

Native Vegetation Fund

Financial report
for the year ended
30 June 2021



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member Native Vegetation Council

Opinion

I have audited the financial report of the Native Vegetation Fund for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Native Vegetation Fund as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the Native Vegetation Council, and the Acting Chief Executive and Chief Financial Officer of the Department for Environment and Water.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Native Vegetation Fund. 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 and the Council 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The Members of the Native Vegetation Council are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Native Vegetation Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Presiding Member and 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

26 October 2021

Native Vegetation Fund

Financial Statements

For the year ended 30 June 2021

Native Vegetation Fund
Certification of Financial Statements
for the year ended 30 June 2021

We certify that the:

- financial statements for the Native Vegetation Fund:
 - are in accordance with the accounts and records of the Fund;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Fund at the end of the financial year and the result of its operation and cash flows for the financial year.

internal controls employed by the Native Vegetation Fund for the financial year over its financial reporting and its preparation of financial statements have been effective



Vaughan Levitzke
Presiding Member
Native Vegetation Council

26 October 2021



Cate Hart
A/Chief Executive
Department for Environment and Water

26 October 2021



Shaun O'Brien
Chief Financial Officer
Department for Environment and Water

26 October 2021

Native Vegetation Fund
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Intra-government transfers	2.1	1 227	1 197
Revenues from fees and charges	2.2	2 618	3 035
Interest revenues	2.3	4	49
Other income	2.4	7	-
Total income		3 856	4 281
Expenses			
Supplies and services	4.1	26	61
Grants and subsidies	4.2	2 239	3 112
Other expenses	4.3	17	11
Total expenses		2 282	3 184
Net result		1 574	1 097
Total comprehensive result		1 574	1 097

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

Native Vegetation Fund
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	5.1	10 820	8 808
Receivables	5.2	497	1 129
Total current assets		<u>11 317</u>	<u>9 937</u>
Total assets		<u>11 317</u>	<u>9 937</u>
Current liabilities			
Payables	6.1	11	205
Total current liabilities		<u>11</u>	<u>205</u>
Total liabilities		<u>11</u>	<u>205</u>
Net assets		<u>11 306</u>	<u>9 732</u>
Equity			
Retained earnings		11 306	9 732
Total equity		<u>11 306</u>	<u>9 732</u>

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

Native Vegetation Fund
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 1 July 2019	8 635	8 635
Net result for 2019-20	1 097	1 097
Total comprehensive result for 2019-20	1 097	1 097
Balance at 30 June 2020	9 732	9 732
Net result for 2020-21	1 574	1 574
Total comprehensive result for 2020-21	1 574	1 574
Balance at 30 June 2021	11 306	11 306

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

Native Vegetation Fund
Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
<i>Cash inflows</i>			
Intra-government transfers		1 227	1 197
Fees and charges		3 249	2 651
Interest received		5	57
Other receipts		7	-
Cash generated from operating activities		4 488	3 905
<i>Cash outflows</i>			
Payments for supplies and services		(26)	(61)
Payments of grants and subsidies		(2 433)	(2 981)
Other payments		(17)	(10)
Cash used in operations		(2 476)	(3 052)
Net cash provided by / (used in) operating activities		2 012	853
Net increase / (decrease) in cash and cash equivalents		2 012	853
Cash and cash equivalents at the beginning of the reporting period	5.1	8 808	7 955
Cash and cash equivalents at the end of the reporting period		10 820	8 808

The accompanying notes form part of these financial statements.

Native Vegetation Fund

Notes to and forming part of the financial statements

For the year ended 30 June 2021

1. About the Native Vegetation Fund

The Native Vegetation Fund (the Fund) is established pursuant to section 21 of the *Native Vegetation Act 1991* (the Act).

The Native Vegetation Council is responsible for the administration of the Fund in accordance with the Act.

The financial activities of the Fund are conducted through an interest bearing deposit account established pursuant to section 21 of the *Public Finance and Audit Act 1987* and held with the Department of Treasury and Finance (DTF).

1.1. Basis of preparation

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

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

For the purposes of preparing the financial statements, the Fund is a not-for-profit entity. 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.

The Department for Environment and Water (DEW) prepares a Business Activity Statement on behalf of the Fund under the grouping provisions of the GST legislation. Under these provisions, DEW is liable for the payments and entitled to the receipts associated with GST. Therefore the Fund's net GST receivable/payable is recorded in DEW's Statement of Financial Position. GST cash flows applicable to the Fund are recorded in DEW's Statement of Cash Flows.

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.

1.2. Objectives and programs

Objectives

The major purpose of the Fund is to provide funds to be applied for research, preservation, enhancement and management of native vegetation in South Australia and encouraging the re-establishment of native vegetation on land from which it has been previously cleared.

In achieving its objectives, the Fund conducts its services through a single program, the Native Vegetation Fund. As the Funds conducts its services through a single program, a Statement of Expenses and Income by Program has not been prepared.

1.3. Impact of COVID-19 pandemic on the Fund

The COVID-19 pandemic impacted from March 2020. DEW, as a service provider to the Native Vegetation Council, managed the move of a significant number of staff to work from home arrangements where feasible. DEW also ensured 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. During 2020-21, the delivery of some grant programs was delayed or did not go ahead which was due to a number of factors including difficulties meeting stakeholders due to COVID-19 restrictions.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2. Income

2.1. Intra-government transfers

	2021 \$'000	2020 \$'000
Intra-government transfers	1 227	1 197
Total Intra-government transfers	1 227	1 197

Intra-government transfers are recognised on receipt.

2.2. Revenues from fees and charges

	2021 \$'000	2020 \$'000
Significant environmental benefits *	2 587	2 982
Fees, fines and penalties	31	53
Total revenues from fees and charges	2 618	3 035

* The owner of land on which native vegetation is growing or is situated, may apply for consent to clear the vegetation under section 28 of the Act. In consenting to the clearance of native vegetation under section 29 of the Act, the Council may attach a condition requiring the applicant to make a payment into the Fund of an amount considered by the Council to be sufficient to achieve a significant environmental benefit. The monies paid into the Fund must as far as practicable, be used to establish or regenerate native vegetation on land that is within the same region of the state as the cleared land and that has been selected by the Council for that purpose having regard to the Regional Biodiversity Plans approved by the Minister for that region.

Revenues from fees and charges are recognised when invoices are raised.

2.3. Interest revenues

	2021 \$'000	2020 \$'000
Interest from entities within the SA Government	4	49
Total interest revenues	4	49

2.4. Other income

	2021 \$'000	2020 \$'000
Refund of unspent grant funds	7	-
Total other income	7	-

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Fund include the Minister for Environment and Water and the members of the Native Vegetation Council.

Total compensation for the Funds' key management personnel was \$33 000 in 2020-21 (2020: \$40 000).

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 the Parliamentary Remuneration Act 1990. See administered items for disclosures of the Minister's remuneration paid and recovered from the Consolidated Account.

Transactions with key management personnel and other related parties

No transactions with key management personnel or related parties occurred during 2020-21.

3.2. Remuneration of council and committee members

Members during 2020-21 financial year were

Native Vegetation Council

E C Jenke (Presiding Member, expired February 2021)

V J Levitzke* (Presiding Member, appointed May 2021)

J H Neal

R S Hill

C Hollingsworth* (expired February 2021)

M C Roche (expired February 2021)

R B Sawers

M McCallum (appointed April 2021)

K Weymouth* (appointed April 2021)

N P P Sommerville (expired February 2021)

Native Vegetation Assessment Panel

V J Levitzke (Chairperson, appointed May 2021)

M McCallum (appointed April 2021)

S Reachill* (appointed April 2021)

A Schutz* (appointed April 2021)

N P P Sommerville (Chairperson, expired February 2021)

J H Neal (expired February 2021)

R S Hill (expired February 2021)

* In accordance with the Premier and Cabinet's Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

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

	2021	2020
\$0 - \$19 999	12	9
\$20 000 - \$39 999	-	1
Total number of members	12	10

The total remuneration received or receivable by members was \$33 000 (\$40 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax. The remuneration of members is paid by DEW.

For the purposes of the table above, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of out-of-pocket expenses incurred by relevant members.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4. Expenses

4.1. Supplies and services

	2021	2020
	\$'000	\$'000
Accommodation	9	9
Fee for service	8	27
Minor works	3	11
General administration	3	4
Legal costs	1	7
Other	2	3
Total supplies and services	26	61

4.2. Grants and subsidies

	2021	2020
	\$'000	\$'000
Recurrent grants (i)	1 669	1 973
Significant environmental Benefit (SEB) grants	570	1 139
Total grants & subsidies	2 239	3 112

(i) Recurrent Grants

Contribution to the Native Vegetation Council (NVC) Secretariat for Biodiversity Assessment Function	483	611
Contribution to Incentives Program NVC	441	502
Contribution to DEW for Coordinator, Assessment and Stakeholder Liaison	134	128
Contribution to DEW for Compliance Function NVC	122	144
Contribution to DEW for Coordinator, Governance and Administration	116	116
Contribution to DEW Investigations and Compliance Unit	92	90
Contribution to the NVC for Council Operating Costs	90	66
Contribution to the NVC Secretariat for NVC Administrative Support	83	98
Contribution to DEW for Manager Native Vegetation Management Unit (NVMU)	73	144
Contribution to DEW for Operating Costs NVMU	35	71
Contribution to DEW for Change Detection Program	-	3
Total recurrent grants	1 669	1 973

For grants payable, the grant will be recognised as a liability and expense when the entity has a present obligation to pay the grant and the expense recognition criteria are met.

Significant Environmental Benefit (SEB) Grants are provided to restore, re-vegetate and protect areas of native vegetation within South Australia.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4.3. Other expenses

	2021 \$'000	2020 \$'000
Audit fees paid/payable to the Auditor-General's Department	11	11
Impairment loss on receivables	6	-
Total other expenses	17	11

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 \$10 800 (2020: \$10 600). No other services were provided by the Auditor-General's Department.

5. Financial assets

5.1. Cash and cash equivalents

	2021 \$'000	2020 \$'000
5.1: Cash and cash equivalents		
Deposits with the Treasurer	10 820	8 808
Total cash and cash equivalents	10 820	8 808

Deposits with the Treasurer

Special deposit accounts are established under section 21 of the *Public Finance and Audit Act 1987*. Special deposit accounts must be used in accordance with their approved purpose.

Cash is measured at nominal value.

The Fund invests surplus funds with the Treasurer. Interest is earned on the average monthly balance at rates based on the DTF 90 day average overnight cash interest rate and interest is paid at the end of each quarter.

5.2. Receivables

	2021 \$'000	2020 \$'000
<u>Current</u>		
Receivables	503	1 128
Less impairment loss on receivables	(6)	-
	497	1 128
Accrued interest	-	1
Total receivables	497	1 129

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

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

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6. Liabilities

6.1. Payables

	2021 \$'000	2020 \$'000
Current		
Trade payables	-	194
Accrued expenses	11	11
Total payables	<u>11</u>	<u>205</u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

7. Outlook

7.1. Unrecognised commitments

Commitments include operating arrangements arising from contractual sources and are disclosed at their nominal value.

	2021 \$'000	2020 \$'000
Within one year	309	52
Later than one year but not longer than five years	337	182
Later than five years	218	-
Total expenditure commitments	<u>864</u>	<u>234</u>

The Fund's expenditure commitments are for the delivery of grant programs.

7.2. Contingent assets and liabilities

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

As at the reporting date, criminal proceedings have commenced against several landowners who have been alleged to have breached the Act. Civil proceedings had also commenced against landowners who have been convicted of breaching the Act.

The potential amount of fines and/or damages to be received should the proceedings be successful are not quantifiable and as such no estimate of the potential financial effect can be made. There is also the potential for costs to be awarded against the Council for any unsuccessful prosecutions.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7.3. Restrictions on contributions received

The Council is restricted on its use of monies in the Fund according to the provisions of the Act. Section 21(6) of the Act specifies that the Council must as far as practicable, use monies paid into the Fund to achieve a significant environmental benefit to offset the approved clearance of native vegetation. Expiation fees, penalties handed down by the Magistrates Court, financial benefits (as determined by the Environment, Resources and Development Court (ERD)) gained from illegal clearance and exemplary damages (as determined by the ERD Court), must be spent within the same region of the State as the land cleared.

	2021	2020
	\$'000	\$'000
Hills and Fleurieu	2 385	2 514
Northern & Yorke	2 128	1 259
Murraylands and Riverlands	1 783	1 480
SA Arid Lands	1 549	1 490
Eyre Peninsula	1 122	228
Alinytjara Wilurara	629	641
Limestone Coast	480	407
Kangaroo Island	402	284
Green Adelaide	110	
Total restrictions on contributions received	10 588	8 303

7.4. COVID-19 pandemic outlook for the entity

The COVID-19 pandemic will continue to impact the operations of the Fund in providing services to the Council in 2021-22. Delays in delivery of outputs may continue to arise from travel restrictions, and changes to working arrangements for staff.

7.5. Events after the reporting period

There are no known events after balance date that affect these financial statements in a material manner.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

8. Measurement and risk

8.1. Financial instruments

Financial risk management

Risk management is managed by DEW's corporate services section and DEW's risk management policies are in accordance with the *SA Government Risk Management Guide and the principles established in the Australian Standard Risk Management Principles and Guidelines*.

The Fund'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

The Fund is funded principally by revenues from significant environmental benefits raised under the Act. The Council and DEW works with DTF to determine the cash flows associated with its approved program of work.

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

Refer to note 6.1 for further information.

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 Fund uses a 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 Fund 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 Fund'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 Fund 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.

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 the Fund and a failure to make contractual payments for a period of greater than 90 days past due.

Native Vegetation Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

8.1. Financial instruments (continued)

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

The Fund measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2021 Carrying amount \$'000	2020 Carrying amount \$'000
<u>Financial assets</u>			
Cash and cash equivalents			
Cash and cash equivalents	5.1	10 820	8 808
Financial assets at amortised cost			
Receivables	5.2	497	1 129
Total financial assets		11 317	9 937
<u>Financial liabilities</u>			
Financial liabilities at cost			
Payables	6.1	-	194
Total financial liabilities		-	194