been satisfied.

9.5. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format

10. Outlook

10.1. Unrecognised contractual commitments

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

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2020 \$'000	2019 \$'000
Within one year	-	2 117
Later than one year but not longer than five years	-	3 717
Total operating lease commitments	-	5 834

Operating lease commitments is provided for the comparative year only as AASB 16 Leases does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for memoranda of administrative arrangements with the Department of Planning, Transport and Infrastructure for accommodation. This has been reclassified and included under expenditure commitments. For more detail about the reclassification see 9.1.

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10.1. Unrecognised contractual commitments (continued)

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	4 530	1 408
Total capital commitments	4 530	1 408

DEW's capital commitments as at 30 June 2020 comprised works for the Water Management Solutions program, facility upgrade and rebuild works for various Kangaroo Island sites.

Expenditure commitments

Expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	29 266	28 964
Later than one year but not longer than five years	80 658	100 686
Later than five years	19 848	26 804
Total expenditure commitments	129 772	156 454

DEW's expenditure commitments are for:

- memoranda of administrative arrangements with the Department of Planning, Transport and Infrastructure for accommodation
- contributions to the Murray-Darling Basin Authority.

10.2. Expected realisation of contract liabilities as revenue

	2020-21	2021-22	Total
	\$'000	\$'000	\$'000
Revenue expected to be recognised	7 523	-	7 523

The revenue associated with the contract liabilities disclosed above are expected to be recognised during the 2020-21 financial year.

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10.3. 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.

Bushfires in 2020 caused substantial damage to assets owned by the DEW on Kangaroo Island, and an insurance claim is pending full settlement through SAICORP. The final value of the claim is not quantifiable as at 30 June 2020 and is contingent on final assessment of all damaged assets. It is expected full settlement of this claim will be received in 2020-21. Interim insurance payments have been received by the department pending the full settlement, \$2.5 million was received in 2019-20, refer note 2.7, and \$7.5 million has been received post 30 June 2020 refer note 10.6.

DEW has a further insurance claim pending that is currently being assessed by SAICORP for business interruption insurance resulting from revenue losses as a consequence of enforced closures of commercial sites caused by COVID-19 pandemic and bushfires. The value of this claim is not quantifiable at 30 June 2020.

10.4. Impact of standards and statements not yet effective

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The department has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

10.5. COVID-19 pandemic outlook for the department

COVID has required adjustment to the agency's way of doing business where it interacts directly with the public (Visitor Centres etc), these changes have been implemented without impact on service level offering.

DEW operates commercial sites across the State, located in and around national parks and reserves. These sites are an integral part of the State's tourism offering and as such have been impacted negatively by the drop in visitors from outside SA, but also positively by the increase in SA visitors.

DEW is anticipating a down turn in revenue in 2020-21. Revenue losses related to fees associated with national park activities are difficult to estimate and will be significantly dependent on restrictions imposed on travel, gatherings and movements in general. Restrictions at some commercial sites still exist and will limit income from those sites and fees from commercial tour operators.

DEW is providing, with support from the South Australian government Business and Job Support Fund, a 6 month waiver (from 1 April 2020 to 30 September 2020) on Commercial Tour Operator annual licence fees and rent relief on Crown Land properties leased to tourism and hospitality operators to help support business recovery and long term viability in response to the COVID pandemic, the cost of this relief for 3 months in 2020-21 is \$425 000.

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10.5. COVID-19 pandemic outlook for the department (continued)

DEW builds (including re-builds after fire and flood) and maintains physical assets across the State, both in Parks and for purposes of managing water resources. While the agency's ability to deliver this part of its mandate has not been materially impacted by COVID, the imposition of significant restrictions could impact these activities.

On 8 March 2020 the SA Government announced its new *Parks 2025* plan, which included funding of \$22 million that will provide economic stimulus to activate nature based tourism and fast-track the recovery of vital regional economies. This will include a range of capital projects across National Parks including for Kangaroo Island \$7 million for enhanced visitor experience and facilities at Seal Bay, new visitor precinct at Antechamber Bay, upgraded visitor facilities at Murray Lagoon, a signature camping experience at D'Estrees Bay and a new visitor experience at Cape Willoughby.

10.6. Events after the reporting period

DEW received a further interim payment for \$7.5 million from SAICORP on 31 July 2020 as partial settlement of a pending insurance claim for assets damaged by bushfires.

From 1 July 2020 staff previously employed by DEW that were providing services to the former Natural Resource Management Boards were transferred to the respective newly established Landscape SA Boards. This will result in the salary cost for those staff being met directly by the Landscape SA Boards from 2020-21. DEW will no longer incur salary costs for the transferred staff or recoup these costs from the Boards. Refer note 2.2 Fees and Charges for amounts recouped in 2019-20.

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11. Measurement and risk

11.1. Long service leave liability – measurement

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

The actuarial assessment performed by the Department of Treasury and Finance (DTF) 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 decreased from 2019 (1.25%) to 2020 (0.75%).

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

In 2020, the actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate from 2019 (4%) to 2020 (2.5%) for long service leave liability. This significant change to the percentage has led to an overall material decrease in the reported long service leave for 2020.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$2.950 million. 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 unconditional portion of the long service leave provision is classified as current as DEW does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of the long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

11.2. Fair value

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

Initial recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of Groundwater Monitoring Wells due to the significant number and long useful lives of the assets contained within this class. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

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11.2. Fair value (continued)

Classes of property, plant and equipment are valued as follows:

(i) Independent valuation

Assets in the Buildings and Improvements and Park Infrastructure asset classes are assessed on a case by case basis and those determined as unique are independently valued. The remaining assets in the class are revalued using the Data Dictionary model.

Unique assets are items which cannot be categorised within the standard Data Dictionary groups. An asset deemed unique will have a cost that varies significantly from the Data Dictionary value. Unique assets may have cultural significance that adds to its value; may have been constructed using different or special materials; an asset that has been previously independently valued.

Assets in the Road, Tracks and Trails class are all valued using the Data Dictionary model following their initial recognition at cost. Refer to 'Asset revaluations' section below for further details.

(ii) At cost (acquisition cost)

This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation.

(iii) At cost (deemed fair value)

These assets have an acquisition cost below \$1.5 million or have an estimated useful life of less than three years and have not been revalued in accordance with APS 116.D and are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Revaluation

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

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

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

DEW revalues its land, buildings and improvements, and other infrastructure assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

For all property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis.

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11.2 Fair value (continued)

Independent valuations were performed of the following asset classes during the reporting period:

- land
- salinity disposal scheme; and
- Patawalonga seawater circulation and Barcoo outlet

Specific details relating to the revalued asset classes follow:

DEW's land assets, comprising National, Conservation and Recreation Parks, Wilderness Protection Areas, and other non-park holdings were revalued as at 1 July 2019. The independent revaluation was undertaken by Certified Practising Valuers, Mr Mark Kay, Chief Valuer, Office of the Valuer General and Mr Greg McCloud, Senior Valuer Office of the Valuer General.

A market based method was used when by comparing property data to that of similar sales with consideration of restrictions on use and/ or zoning, property size and shape, topography, location, sale date and market movement, if any, and other relevant factors specific to the land being valued.

DEW's salinity disposal scheme infrastructure assets were revalued as at 30 June 2020. The independent valuation also included a review of the asset's useful lives. Whilst some changes to useful lives were adopted per the valuer's recommendations, the impacts to the financial statements were not considered material. The Chief Valuer was Mr S O'Leary of Jones Lang LaSalle IP Inc (JLL).

As there is no active market for salinity disposal scheme infrastructure assets, the asset's fair value was determined by using the cost approach to establish the current gross replacement cost to construct a modern equivalent asset. Current replacement costs were sourced from the department's costings, market related evidence, construction costing publications and internal rates developed by JLL in house quantity surveyors. All replacement costs were based on modern equivalent assets and included all costs directly attributable to bringing the asset to working condition for its intended use including survey and design, materials, labour rates, project overheads, site establishment and professional fees. In determining the modern equivalent asset, consideration was given to contemporary design, materials and construction techniques and the required utility from the asset (excluding betterment). The application of the valuation undertaken resulted in the classification of this asset into level 3 as the measurements/ outputs were deemed unobservable.

DEW's Patawalonga seawater circulation and Barcoo assets were revalued as at 30 June 2020. The independent valuation also included a review of the asset's useful lives. Whilst some changes to useful life were adopted per the valuer's recommendations, the impacts to the financial statements were not considered material. The Chief Valuers were Ms A Carolan, FAPI and Mr L Mapanzure, AAPI of Public Private Property Ply Ltd.

As there is no active market for the Patawalonga seawater circulation and Barcoo outlet asset, the asset's fair value was determined by using the cost approach to establish the current gross replacement cost to construct a modern equivalent asset. Current replacement costs were sourced from the department's costings, market related evidence, and current construction costing publications as adopted across the valuation industry. All replacement costs were based on modern equivalent assets and included all costs directly attributable to bringing the asset to working condition for its intended use including survey and design, materials, labour rates, project overheads, site establishment and professional fees. The application of the valuation undertaken resulted in the classification of this asset into level 3 as the measurements/ outputs were deemed unobservable.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.2 Fair value (continued)

The following table lists details of asset classes subject to independent revaluations:

Class of asset	Date of last independent revaluation	Name of Valuer	Fair Value Input level	Fair Value Approach
Land	1 July 2019	State Valuation Office	3	Market
Buildings and improvements (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Buildings and improvements (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services	3	Cost
Park infrastructure (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Park infrastructure (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services	3	Cost
Roads, tracks and trails	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Groundwater monitoring wells	30 June 2017	Jacobs Australia Ltd	3	Cost
Salinity disposal schemes	30 June 2020	Jones Lang LaSalle Inc.	3	Cost
Patawalonga seawater circulation and Barcoo outlet	30 June 2020	Public Private Property Pty Ltd	3	Cost
Sand pumping infrastructure	30 June 2018	Jones Lang LaSalle Inc.	3	Cost
Surface water monitoring network	30 June 2017	Valcorp Aust. Pty Ltd	3	Cost
Waste disposal stations	30 June 2018	Valcorp Aust. Pty Ltd	3	Cost
Regulators and embankments	30 June 2018	Public Private Property Pty Ltd	3	Cost

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.2. Fair value (continued)

Fair value hierarchy

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

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

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

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

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

During 2019 and 2020, DEW had no valuations categorised into level 1 or level 2; and there were no changes in valuation techniques.

Fair value classification – non-financial assets at 30 June 2020

	Level 3
Recurring fair value measurements	\$'000
Land	366 171
Buildings and improvements	63 005
Park infrastructure	25 900
Roads, tracks and trails	22 754
Groundwater monitoring wells	63 528
Salinity disposal schemes	20 917
Patawalonga seawater circulation and Barcoo outlet	39 324
Surface water monitoring network	6 411
Waste disposal stations	10 047
Regulators and embankments	89 191
Sand pumping infrastructure	16 186
Plant and equipment	16 461
Leasehold improvements	14 297
Other	1 130
Total recurring fair value measurements	755 322
Total fair value measurements	755 322

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.2. Fair value (continued)

Fair value classification – non-financial assets at 30 June 2019

	Level 3
	\$'000
Recurring fair value measurements	
Land	330 370
Buildings and improvements	68 222
Park infrastructure	25 451
Roads, tracks and trails	22 823
Groundwater monitoring wells	67 537
Salinity disposal schemes	28 685
Patawalonga seawater circulation and Barcoo outlet	29 039
Surface water monitoring network	6 917
Waste disposal stations	10 480
Regulators and embankments	64 097
Sand pumping infrastructure	17 126
Plant and equipment	16 499
Leasehold improvements	16 074
Other	1 145
Total recurring fair value measurements	704 465
Total fair value measurements	704 465

Heritage assets

In accordance with APS 101.H, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land primarily comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

DEW is also custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and land held by the Minister, either as freehold or reverted land is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments

Financial risk management

Risk management is managed by DEW's corporate services section. Departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

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

Liquidity risk

DEW is funded principally from appropriations by the SA Government. DEW works with DTF to determine the cash flows associated with its government-approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 and 7.2 for further information.

Credit risk

DEW has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by DEW.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the department is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

	Debtor gross carrying amount	Loss %	Lifetime expected losses \$'000
	\$'000		\$'000
Current (not past due)	1 180	0%	2
1 - 30 days past due	103	1%	1
31 - 60 days past due	55	2%	1
61 - 90 days past due	170	3%	5
More than 90 days past due	398	57%	226
Loss allowance			235*

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments

Impairment of financial assets (continued)

* Invoices worth \$1.541 million have not been included in the ECL model due to their unique circumstances that are not expected to occur again in the future. This has been included in the original doubtful debt balance.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and DEW's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with DEW and a failure to make contractual payments for a period of greater than 90 days past due.

DEW considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of DEW's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Impairment losses on the department's receivables arising from the department's contracts with customers were as follows. No impairment losses were recognised in relation to contract assets during the year.

Market risk

DEW does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. DEW does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in T1 23 *Management of Foreign Currency Exposures*.

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

Categorisation of financial instruments

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

Classification of Financial Instruments

DEW measures all financial instruments at amortised cost.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments (continued)

Categorisation of financial instruments (continued)

Category of financial asset and financial liability	Note	2020 Carrying amount / fair value \$'000	2020 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents		184 843	-	-	-
Financial assets at amortised cost					
Receivables	(1), (2)	7 740	-	-	-
Total financial assets		192 583	-	-	-
Financial liabilities					
Financial liabilities at amortised cost					
Payables	(1)	20 287	20 287	-	-
Lease liabilities		5 354	2 122	3 232	-
Total financial liabilities		25 641	22 409	3 232	-

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents		187 373	187 373	-	-
Loans and receivables					
Receivables	(1), (2)	16 979	16 979	-	-
Held-to-maturity investments					
Financial assets		-	-	-	-
Total financial assets		204 352	204 352	-	-
Financial liabilities					
Financial liabilities at cost					
Payables	(1)	39 562	39 562	-	-
Lease liabilities		-	-	-	-
Total financial liabilities		39 562	39 562	-	-

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost).
- (2) Receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.3.

Department for Environment and Water
Statement of Administered Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Administered income			
Appropriation	A2.1	20 442	21 054
Fees and charges	A2.2	29 347	18 308
Grants	A2.3	28 089	-
Income associated with joint operation	A5.2	5 544	10 681
Interest		37	61
Assets received free of charge	A2.4	5 705	335
Net gain from the disposal of non-current assets	A2.5	10 644	187
Intra-government transfers	A2.6	750	-
Other income		40	80
Total administered income		100 598	50 706
Administered expenses			
Employee benefits		368	359
Supplies and services		1 238	825
Grants and subsidies	A3.1	66 613	37 610
Expenses associated with joint operation	A5.2	12 222	10 563
Donated assets	A3.2	5 200	3 170
Payments to the Consolidated account		33 674	10 641
Impairment loss on receivables		2 757	608
Total administered expenses		122 072	63 776
Net result		(21 474)	(13 070)
Other comprehensive income			
<i>Items that will not be reclassified to net result:</i>			
Changes in property, plant and equipment asset revaluation surplus	A4.2	49 601	13 902
Total other comprehensive income		49 601	13 902
Total comprehensive result		28 127	832

The accompanying notes form part of these financial statements.

Department for Environment and Water
Statement of Administered Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Administered current assets			
Cash and cash equivalents	A7.1	46 415	13 974
Receivables	A5.1	7 012	2 587
Total current assets		53 427	16 561
Administered non-current assets			
Property, plant and equipment	A4.1	1 292 738	1 256 959
Intangibles	A5.2	163 531	161 454
Total non-current assets		1 456 269	1 418 413
Total assets		1 509 696	1 434 974
Administered current liabilities			
Payables	A6.1	33 573	6 032
Total current liabilities		33 573	6 032
Total liabilities		33 573	6 032
Net assets		1 476 123	1 428 942
Administered equity			
Asset revaluation surplus		241 382	191 781
Retained earnings		1 234 741	1 237 161
Total equity		1 476 123	1 428 942

The accompanying notes form part of these financial statements.

Department for Environment and Water
Statement of Administered Cash Flows
for the year ending 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Appropriations		20 442	21 054
Fees and charges		22 164	18 205
Receipts from grants		28 089	-
Intra-government transfers		750	-
Interest received		37	61
Other receipts		40	80
Cash generated from operating activities		<u>71 522</u>	<u>39 400</u>
Cash outflows			
Employee benefits payments		(368)	(359)
Payments for supplies and services		(1 233)	(827)
Payments of grants and subsidies		(66 511)	(37 729)
Payments to the Consolidated account		(6 240)	(11 136)
Cash used in operating activities		<u>(74 352)</u>	<u>(50 051)</u>
Net cash provided by / (used in) operating activities	A7.1	<u>(2 830)</u>	<u>(10 651)</u>
Cash flows from investing activities			
Cash inflows			
Proceeds from the sale of property, plant and equipment	A2.5	35 271	12 053
Cash generated from investing activities		<u>35 271</u>	<u>12 053</u>
Net cash provided by / (used in) investing activities		<u>35 271</u>	<u>12 053</u>
Cash flows from financing activities			
Cash outflows			
Cash transferred as a result of restructuring activities		-	(127)
Cash used in financing activities		<u>-</u>	<u>(127)</u>
Net cash provided by / (used in) financing activities		<u>-</u>	<u>(127)</u>
Net increase / (decrease) in cash and cash equivalents		<u>32 441</u>	<u>1 275</u>
Cash and cash equivalents at the beginning of the reporting period		13 974	12 699
Cash and cash equivalents at the end of the reporting period	A7.1	<u>46 415</u>	<u>13 974</u>

The accompanying notes form part of these financial statements.

Department for Environment and Water
Schedule of Income and Expenses attributable to Administered Activities
for the year ended 30 June 2020

Activities - refer note A1	Crown Lands		Minister's Other Payments		Special Acts Allocation	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Administered income						
Appropriations	-	-	17 279	16 982	368	360
Fees and charges	8	19	-	-	-	-
Grants	-	-	74	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assets received free of charge	5 705	335	-	-	-	-
Net gain from disposal of non-current assets	10 644	187	-	-	-	-
Intra-government transfers	-	-	750	-	-	-
Other income	-	-	-	-	-	-
Total administered income	16 357	541	18 103	16 982	368	360
Administered expenses						
Employee benefits	-	-	-	-	368	359
Supplies and services	1 238	825	-	-	-	-
Grants and subsidies	-	-	18 050	16 965	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	5 200	3 170	-	-	-	-
Payments to the Consolidated account	33 674	10 641	-	-	-	-
Impairment loss on receivables	(2)	2	(1)	-	-	-
Total administered expenses	40 110	14 638	18 049	16 965	368	359
Net result	(23 753)	(14 097)	54	17	-	1

Department for Environment and Water
Schedule of Income and Expenses attributable to Administered Activities
for the year ended 30 June 2020

Activities - refer note A1	National Landcare					
	Program		Water for Fodder		NRM Fund	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Administered income						
Appropriations	-	-	-	-	2 755	3 618
Fees and charges	-	-	-	-	25 385	18 306
Grants	15	-	28 000	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	2	4	-	-	36	59
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Intra-government transfers	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total administered income	17	4	28 000	-	28 176	21 983
Administered expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	-	28 000	-	20 523	20 565
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-
Payments to the Consolidated account	-	-	-	-	-	-
Impairment loss on receivables	-	-	-	-	2 760	606
Total administered expenses	-	-	28 000	-	23 283	21 171
Net result	17	4	-	-	4 893	812

Department for Environment and Water
Schedule of Income and Expenses attributable to Administered Activities
for the year ended 30 June 2020

	Pastoral Board		Qualco Sunlands		SA Drought Resilience Fund	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Administered income						
Appropriations	-	14	40	80	-	-
Fees and charges	-	-	-	-	4 000	-
Grants	-	-	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Intra-government transfers	-	-	-	-	-	-
Other income	-	-	40	80	-	-
Total administered income	-	14	80	160	4 000	-
Administered expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	-	40	80	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-
Payments to the Consolidated account	-	-	-	-	-	-
Impairment loss on receivables	-	-	-	-	-	-
Total administered expenses	-	-	40	80	-	-
Net result	-	14	40	80	4 000	-

Department for Environment and Water
Schedule of Income and Expenses attributable to Administered Activities
for the year ended 30 June 2020

Activities - refer note A1	DEW Corporate		Total	
	Admin Items			
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Administered income				
Appropriations	-	-	20 442	21 054
Fees and charges	(46)	(17)	29 347	18 308
Grants	-	-	28 089	-
Income associated with joint operation	5 544	10 681	5 544	10 681
Interest	(1)	(2)	37	61
Assets received free of charge	-	-	5 705	335
Net gain from disposal of non-current assets	-	-	10 644	187
Intra-government transfers	-	-	750	-
Other income	-	-	40	80
Total administered income	5 497	10 662	100 598	50 706
Administered expenses				
Employee benefits	-	-	368	359
Supplies and services	-	-	1 238	825
Grants and subsidies	-	-	66 613	37 610
Expenses associated with joint operation	12 222	10 563	12 222	10 563
Donated assets	-	-	5 200	3 170
Payments to the Consolidated account	-	-	33 674	10 641
Impairment loss on receivables	-	-	2 757	608
Total administered expenses	12 222	10 563	122 072	63 776
Net result	(6 725)	99	(21 474)	(13 070)

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

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1. About the Department for Environment and Water

The activities of the administered items are:

Crown Lands

Crown Lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus South Australian government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance's (DTF) Consolidated Account.

Minister's Other Payments

Grants and subsidies payments of \$18.050 million (2019: \$16.965 million) approved by the Minister for Environment and Water were made to community organisations, associations and local government. This includes grants made to Zoo SA \$6.646 million (2019: \$5.815 million); Adelaide City Council \$1.598 million (2019: \$1.565 million); Stormwater Management Authority \$5.513 million (2019: \$5.379 million); South Eastern Water Conservation and Drainage Board \$2.470 million (2019: \$2.500 million); Native Vegetation Fund \$1.197 million (2019: \$1.167 million); and Coast Protection Fund \$0.552 million (2019: \$0.539 million); The Board of the Botanic Gardens and State Herbarium \$74 000 (2019: nil).

Special Acts Allocation

This item comprises salary and allowance payments for the Minister for Environment and Water.

National Landcare Program

The National Landcare Program is administered by the Commonwealth and South Australia Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

The program is fully Commonwealth funded and disbursed based on Commonwealth approval.

Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the *Natural Resources Management Act 2004* (NRM Act). The Minister for Environment and Water administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRM Act. This may also include making any payment required, or authorised by or under the NRM Act or any other law. The balance of the NRM Fund at 30 June 2020 was \$4.022 million (2019: \$3.590 million).

Landscape Administration Fund

On 1 July 2020, the Landscape South Australia Act 2019 replaces the Natural Resources Management Act 2004 as the primary basis for managing the state's landscapes.

The repeal of the Natural Resources Management Act 2004 will result in the abolishment of the NRM Fund. The Landscape South Australia Act 2019 establishes the Landscape Administration Fund to receive and disburse fees, levies and other monies authorised by the Landscape South Australia Act 2019. Under the legislative provisions, any money held in the NRM Fund immediately before 1 July 2020 will be paid into the Landscape Administration Fund. Further, any money payable to the NRM Fund under a provision of the repealed Act; or payable under, or relating to, the Water Resources Act 1997, will be payable to the Landscape Administration Fund.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1. About the Department for Environment and Water (continued)

Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRM Act. DEW administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRM Act require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRM Act:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

(i) *Government funding*

DEW receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRM Act.

	2020 \$'000	2019 \$'000
Regional NRM Board		
Alinyjara Wilurara NRM Board	1 171	1 143
Kangaroo Island NRM Board	1 171	1 143
South Australian Arid Lands NRM Board	363	332
	<u>2 705</u>	<u>2 618</u>

(ii) *Water Levies*

Water levies are collected for prescribed water resources under section 101 of the NRM Act. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRM Act.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRM Act.

(iv) *Expiation fees and other penalties*

Expiation fees and penalties are recovered in respect of offences against the NRM Act (that is for unlawful possession of animals or plants).

National Action Plan for Salinity and Water Quality

The National Action Plan (NAP) was a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009. DEW is currently seeking Commonwealth approval to transfer the remaining funds to existing State agency and Natural Resources Management Board competitive projects in accordance with clause 13.2c and 20.4 of the '*Transitional Arrangement and Financial Agreement between the Australian Government and state of South Australia for implementation of Caring for our Country*'.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1. About the Department for Environment and Water (continued)

Qualco Sunlands

The *Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. Upon request from the Trust, DEW provides a temporary grant, sourced from the DTF, to carry out the specified works. The Trust facilitates the required work, and recharges irrigators for the work undertaken. Once fully collected, the Trust returns the temporary funds to DEW for on-passing back to the Department of Treasury and Finance.

Water for Fodder

The Water for Fodder program forms part of the Australian Government's drought response package to improve the resilience of farmers and rural communities, and support drought-affected farmers in the SA Murray-Darling Basin. An intergovernmental agreement between the Commonwealth and SA Governments provides for the production of up to 100 gigalitres of water from the Adelaide Desalination Plant in two rounds, and the transfer water allocations from entitlements held by the State to eligible irrigators in the Southern Murray-Darling Basin. Commonwealth revenue received under the agreement for Round one in 2019-20 was disbursed by the Minister for Environment and Water to SA Water Corporation (\$27.750 million) and the Department for Environment and Water (\$0.250 million) in respect of milestone outputs under the agreement. Following the review of Round 1 and consultation with South Australia, the Commonwealth has announced that there will not be a second round of the Water for Fodder program. While Round 1 was successful, more water is available in the southern Basin due to autumn rainfall. This has reduced the need for Round 2 as an emergency drought response.

SA Drought Resilience Fund

The South Australian Drought Resilience Fund was established pursuant to the Commonwealth's Water for Fodder program. The Fund receives revenue from Southern Murray-Darling Basin irrigators in exchange for the transfer of South Australian water allocations in accordance with the Water for Fodder program. The Fund will be applied by the Minister towards programs and measures to build the resilience of River Murray water users and environment to withstand drought and longer term climate change, or improve the adequacy, security and quality of the State's water supply from the River Murray.

Adelaide Dolphin Sanctuary Fund

The Adelaide Dolphin Sanctuary Fund was established under the *Adelaide Dolphin Sanctuary Act 2005* to:

- protect the dolphin population of the Port Adelaide River Estuary and Barker Inlet
- protect the natural habitat of the Dolphin population.

The Adelaide Dolphin Sanctuary Fund did not incur any material income or expenditure transactions for the current or prior periods and has therefore not been disclosed as part of the Schedule of Expenses and Income.

A1.1. Administered item's financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the *Public Finance and Audit Act 1987*.

DEW conducts a large number of activities directed towards meeting the administered items objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within DEW, who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1.2. Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.3. DEW applies the same accounting policies to the administered financial statements as set out in the notes to DEW's financial statements. Deviations from these policies are as follows:

Property, plant and equipment

Property, plant and equipment includes land. DEW is the custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and held by the Minister, either as freehold or reverted land, is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Employee benefits

In general, administered items utilise the services of contractors or DEW employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DEW employees are provided free of charge. If, however, the services provided by DEW employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee for service (cost recovery) basis. The liability for employee benefits arising from services rendered by DEW employees is not recognised in the administered financial statements as DEW is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DEW's financial statements. Employee benefits disclosed in the schedule of expenses and income relate to the Minister's salary.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1.3. Budget performance

The budget performance table compares DEW's outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

Statement of Administered Comprehensive Income	Note	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Income				
Appropriation	a	29 091	20 442	(8 649)
Fees and charges	b	17 405	29 347	11 942
Grants	c	-	28 089	28 089
Income associated with joint operation	i	-	5 544	5 544
Interest		-	37	37
Assets received free of charge	d	-	5 705	5 705
Net gain from the disposal of non-current assets	e	-	10 644	10 644
Intra-government transfers		-	750	750
Other income		270	40	(230)
Total income		46 766	100 598	53 832
Expenses				
Employee benefits		364	368	4
Supplies and services		648	1 238	590
Grants and subsidies	f	37 139	66 613	29 474
Expenses associated with joint operation	i	-	12 222	12 222
Donated assets	g	-	5 200	5 200
Payments to the Consolidated account	h	16 978	33 674	16 696
Impairment loss on receivables		-	2 757	2 757
Total expenses		55 129	122 072	66 943
Net result		(8 363)	(21 474)	(13 111)

The following are brief explanations of variances between original budget and actual amounts. Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

- a. Revenue from SA Government in respect to receipt of the working capital provision for the Natural Resources Management Boards was included in the original budget but not required during 2019-20
- b. Water penalty charges were higher than the original budget (\$7.6 million). In addition, the sale of water to irrigators under the Water for Fodder program (\$4.0 million to be held in the South Australian Drought Resilience Fund) was not included in the original budget
- c. Grant revenue from the Commonwealth for the Water for Fodder program was not included in the original budget
- d. Recognition of crown land (primarily land at Glenithorne) which then reverted to the Minister for Environment and Water was not included in the original budget
- e. Net gain on disposal of crown land was not included in the original budget
- f. Transfers to SA Water for costs associated with running the desalination plant under the Water for Fodder program was not included in the original budget

Department for Environment and Water
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for the year ended 30 June 2020

A1.3. Budget performance (continued)

- g. Crown land donated free of charge in 2019-20 to the DEW Controlled reporting entity in regards to Glenthorne National Park was not included in the original budget
- h. Payments to SA Government in regards to sales of land at State Sports Park and Flinders University was not fully recognised in the original budget
- i. South Australia's share of income and expenses associated with the joint operation was not included in the original budget.

	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Investing expenditure summary			
Total existing projects	293	-	(293)
Total investing expenditure	293	-	(293)

A2. Income

A2.1. Appropriation

	2020 \$'000	2019 \$'000
Recurrent appropriations	20 074	20 694
Appropriations under other Acts	368	360
Total appropriations	20 442	21 054

Appropriations

Appropriations are recognised on receipt.

This table does not show appropriations in the form of a loan or an equity contribution.

A2.2. Revenues from fees and charges

	2020 \$'000	2019 \$'000
Water Levies received from licence holders	17 311	16 850
Penalties	8 074	1 456
Water sales	4 000	-
Crown Lands	8	19
DEW Corporate Administered Items	(46)	(17)
Total revenues from fees and charges	29 347	18 308

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A2.3. Grants revenues

	2020	2019
	\$'000	\$'000
Water for Fodder	28 000	-
Minister's Other Payments	74	-
National Landcare Program	15	-
Total grant revenues	28 089	-

A2.4. Assets received free of charge

	2020	2019
	\$'000	\$'000
Land	5 705	335
Total Assets received free of charge	5 705	335

Assets received free of charge in 2019-20 comprised of land previously dedicated by the Minister for Environment and Water, pursuant to legislative powers vested to the Minister under the *Crown Lands Management Act 2009*, to entities external to the DEW Administered Items. Upon the revocation of dedication, the land has reverted to the Minister, and accounted for in the DEW Administered Items reporting entity and included land for Glenthorne National Park in 2019-20 valued at \$5.200 million.

A2.5. Net gain from the disposal of non-current assets

	2020	2019
	\$'000	\$'000
Crown land		
Proceeds from disposal	35 271	12 053
Less net book value of assets disposed	(24 627)	(11 866)
Net gain from disposal of Crown land	10 644	187

A2.6. Intra-government transfers

	2020	2019
	\$'000	\$'000
Recovery from the Department of Treasury and Finance for Additional Expenditure	750	-
Total Intra-government transfers	750	-

Intra-government transfers are recognised as income on receipt.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A3. Expenses

A3.1. Grants and subsidies

	2020	2019
	\$'000	\$'000
Water for Fodder	28 000	-
Payments to Natural Resource Management Boards	20 523	20 565
Minister's other payments*	18 050	16 965
Qualco Sunlands	40	80
Total grants and subsidies	66 613	37 610

*Refer note A1.

A3.2. Donated assets

	2020	2019
	\$'000	\$'000
Donated assets	5 200	3 170
Total Donated Assets	5 200	3 170

Donated assets expense in 2019-20 comprised of Crown land donated free of charge to the DEW Controlled reporting entity in regards to Glenthorne National Park pursuant to the *National Parks and Wildlife Act 1972*.

A4. Non-financial assets

A4.1. Property, plant and equipment

	2020	2019
	\$'000	\$'000
Crown land		
Crown land at fair value	556 671	529 905
Crown land at cost (deemed fair value)	505	-
Total Crown land	557 176	529 905
Joint operation property, plant and equipment		
Joint operation property, plant and equipment	735 562	727 054
Total joint operation property, plant and equipment	735 562	727 054
Total property, plant and equipment	1 292 738	1 256 959

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A4.2. Property, plant and equipment owned by the department (continued)

Movement reconciliation of property, plant and equipment

2020			Joint operation	
	Crown land	Pastoral land	PP&E	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	529 905	-	727 054	1 256 959
Adjustment for Crown Lands not previously recognised	19 054	-	-	19 054
Restated opening balance at 1 July 2019	548 959	-	727 054	1 276 013
Assets received for nil consideration	5 705	-	-	5 705
Donated assets	(5 200)	-	-	(5 200)
Disposals	(24 627)	-	-	(24 627)
Joint operations net additions, disposal, other movements	-	-	(8 754)	(8 754)
Subtotal	(24 122)	-	(8 754)	(32 876)
Gains/(losses) for the period recognised in other comprehensive income:				
Revaluation increments/(decrements)	32 339	-	17 262	49 601
Subtotal	32 339	-	17 262	49 601
Carrying amount at 30 June 2020	557 176	-	735 562	1 292 738

2019			Joint operation	
	Crown land	Pastoral land	PP&E	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	558 421	54 116	720 472	1 333 009
Adjustment for Crown Lands not previously recognised	3 847	-	-	3 847
Error correction	(17 662)	-	-	(17 662)
Restated opening balance at 1 July 2018	544 606	54 116	720 472	1 319 194
Assets received for nil consideration	335	-	-	335
Donated assets	(3 170)	-	-	(3 170)
Disposals	(11 866)	-	-	(11 866)
Disposal through administrative restructuring	-	(54 116)	-	(54 116)
Joint operations net additions, disposal, other movements	-	-	(7 320)	(7 320)
Subtotal	(14 701)	(54 116)	(7 320)	(76 137)
Gains/(losses) for the period recognised in other comprehensive income:				
Revaluation increments/(decrements)	-	-	13 902	13 902
Subtotal	-	-	13 902	13 902
Carrying amount at 30 June 2019	529 905	-	727 054	1 256 959

Crown Lands Asset Revaluations

DEW's Crown land assets, comprising primarily of Unalienated land were revalued as at 1 July 2019. The independent revaluation was undertaken by Certified Practising Valuers, Mr Mark Kay, Chief Valuer, Office of the Valuer General and Mr Greg McCloud, Senior Valuer Office of the Valuer General.

Department for Environment and Water
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A4.2. Property, plant and equipment owned by the department (continued)

A market based method was used when by comparing property data to that of similar sales with consideration of restrictions on use and/ or zoning, property size and shape, topography, location, sale date and market movement, if any, and other relevant factors specific to the land being valued.

Crown Lands Adjustment

An Adjustment for Crown Lands not previously recognised comprises an increasing adjustment of \$19.054 million (2019: \$3.847 million) to recognise Crown Land that had previously been under the dedication and control of other entities, including other government agencies. The adjustment includes \$16.750 million for removing the dedication and disposal of land parcel to Flinders University.

Crown Lands Error Correction

An error correction of (\$17.662 million) adjusted against retained earnings at 1 July 2018 has been disclosed in the above asset movements schedule. The error correction is in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, and resulted in a net decrease in the carrying value of Crown Land assets. Information leading the recognition of the error correction was obtained during the financial year resulting from the validation of tenement holdings associated with the land revaluation exercise undertaken as at 1 July 2019.

A5. Financial assets

A5.1. Receivables

	2020	2019
	\$'000	\$'000
Current		
Water levies	854	732
Penalties	11 472	4 462
Accrued interest	-	4
Other	179	124
Less allowance for doubtful debts	(5 493)	(2 735)
Total current receivables	7 012	2 587
Total receivables	7 012	2 587

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A5.2. Interest in joint operation

The Minister, on behalf of the state of South Australia, has an interest in a joint operation, the Murray-Darling Basin Authority (MDBA) represented by the River Murray Operations and the Living Murray Initiative.

On 3 July 2008, the Commonwealth Government and the Government of New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (the participants) entered into the Intergovernmental agreement for the *Murray-Darling Basin Reform* (the Reform IGA). The Reform involved the government participants entering into a new *Murray-Darling Basin Agreement* (MDB Agreement) and the Intergovernmental Agreement on *Murray-Darling Basin Reform - referral* (the Referral IGA).

The MDB Agreement essentially dissolved the Murray-Darling Basin Commission (MDBC) and established the Murray-Darling Basin Authority (MDBA), Ministerial Council, Basin Officials Committee and the Basin Community Committee. Under the revised arrangement, the participants have a joint interest in the infrastructure assets and water rights. The state of South Australia's interest in the arrangement is 26.67 percent.

The MDBA was established under the Commonwealth *Water Act 2007* as an independent, expertise based statutory agency and are responsible for developing, implementing and monitoring the Basin Plans. The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that meets the social, economic and environmental needs of the Basin and its communities.

Two unincorporated joint arrangements were established under the MDBA to hold assets on behalf of the participants through separate agreements called the "Asset Agreement for River Murray Operations Assets" (RMO) and the "Further Agreement on Addressing Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin - Control and Management of Living Murray Assets" (LMI). The principal place of the operation is in Australia. The participants are obliged to provide funding to the MDBA for the management of the RMO and LMI assets and operations.

The agreements in relation to the Murray Darling Basin Agreement joint arrangement require unanimous consent from all parties for all relevant activities. The participants own the infrastructure assets and water rights of the joint arrangements, which are being managed through the RMO and LMI and there are no liabilities held for either RMO and LMI. The arrangement is therefore classified as a joint operation and DEW recognises, on behalf of the state, its direct right to the jointly held assets, revenues and expenses based on the percentage interest as described in the table below.

Department for Environment and Water
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A5.2. Interest in joint operation (continued)

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2020 (%)	2019 (%)
Murray Darling Basin Authority	To undertake activities that support the sustainable and integrated management of water resources of the Murray-Darling Basin	Australia	26.67%	26.67%

Joint operation assets, income and expenses accounted for using the proportionate consolidation method are detailed below:

Murray Darling Basin Authority	2020 \$'000	2019 \$'000
Non-current assets		
<i>Property, plant and equipment</i>		
Infrastructure Assets	708 464	700 572
Work in Progress	22 679	20 899
Other property, plant and equipment assets	4 419	5 583
<i>Intangibles - Water entitlements</i>	163 531	161 454
Total non-current assets	899 093	888 508
Total assets	899 093	888 508
Income	5 544	10 681
Expenses	12 222	10 563

Refer note 4.2 of the DEW Controlled financial statements for details of the State's grant payment made to the MDBA.

The 2020 and 2019 figures were based on the audited RMO and LMI financial statements.

Contingencies and commitments

There are no contingencies or commitments arising from DEW's interest in the joint operation.

Department for Environment and Water
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for the year ended 30 June 2020

A6. Liabilities

A6.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Creditors	33 131	5 726
Accrued expenses	14	9
Other	428	297
Total current payables	<u>33 573</u>	<u>6 032</u>
Total payables	<u><u>33 573</u></u>	<u><u>6 032</u></u>

A7. Other disclosures

A7.1. Administered cash flow reconciliation

	2020	2019
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
National Landcare Program	358	341
Crown Lands	35 453	7 528
SA Drought Resilience Fund	4 000	-
Natural Resource Management Fund	4 022	3 590
Qualco Sunlands	114	71
National Action Plan for Salinity and Water Quality	37	37
Adelaide Dolphin Sanctuary	1	1
The Department's Corporate Administrative Items	<u>2 430</u>	<u>2 406</u>
Cash and cash equivalents disclosed in the Statement of Financial Position	<u>46 415</u>	<u>13 974</u>
Balance as per the Statement of Administered Cash Flows	<u>46 415</u>	<u>13 974</u>
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	(2 830)	(10 651)
Add / (less) non-cash items		
Expenses associated with joint operation	(12 222)	(10 563)
Income associated with joint operation	5 544	10 681
Assets received free of charge	5 705	335
Donated assets	(5 200)	(3 170)
Net gain on disposal of non-current assets	10 644	187
Movement in assets and liabilities		
(Decrease)/increase in receivables	4 425	(505)
(Increase)/decrease in payables	(27 540)	616
Net result	<u><u>(21 474)</u></u>	<u><u>(13 070)</u></u>

A8. Outlook

A8.1. Contingent assets and liabilities

A contingent asset is acknowledged whereby the Minister for Environment and Water has an exclusive right to access 40ML per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. DEW is not aware of the existence of any other contingent liabilities.