CTP Regulator

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

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Auditor-General's Department

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INDEPENDENT AUDITOR'S REPORT

To Acting Chief Executive
CTP Regulator

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the CTP Regulator for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the CTP Regulator as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting Chief Executive and Regulator and the Director, Performance.

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

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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.

Auditor's responsibilities for the audit of the financial report

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CTP Regulator'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
24 September 2019

CTP Regulator
Statement of Certification
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Compulsory Third Party Insurance Regulator:

- 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 Compulsory Third Party Insurance Regulator; and
- present a true and fair view of the financial position of the Compulsory Third Party Insurance Regulator as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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

Kerry Leaver
Acting Chief Executive & Regulator
23 September 2019

Ivan Lebedev
Director, Performance
23 September 2019

CTP Regulator
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Expenses			
Employee benefits expenses	2.2	3 896	-
Supplies and services	3.1	2 064	-
Depreciation and amortisation	3.2	320	-
Administration premium component distributions	3.3	53 790	57 106
Other expenses	3.4	2 428	579
Total expenses		**62 498**	**57 685**
Income			
Administration premium component collections	4.1	61 342	60 479
Interest	4.2	407	237
Other income	4.3	1 124	63
Total income		**62 873**	**60 779**
Net cost of providing services		**375**	**3 094**
Net result		**375**	**3 094**
Total comprehensive result		**375**	**3 094**

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

CTP Regulator
Statement of Financial Position
as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	6.1	12 832	11 384
Receivables	6.2	1 088	669
Total current assets		**13 920**	**12 053**
Non-current assets			
Property, plant and equipment	5.1	89	-
Intangible assets	5.2	556	-
Total non-current assets		**645**	**-**
Total assets		**14 565**	**12 053**
Current liabilities			
Payables	7.1	3 662	2 178
Employee benefits	2.3	311	-
Provisions	7.2	4	-
Total current liabilities		**3 977**	**2 178**
Non-current liabilities			
Payables	7.1	28	-
Employee benefits	2.3	305	-
Provisions	7.2	5	-
Total non-current liabilities		**338**	**-**
Total liabilities		**4 315**	**2 178**
Net assets		**10 250**	**9 875**
Equity			
Retained earnings		10 250	9 875
Total equity		**10 250**	**9 875**

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

CTP Regulator
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	$'000	$'000
Balance at 30 June 2017	6 781	6 781
Net result for 2017-18	3 094	3 094
Total comprehensive result for 2017-18	**3 094**	**3 094**
Balance at 30 June 2018	**9 875**	**9 875**
Net result for 2018-19	375	375
Total comprehensive result for 2018-19	**375**	**375**
Balance at 30 June 2019	**10 250**	**10 250**

CTP Regulator
Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(3 428)	-
Payments to suppliers and services		(2 903)	-
Payments for administration fees		(53 193)	(58 438)
Other payments		(1 483)	(697)
Cash used in operations		**(61 007)**	**(59 135)**
Cash inflows			
Receipts from administration fees		61 201	60 335
Interest received		227	237
Other receipts		1 027	665
Cash generated from operations		**62 455**	**61 237**
Net cash provided by / (used in) operating activities		**1 448**	**2 102**
Net increase / (decrease) in cash and cash equivalents		**1 448**	**2 102**
Cash and cash equivalents at the beginning of the reporting period		11 384	9 282
Cash and cash equivalents at the end of the reporting period	6.1	**12 832**	**11 384**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. About the Compulsory Third Party Insurance Regulator

The Compulsory Third Party Insurance Regulator (the Regulator) is an instrumentality of the Crown and a not-for-profit statutory authority of the South Australian government.

The financial statements and accompanying notes include all the controlled activities of the Regulator. Transactions and balances relating to administered resources are not recognised as Regulator income, expenses, assets or liabilities.

Administered items are disclosed in the schedule of administered items in Note 10.4. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Regulator items. The administered activities include the receipt and on-passing of stamp duty on CTP insurance premiums (Premiums). Stamp Duty is payable under a specific arrangement between the Regulator and the Commissioner of State Taxation pursuant to the *Taxation Administration Act 1996*. Under its Memorandum of Administrative Arrangement (MoAA) with the Commissioner of State Taxation, the Regulator collects and remits all Stamp Duty payable on Premiums.

1.1. Basis of preparation

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

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

For the 2018-19 financial statements the Regulator adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

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

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

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

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

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

1.2. Objectives

Objectives

The Regulator is an independent Statutory Authority established under the *Compulsory Third Party Insurance Regulation Act 2016*.

The Regulator has been responsible for leading the development of an efficient, competitive, and viable CTP insurance industry in South Australia, and the oversight, monitoring and reporting of CTP Insurer activities.

The Regulator's functions include overseeing a fair and affordable CTP Insurance Scheme (CTP Scheme) and continuing to improve CTP Scheme outcomes for injured persons, and having oversight of the Premium setting process.

Four private CTP Insurers (AAMI, Allianz, QBE, and SGIC) were approved to write the Insurer Premium component in South Australia from 1 July 2016. Each CTP Insurer was allocated an initial share of the CTP market during the transition period which ended on 30 June 2019. From 1 July 2019 under the competitive model, motorists will actively choose their CTP Insurer.

During 2018-19, the Regulator completed operational implementation to ensure the competitive model was market ready for CTP insurance policies effective 1 July 2019 onwards.

The total scheduled Premium is made up of:

- the Insurer Premium component;
- the Administration Premium component; and
- GST and Stamp Duty.

The full stamp duty payable on the Premium is disbursed by the Regulator to RevenueSA. This occurs under a specific arrangement with the *Commissioner of State Taxation under section 35* of the *Taxation Administration Act 1996* that is detailed in a MoAA between the Regulator and Commissioner of State Taxation.

All Premiums are collected by the Department of Planning, Transport and Infrastructure (DPTI), through the motor vehicle registration process using the Transport Regulation User Management Processing System (TRUMPS). TRUMPS has integrated front end processes within DPTI and Service SA to allow motorists to register their motor vehicles and pay their Premiums through various channels.

DPTI disburses the Insurer Premium component and the associated GST to the CTP Insurers and the Stamp Duty and Administration Premium component to the Regulator.

The Administrative Premium component of the Premium is managed by the Regulator and funds payments to various government agencies for:

- health and emergency services provided by SA Public Hospitals, SA Ambulance, and the Attorney-General's Department (State Rescue Helicopter and Forensic Science services) as a result of motor vehicle trauma;
- road safety services provided by the Motor Accident Commission designed to reduce the incidence or impact of road accidents and injuries;
- customer support and transaction services provided by the DPTI associated with the collection, recording and processing of Premiums; and
- CTP Scheme regulation and administration services provided by the Regulator, including the operations of the Motor Accident Injury Accreditation Scheme.

These arrangements, with the exception of the services provided by the Regulator, are detailed in MoAAs between the Regulator and the individual government agencies.

1.2. Objectives (continued)

The *Compulsory Third Party Insurance Regulation Act 2016* specifies the functions of the Regulator which are to:

- make, monitor and enforce the Regulator Rules to ensure CTP Insurers meet their legislative and contractual obligations (such as meeting claims management and dispute resolution standards);
- determine Premium amounts for CTP insurance policies;
- determine the minimum terms and conditions of CTP insurance policies;
- provide information to consumers about the CTP Scheme and CTP Insurers; and
- make recommendations to the Minister about:
    - eligibility criteria and assessment of applications for insurers to become a Government approved CTP Insurer (or withdrawal of an approval) under Part 4 of the *Motor Vehicles Act 1959*;
    - terms and conditions for any agreements or contracts entered into between the Minister and CTP Insurers.

Nominal Defendant

Nominal Defendant claims arise where the at-fault vehicle is either uninsured or unidentified, as described in Part 4 of the *Motor Vehicles Act 1959*.

From 1 July 2016, the Regulator took over the role of Nominal Defendant (from the Motor Accident Commission) and began allocating Nominal Defendant claims to CTP insurers, assuming full responsibility for these claims as of 1 January 2017.

The Motor Accident Injury Assessment Scheme (MAIAS)

The South Australian MAIAS was established by the Attorney-General under section 76 of the *Civil Liability Act 1936* to accredit health professionals to undertake Injury Scale Value (ISV) medical assessments.

The ISV is used to assist in determining an injured person's eligibility for compensation under the CTP Scheme.

During the year ended 30 June 2019, the Regulator performed the secretariat function for the Accreditation Panel and then was appointed by the Attorney-General as administrator for the MAIAS on 20 February 2019.

1.3. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In 2018-2019, these transactions are comprised of:

- the Regulator's Administered Payments to SA Government agencies; and
- payments to DPTI for TRUMPS enhancements totalling $1.149 million.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Regulator include the Minister, the Chief Executive and the three members of the Executive team who have responsibility for the strategic direction and management of the Statutory Authority.

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

	2019	2018
Compensation	$'000	$'000
Salaries and other short term employee benefits	713	843
Post-employment benefits	68	76
Total	**781**	**919**

Transactions with Key Management Personnel and other related parties

No significant transactions were identified between Key Management Personnel and other related parties.

2.2. Employee benefits expense

	2019	2018*
	$'000	$'000
Salaries and wages	2 536	-
Employment on-costs - superannuation	302	-
Employment on-costs - payroll tax	182	-
Long service leave	431	-
Annual leave	418	-
Skills and experience retention leave	5	-
Other employee related expenses	22	-
Total employee benefits expenses	**3 896**	**-**

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

Employment on-costs – superannuation

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

Executive remuneration

	2019 Number of employees	2018* Number of employees
The number of employees whose remuneration received or receivable falls within the following bands:		
$171 001 - $191 000	1	-
$191 001 - $211 000	1	-
$351 001 - $371 000	1	-
Total	**3**	**-**

*In 2017-18, the CTP Regulator's executive remuneration was reported in DTF's Financial Statements.

2.2 Employee benefits expense (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was $781 000 (2018: $919 000)

Targeted voluntary separation packages

No employees received a targeted voluntary separation package during the reporting period.

2.3. Employee benefits liability

	2019 $'000	2018* $'000
Current		
Accrued salaries and wages	49	-
Annual leave	190	-
Long service leave	63	-
Skills and experience retention leave	9	-
Total current employee benefits	**311**	**-**
Non-current		
Long service leave	305	-
Total non-current employee benefits	**305**	**-**
Total employee benefits	**616**	**-**

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

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

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

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

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

Long service leave

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

*In 2017-18, the CTP Regulator's employee benefits liability was reported in DTF's Financial Statements.

3. Expenses

Employee benefit expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019 $'000	2018* $'000
Contractors and other outsourced services	550	-
Consultants	609	-
Legal costs	54	-
Accommodation and telecommunication	281	-
Service level agreement fees	239	-
Information technology expenses	197	-
General administration and consumables	52	-
Training and development	35	-
Minor works maintenance and equipment	9	-
Other	38	-
Total supplies and services	**2 064**	**-**

Consultants

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

	2019 Number	2018* Number	2019 $'000	2018* $'000
$10 000 or above	3	-	609	-
Total paid or payable to consultants engaged	**3**	**-**	**609**	**-**

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

3.2. Depreciation and amortisation

	2019	2018*
	$'000	$'000
Intangible assets	278	-
IT equipment	42	-
Total amortisation expense	**320**	**-**

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as plant and equipment.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. No adjustments were made during the reporting period.

Useful life

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

Class of asset	**Useful life (years)**
Office equipment – IT	5
Intangible assets	5

3.3. Administration premium component distributions

	2019	2018
	$'000	$'000
Hospital and emergency services	27 941	27 305
Road safety services	14 349	13 931
Customer support and transaction services	11 500	11 500
Service level agreement - DTF*	-	4 370
Total administration fees	**53 790**	**57 106**

* In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

The Administration Premium component distributions are recognised on an accrual basis and cover the costs of a range of government services associated with CTP insurance policy.

3.4. Other expenses

	2019	2018
	$'000	$'000
CTP Scheme improvement projects**	2 298	425
Medical practitioner payments	121	134
Refunds for novated policy cancellations*	9	17
Compensable patient refunds	-	3
Total other expenses	**2 428**	**579**

*** Refunds for Novated Policy Cancellations.**

These payments only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less, that were subsequently cancelled by motorists.

**** CTP Scheme Improvement Projects (one-off)**

The total expense for 2019 relates to CTP Scheme improvement projects (excluding employee expenses of $358 000 which are shown elsewhere in the Financial Statements) and includes costs associated with the TRUMPS Premium collection system technical upgrades, market research, communications and customer support activities in Services SA centres.

4. Income

4.1. Administration premium component collections

	2019	2018
	$'000	$'000
Hospital and emergency fees	28 524	28 067
Road safety fees	14 520	14 232
Customer support and transaction fees	11 646	11 713
CTP Scheme regulation and administration fees	6 652	6 467
Total administration fees collected	**61 342**	**60 479**

Premiums are collected from motorists by DPTI. The Stamp Duty and Administration Premium component of the Premiums are collected by DPTI are paid to the Regulator. These are recognised as earned on the date of receipt in the TRUMPS. The Stamp Duty component is shown under note 10.4 Administered Items.

4.2. Interest

	2019	2018
	$'000	$'000
Deposit account interest receipts	407	237
Total Interest revenue	**407**	**237**

4.3. Other income

	2019	2018
	$'000	$'000
Recoveries for novated policy cancellations*	9	25
Compensable patient recoveries	-	3
Recoveries from DTF**	117	-
Asset received free of charge	965	-
Other	33	35
Total other revenues	**1 124**	**63**

*These recoveries only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less.

** These recoveries relate to actuarial services associated with the Social Development Committee's Review of the Operation of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* of $97 000 and regional media communications associated with the CTP Scheme improvement projects of $20 000.

5. Non-Financial assets

5.1. Property plant and equipment

	2019 $'000	2018 $'000
<u>Plant and equipment</u>		
IT equipment	209	-
Accumulated depreciation	(120)	-
Total IT equipment	**89**	**-**
Total property, plant and equipment	**89**	**-**

The book value of Regulator's IT assets at 30 June 2018 were transferred from DTF to the Regulator effective 1 July 2018.

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.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-19

	IT equipment $'000	Total $'000
Carrying amount at 1 July 2018	-	-
Additions	131	131
Depreciation	(42)	(42)
Carrying amount at 30 June 2019	**89**	**89**

5.2. Intangible assets

	2019 $'000	2018 $'000
<u>Computer software</u>		
Externally purchased software	1 390	-
Accumulated amortisation	(834)	-
Total computer software	**556**	**-**
Total	**556**	**-**

The book value of Regulator's IT assets at 30 June 2018 were transferred from DTF to the Regulator effective 1 July 2018.

5.2. Intangible assets (continued)

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

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

Reconciliation 2018-19

	Externally purchased software $'000	Total $'000
Carrying amount at 1 July 2018	-	-
Additions	834	834
Amortisation	(278)	(278)
Carrying amount at 30 June 2019	**556**	**556**

6. Financial assets

6.1. Cash and cash equivalents

	2019 $'000	2018 $'000
Deposits with the Treasurer	12 832	11 384
Total cash and cash equivalents	**12 832**	**11 384**

Deposits with the Treasurer

The Regulator has a deposit account with the Treasurer. The Regulator's physical cash balance is held within the DTF's Operating Bank Account.

6.2. Receivables

	2019 $'000	2018 $'000
Current		
Trade receivables	2	-
Other receivables	96	-
Prepayments	1	-
Accrued revenue	792	652
Accrued interest revenue	197	17
Total current receivables	**1 088**	**669**
Total current receivables	**1 088**	**669**

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 are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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 11.2 for further information on risk management.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.3.

7.1. Payables

	2019 $'000	2018 $'000
Current		
Creditors and accrued expenses	3 618	2 178
Employment on-costs	44	-
Total current payables	**3 662**	**2 178**
Non-current		
Employment on-costs	28	-
Total non-current payables	**28**	**-**
Total payables	**3 690**	**2 178**

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.

7.1. Payables (continued)

Employment on-costs

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

The Regulator 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 superannuation schemes.

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave remained at 41% for both 2018 and 2019 and the average factor for the calculation of employer superannuation cost on-costs has also changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

7.2. Provisions

	2019 $'000	2018 $'000
Current		
Provision for workers compensation	4	-
Total current provisions	**4**	**-**
Non-current		
Provision for workers compensation	5	-
Total non-current provisions	**5**	**-**
Total provisions	**9**	**-**

A provision has been reported in 2018-19 to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment for a similar SA Government entity. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Regulator is responsible for the payment of workers compensation claims.

8. Other disclosures

8.1. Cash flow

Cash flow reconciliation

	2019 $'000	2018 $'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	12 832	11 384
Balance as per the Statement of Cash Flows	12 832	11 384
Reconciliation of net cash provided by / (used in) operating activities to net result		
Net cash provided by/(used in) operating activities	1 448	2 102
Add / (less) non-cash Items		
Depreciation and amortisation expense	(320)	-
Assets transferred in	965	-
Movement in assets and liabilities		
Increase/(decrease) in receivables	419	(458)
(Increase)/decrease in payables	(1 512)	1 450
(Increase)/decrease in employee benefits	(616)	-
(Increase)/decrease in provisions	(9)	-
Net cost of providing services	**375**	**3 094**

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government;
- removal of the additional requirement to report a statement of equity for administered items; and
- increasing the bands from $10,000 to $20,000 for employee and board member reporting.

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

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

9.2. AASB 9 Financial Instrument

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Regulator adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows.

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.
- *AASB 7 Financial Instruments*: Disclosures requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements), AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities and there is no impact on the Regulator's retained earnings as at 1 July 2018.

9.2. AASB 9 Financial Instrument (continued)

Impairment of financial assets

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

- trade receivables from provision of services.

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

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Regulator has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This did not resulted in an increase or decrease of the loss allowance on 1 July 2018 for trade receivables external to Government.

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

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

10. Outlook

10.1. Unrecognised contractual commitments

Commitments include expenditure commitments arising from contractual sources and are disclosed at their nominal value.

As at 30 June 2019, the Regulator has contractual commitments for the provision of CTP Scheme actuarial services and internal audit functions as reported.

	2019	2018
	$'000	$'000
No later than one year	412	-
Later than one year but not later than five years	81	-
Total commitments	**493**	-

10.2. Contingent assets and liabilities

Ministerial Direction

In accordance with the Ministerial Direction on Unearned Premium Payments by the Minister of Finance, dated 27 July 2016, the Motor Accident Commission (MAC) was requested to make payment of the administrative component of the Unearned Premium to the DTF Operating Account. The payment was to be made at dates and amounts directed by the Chief Executive of DTF to a total of $21.623 million.

The Chief Executive of DTF requested MAC make a payment of $6.534 million on 4 August 2016. The balance remaining at 30 June 2019 is $15.089 million. The payment of the remaining balance is subject to the direction of the Chief Executive of DTF.

10.3. Impact of standards and statements not yet implemented

The Regulator has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective. The adoption of the new and changed AASB standards has had no impact on the Regulator's financial statements.

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

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

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

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

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

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is expected to have no impact on the timing of recognition of revenue by the Regulator.

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Regulator must adopt for the transition to *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*. These requirements include that the Regulator will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated;
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient; and
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that the Regulator will:

- apply, where permitted, the short-term licences recognition exemption;
- adopt $15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences; and
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

AASB 16 is expected to have no impact on the Statement of Financial Position as the Regulator has no lease agreements as at 30 June 2019.

10.4. Administered items

	2019 $'000	2018 $'000
Administered expenses		
Stamp Duty expenses	54 242	52 595
Total administered expenses	**54 242**	**52 595**
Administered income		
Stamp Duty collected	54 242	52 595
Total administered income	**54 242**	**52 595**
Net result	-	-

	2019 $'000	2018 $'000
Administered assets		
Receivables	596	568
Cash and cash equivalents	4 099	4 251
Total administered assets	**4 695**	**4 819**
Administered liabilities		
Payables	4 695	4 819
Total administered liabilities	**4 695**	**4 819**
Net administered assets	-	-

	2019 $'000	2018 $'000
Cash flows from operating activities		
Cash inflows		
Taxation receipts	54 214	52 510
Cash generated from operating activities	**54 214**	**52 510**
Cash outflows		
Taxation payments	(54 366)	(53 017)
Cash used in operations	**(54 366)**	**(53 017)**
Net cash provided by / (used in) operating activities	(152)	(507)
Net increase / (decrease) in cash and cash equivalents	**(152)**	**(507)**
Cash and cash equivalents at the beginning of the reporting period	4 251	4 758
Cash and cash equivalents at the end of the reporting period	**4 099**	**4 251**

10.5. Events after the reporting period

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

11. Measurement and risk

11.1. Long service leave liability – measurement

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

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave liability and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departure and periods of service.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.5%) to 2019 (1.25%).

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of $41 000 and employee benefits expense of $41 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at a left a 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

11.2. Financial risk management/ financial instruments

Financial risk management

The Regulator's 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*.

The Regulator'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 Regulator is funded from the Administrative Fee component of the CTP Premiums. The Regulator works with the 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 notes 7.1 and 7.2 for further information.

Credit risk

The Regulator 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 the Regulator.

11.2. Financial risk management/ financial instruments (continued)

Impairment of financial assets

The Regulator has not written off any receivables.

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Regulator 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 Regulator 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 Regulator'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 Regulator 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.

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

The Regulator 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 the Regulator'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.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. 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.

11.2. Financial risk management/ financial instruments (continued)

Market risk

The Regulator does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Regulator 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 *TI 23 Management of Foreign Currency Exposures.*

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.

The following table discloses categorisation and the maturity analysis of financial assets and financial liabilities.

			2019 Contractual maturities			
Category of financial asset and financial liability	**Note**	**Carrying amount / fair value $'000**	**Current $'000**	**Within 1 year $'000**	**1 - 5 years $'000**	**More than 5 years $'000**
Financial assets						
Cash and cash equivalents	6.1	12 832	12 832	12 832	-	-
Receivables [1][2]	6.2	2	2	2	-	-
Total financial assets		**12 834**	**12 834**	**12 834**	-	-
Financial liabilities						
Payables [1]	7.1	19	19	19	-	-
Total financial liabilities		**19**	**19**	**19**	-	-

			2018 Contractual maturities			
Category of financial asset and financial liability	**Note**	**Carrying amount / fair value $'000**	**Current $'000**	**Within 1 year $'000**	**1 - 5 years $'000**	**More than 5 years $'000**
Financial assets						
Cash and cash equivalents	6.1	11 384	11 384	11 384	-	-
Total financial assets		**11 384**	**11 384**	**11 384**	-	-

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Excludes prepayments which do not meet the definition of a financial asset as per AASB 132 *Financial Instruments: Presentation.*