INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chief Officer
South Australian Metropolitan Fire Service

Opinion

I have audited the financial report of the South Australian Metropolitan Fire Service for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Metropolitan Fire Service as at 30 June 2022, 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Officer and the Business Manager.

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 South Australian Metropolitan Fire Service. 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 Officer for the financial report

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

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

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* and section 52(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Metropolitan Fire Service for the financial year ended 30 June 2022.

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 South Australian Metropolitan Fire Service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Officer

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

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

I communicate with the Chief Officer 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.

Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

19 September 2022

South Australian Metropolitan Fire Service

Financial Statements

For the year ended 30 June 2022

South Australian Metropolitan Fire Service
Certification of the Financial Statements
for the year ended 30 June 2022

We certify that the:

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

Michael Morgan AFSM
Chief Officer
South Australian Metropolitan Fire Service
14 September 2022

Mahen Fernando
Business Manager
South Australian Metropolitan Fire Service
14 September 2022

South Australian Metropolitan Fire Service
Statement of Comprehensive Income
for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Income			
Contributions from the Community Emergency Services Fund	2.1	162 979	164 213
Fees and charges	2.2	5 417	4 251
Grants and contributions	2.3	1 259	1 216
SA Government grants, subsidies and transfers	2.4	30 280	4 110
Interest revenues		-	3
Other income	2.5	1 778	954
Total income		**201 713**	**174 747**
Expenses			
Employee benefits	3.3	151 202	144 633
Supplies and services	4.1	19 338	20 861
Grants and subsidies		35	40
Borrowing costs		23	25
Depreciation and amortisation	5.1, 5.4	8 521	8 290
Net loss from disposal of non-current assets	4.2	853	603
Other expenses		27	70
Total expenses		**179 999**	**174 522**
Net result		**21 714**	**225**
Total comprehensive result		**21 714**	**225**

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

South Australian Metropolitan Fire Service
Statement of Financial Position
as at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	6.1	6 836	343
Receivables	6.2	3 246	1 969
Total current assets		**10 082**	**2 312**
Non-current assets			
Property, plant and equipment	5.1	180 542	181 414
Intangible assets	5.4	86	52
Capital works in progress	5.5	15 314	8 691
Total non-current assets		**195 942**	**190 157**
Total assets		**206 024**	**192 469**
Current liabilities			
Payables	7.1	7 849	9 094
Employee benefits	3.4	17 016	21 396
Provisions	7.3	6 471	5 877
Financial liabilities	7.2	292	309
Total current liabilities		**31 628**	**36 676**
Non-current liabilities			
Payables	7.1	3 670	4 566
Employee benefits	3.4	21 056	25 824
Provisions	7.3	47 161	44 569
Financial liabilities	7.2	971	1 010
Total non-current liabilities		**72 858**	**75 969**
Total liabilities		**104 486**	**112 645**
Net assets		**101 538**	**79 824**
Equity			
Asset revaluation surplus	8.1	147 003	147 567
Retained earnings	8.1	(45 465)	(67 743)
Total equity		**101 538**	**79 824**

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

South Australian Metropolitan Fire Service
Statement of Changes in Equity
for the year ended 30 June 2022

		Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020		**148 120**	**(68 521)**	**79 599**
Net result for 2020-21		**-**	**225**	**225**
Total comprehensive result for 2020-21		**-**	**225**	**225**
Transfer between equity components		(553)	553	-
Balance at 30 June 2021		**147 567**	**(67 743)**	**79 824**
Net result for 2021-22		**-**	**21 714**	**21 714**
Total comprehensive result for 2021-22		**-**	**21 714**	**21 714**
Transfer between equity components		(564)	564	-
Balance at 30 June 2022	8.1	**147 003**	**(45 465)**	**101 538**

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

South Australian Metropolitan Fire Service
Statement of Cash Flows
for the year ended 30 June 2022

		2022	2021
Cash flows from operating activities	**Note**	**$'000**	**$'000**
Cash inflows			
Contributions from the Community Emergency Services Fund		162 979	164 213
SA Government grants, subsidies and transfers		30 180	4 498
Fees and charges		5 417	4 251
Receipts from grants and contributions		1 283	1 326
Interest received		-	3
GST recovered from the Australian Taxation Office		2 974	2 306
Receipts for paid Parental Leave Scheme		33	39
Other receipts		1 921	1 342
Cash generated from operations		**204 787**	**177 978**
Cash outflows			
Employee benefits payments		(159 517)	(148 644)
Supplies and services payments		(24 451)	(23 773)
Interest paid		(23)	(25)
Payments for paid Parental Leave Scheme		(31)	(40)
Grants and subsidies payments		(35)	(40)
Cash used in operations		**(184 057)**	**(172 522)**
Net cash provided by operating activities	8.2	**20 730**	**5 456**
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(13 909)	(10 686)
Cash used in investing activities		**(13 909)**	**(10 686)**
Net cash used in investing activities		**(13 909)**	**(10 686)**
Cash flows from financing activities			
Cash outflows			
Repayment of principal portion of lease liabilities		(328)	(322)
Cash used in financing activities		**(328)**	**(322)**
Net cash used in financing activities		**(328)**	**(322)**
Net Increase / (decrease) in cash and cash equivalents		**6 493**	**(5 552)**
Cash and cash equivalents at the beginning of the reporting period		343	5 895
Cash and cash equivalents at the end of the reporting period	6.1	**6 836**	**343**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. About the South Australian Metropolitan Fire Service

Under the *Fire and Emergency Services Act 2005* (the Act), the South Australian Metropolitan Fire Service (MFS) is a not-for-profit body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the MFS.

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.

The financial statements have been prepared based on a 12-month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000). The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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.

Significant accounting policies are set out throughout the notes.

The MFS is liable for Payroll Tax, Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

1.2. Objectives and programs

Objectives

The MFS is established under the *Fire and Emergency Services Act 2005 (the Act)* and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fires and other emergencies occurring in any fire district
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to the MFS by or under this or any other Act.

Funding of the MFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

Programs

In achieving its objectives, the MFS provides services within three general areas: frontline services, frontline services support and governance and public value. These services are classified under one program titled 'South Australian Metropolitan Fire Service'.

1.3. Impact of COVID-19 pandemic

The COVID-19 pandemic has impacted on the operations of the MFS and the impacts are included under the relevant disclosure notes. The key impacts in 2021-22 were:

- Additional expenditure of $4 100 000 to keep personnel safe while maintaining service delivery to the community.
- Reduction of capital expenditure and delays in the delivery of capital programs due to supplier business restrictions and demand.

The Emergency Services Sector has considered the possible impact of the COVID-19 pandemic on property, plant and equipment valuations and has concluded that there is no observable evidence of what that impact would be at this stage.

1.4. Budget performance

The budget performance table compares the MFS outcomes against budget information presented to Parliament (2021-22 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.

	Note	Original budget 2022 $'000	Actual 2022 $'000	Variance $'000
Statement of Comprehensive Income				
Income				
Contributions from the Community Emergency Services Fund		162 879	162 979	100
Fees and charges		5 036	5 417	381
Grants and contributions		1 259	1 259	-
SA government grants, subsidies and transfers	a	-	30 280	30 280
Other income	b	185	1 778	1 593
Total Income		**169 359**	**201 713**	**32 354**
Expenses				
Employee benefits	c	137 939	151 202	13 263
Supplies and services	d	15 202	19 338	4 136
Grants and subsidies			35	35
Borrowing costs		26	23	(3)
Depreciation and amortisation		8 166	8 521	355
Net loss from disposal of non-current assets		-	853	853
Other expenses		1 969	27	(1 942)
Total expenses		**163 302**	**179 999**	**16 697**
Net result		**6 057**	**21 714**	**15 657**
Total comprehensive result		**6 057**	**21 714**	**15 657**

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

a The variance is predominantly due to cash injections from DTF to address MFS cost pressures and cash shortfalls in 2021-22 financial year. Also, additional funding received for out of scale incidents and Covid related expenses.

b The variance in other Income mainly relates to increased recoveries, workers compensation recoups and interstate deployments.

c The variance in employee benefit expenses is primarily due to the salary impacts of industrial action, increased regional incidents and cost associated with Covid 19.

d The variance in supplies and services expenses is due to increased vehicle and building repairs, maintenance costs and ICT expenses.

1.4. Budget performance (continued)

	Note	Original budget 2022 $'000	Actual 2022 $'000	Variance $'000
Investing expenditure summary				
Total existing projects	e	8 123	12 486	(4 363)
Total Annual Programs	f	1 081	2 440	(1 359)
Total Leases		202	221	(19)
Total investing expenditure		**9 406**	**15 147**	**(5 741)**

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

e Existing projects are higher than the original budget due to capital carryover requests that relate to General Purpose Pumpers.

f Annual programs are higher than the original budget due to capital carryover requests that relate to the Government Radio Network upgrade.

1.5. Significant transactions with government entities

Significant transactions with government related entities

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

- Contributions received from the Community Emergency Services Fund (refer note 2.1)
- Once off cash provided by DTF for covid costs, out of scale events and other cost pressures $30.2 million (refer note 2.4)
- Payments of $2.507 million to Attorney-General's Department for the Government Radio network (refer note 4.1).

2. Income

2.1. Contributions from the Community Emergency Service Fund

Contributions from the Fund are recognised as revenues when the MFS obtains control over the funding. Control over contributions is normally obtained upon receipt. Total contributions for the year were $162.979 million (2021: $164.213 million).

2.2. Fees and charges

	2022	2021
	$'000	$'000
Fire alarm attendance fees	2 470	1 371
Fire alarm monitoring fees	2 624	2 529
Fire safety fees	282	272
Incident cost recoveries	41	79
Total fees and charges	**5 417**	**4 251**

All revenue from fees and charges is recognised from contracts with customers except for recoveries.

Fees and charges revenue are recognised at a point in time when the MFS satisfies performance obligations by transferring the promised goods or services to its customers.

The MFS recognises revenue from contracts with customers from the following major sources:

Fire alarm attendance and fire safety fees

The MFS provides a range of fire alarm attendance and fire safety services to customers and charge prescribed fees for these services as regulated under the *Fire and Emergency Services Act 2005.* The MFS recognises revenue for these services in arrears once the relevant deliverables have been provided to the customer in line with the MFS' legislated responsibilities and internal policies.

The MFS is a referral agency under the *Planning, Development and Infrastructure Regulations 2017* and receives revenue from customers for undertaking development assessments in designated bushfire prone areas under the Planning and Design Code.

Payments for development assessments are received in advance upon referral of the development application to the MFS from the AGD or direct from the customer. The MFS is required to undertake an assessment of the development and provide statutory advice to the relevant parties. Revenue is recognised in arrears once statutory advice has been provided.

Fire alarm monitoring fees

The MFS undertake fire alarm monitoring services for customers and charge prescribed fees for these services as regulated under the *Fire and Emergency Services Act 2005.* Customers are charged an annual fee for this service and generally pay upfront in the first quarter of the financial year. The MFS recognises revenue for monitoring services over the time services are provided, with all services delivered by 30 June.

Incident recoveries

The MFS provide support to interstate jurisdictions that request it when an emergency incident occurs. The terms of deployment are managed under the Arrangement for Interstate Assistance Framework by the National Resource Sharing Centre under the Australian and New Zealand National Council for Fire and Emergency Services (AFAC).

The inputs of the request are outlined in an operating plan and may include personnel, firefighting equipment and supplies, and consumables. Payment is made by the jurisdiction who received the assistance in arrears once performance obligations have been met and total costs of assistance have been assessed. Revenue is recognised in arrears once the emergency event has concluded and all assistance outlined in the operating plan has been ceased.

2.3. Grants and contributions

Commonwealth sourced grants $1.259 million (2021: $1.216 million) are recognised as an asset and income when the MFS obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met, this is generally on receipt.

Commonwealth grant funding for the MFS relates to the cost of providing fire and emergency services to Commonwealth properties under the Memorandum of Understanding for the Provision of Fire Services. All grants received from the Commonwealth are grants with unconditional stipulations.

2.4. SA Government grants, subsidies and transfers

	2022 $'000	2021 $'000
Capital Program	-	4 000
Intra government transfer	30 280	110
Total SA Government grants, subsidies and transfers	**30 280**	**4 110**

SA Government grants, subsidies and transfers are recognised as income on receipt.

Cash injections from DTF to address MFS cost pressures and cash shortfalls.

Capital Program funding from the Department of Treasury and Finance (DTF) is for accelerated station upgrades and appliance replacements.

2.5. Other income

	2022 $'000	2021 $'000
Insurance recoveries	124	40
Donated assets	27	-
Salary recoveries	158	50
Sundry revenues	560	480
Rent of premises	687	365
Workers' compensation recoveries	206	12
Other	16	7
Total other income	**1 778**	**954**

Other income is recognised upon receipt, except for the Rent of premises.

The MFS receives revenue from long term lease agreements with tenants for land controlled by the Minister for Police, Emergency Services and Correctional Services (the Minister). Payment is made by the tenant on a monthly basis in advance. The MFS recognise this revenue on a time proportionate basis over the lease period.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the MFS include the Minister, the Chief Officer and the Deputy Chief Officer of the MFS who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes the salary and other benefits of 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 DTF) under section 6 the *Parliamentary Remuneration Act 1990.*

	2022	2021
Compensation	**$'000**	**$'000**
Salaries and other short term employee benefits	498	510
Post-employment benefits	79	71
Total compensation	**577**	**581**

Transactions with key management personnel and other related parties

The MFS did not enter into any transactions with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

3.2. Remuneration of board and committee members

Members of boards and committees during 2022 were:

South Australian Metropolitan Fire Service Disciplinary Committee

L D P Holland
R Thompson* (term expired 19/08/2021)
S J Smithson* (reappointed 20/08/2021)
C J Lindsay (appointed 20/08/2021)
A J Caire (appointed 18/08/2021)

* In accordance with the Premier and Cabinet's Circular Number 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/receivable falls within the following bands:

	2022	2021
$0 - $19 999	4	4
Total number of members	**4**	**4**

The total remuneration received or receivable by members was $6 000 (2021: $6 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any related fringe benefits tax paid.

3.3. Employee benefits expenses

	2022	2021
	$'000	$'000
Salaries and wages	105 819	103 314
Workers compensation	7 977	232
Employment on-costs - superannuation	14 996	15 900
Annual leave	11 993	13 246
Long service leave	(1 354)	1 771
Payroll tax	6 557	6 696
Skills and experience retention leave	1 037	1 021
Targeted voluntary separation payments	858	-
Additional compensation	2 835	2 178
Board fees	5	5
Other employment related expenses	479	270
Total employee benefits expenses	**151 202**	**144 633**

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the MFS's contributions to superannuation plans in respect of current services of current employees. There are no liabilities for payments to beneficiaries recognised by the MFS as DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Employee Remuneration

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

	Employees 2022	2021
	Number	Number
$154 001 - $157 000*	N/A	25
$157 001 - $177 000	117	124
$177 001 - $197 000	57	39
$197 001 - $217 000	18	14
$217 001 - $237 000	13	6
$237 001 - $257 000	2	5
$257 001 - $277 000	-	1
$277 001 - $297 000	1	-
$297 001 - $317 000	1	1
$317 001 - $337 000	1	-
Total	**210**	**215**

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2020-21.

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 any related fringe benefits tax paid. The total remuneration received by these employees for the year was $37.923 million (2021: $37.440 million).

3.3. Employee benefits expenses (continued)

Targeted voluntary separation packages (TVSP)

The number of employees who received a TVSP during the reporting period was 19 (2021: nil).

	2022 $'000	2021 $'000
Amount paid to separated employees:		
Public Sector Workforce Rejuvenation Scheme payments	858	-
Leave paid to those employees	526	-
Net cost of TVSPs	**1 384**	**-**

TVSPs include payments made under the Public Sector Workforce Rejuvenation Scheme.

3.4. Employee benefits liability

	2022	2021
	$'000	$'000
Current		
Annual leave	12 124	12 901
Accrued salaries and wages	-	3 817
Long service leave	2 943	2 716
Skills and experience retention leave	1 949	1 962
Total current employee benefits	**17 016**	**21 396**
Non-current		
Long service leave	21 056	25 824
Total non-current employee benefits	**21 056**	**25 824**
Total employee benefits	**38 072**	**47 220**

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 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.

Long service leave

The liability for long service leave is measures 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 project unit credit methods.

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

The actuarial assessment performed by the 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 the police and emergency services sector.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased to 3.75% in 2021-22 (2020-21: 1.50%).

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in both the long service leave liability and employee benefits expense of $4.485 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 actuarial assessment performed by DTF left the salary inflation rate at 2.50% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on the average proportion of long service leave taken or paid over the last 3 years.

4. Expenses

4.1. Supplies and services

	2022 $'000	2021 $'000
Property costs	2 962	3 876
Vehicles	3 298	2 672
Government radio network	2 507	2 532
Consultancy, contractors and legal fees	2 766	2 754
Computing costs	1 494	1 349
Operational costs	1 708	3 419
Uniforms and protective clothing	907	1 386
Travel and training	469	489
Communications	941	584
Insurance premiums	455	329
Low-value leases	265	187
Accommodation	129	-
Other expenses	1 437	1 284
Total supplies and services	**19 338**	**20 861**

Accommodation

A part of the MFS's accommodation is provided by the Department of Infrastructure and Transport (DIT) under Memoranda of Administrative Arrangements (MoAA) issued in accordance with Government wide accommodation policies. These arrangements do not meet the definition of a lease and accordingly are expensed (disclosed within 'Accommodation' above).

Other

Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* of $31 000 (2021: $30 000). No other services were provided by the Auditor-General's Department.

Leases

The MFS recognises lease payments associated with low value leases (less than $10 000) as an expense on a straight-line basis over the lease term. Lease commitments for short-term leases is similar to short term lease expenses disclosed.

Consultants

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

	No.	2022 $'000	No.	2021 $'000
Below $10 000	5	18	5	19
$10 000 or above	4	224	2	195
Total paid / payable to the consultants engaged	**9**	**242**	**7**	**214**

4.2. Net loss from disposal of non-current assets

	2022 $'000	2021 $'000
Vehicles		
Less carrying amount of assets disposed	846	552
Net loss from disposal of vehicles	(846)	(552)
Plant and equipment		
Less carrying amount of assets disposed	7	6
Net loss from disposal of plant and equipment	(7)	(6)
Intangibles		
Less carrying amount of assets disposed	-	46
Net loss from disposal of computer software	-	(46)
Total assets:		
Less carrying amount of assets disposed	853	604
Net loss from disposal of owned assets	(853)	(604)
Gain/(loss) on modification of right-of-use assets	-	1
Total net loss from disposal of non-current assets	(853)	(603)

Gains/losses on disposal are recognised at the date which 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.

Gains/losses on modification of right-of-use (ROU) assets include the derecognition of the ROU assets (note 5.1) and associated lease liabilities (note 7.2) where the lease terms and conditions were modified during the current year.

5. Non-financial assets

5.1. Property, plant and equipment

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

Reconciliation of property, plant and equipment during 2021-22

	Land	Buildings	Vehicles	Plant & equipment	ROU Buildings	ROU Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the beginning of the period	**61 801**	**70 032**	**42 952**	**5 327**	**908**	**394**	**181 414**
Acquisitions	-	-	-	-	-	221	**221**
Donated assets received	-	-	27	-	-	-	**27**
Transfers from capital WIP (1)	-	2 146	3 847	2 193	-	-	**8 186**
Disposals	-	-	(846)	(7)	-	-	**(853)**
Remeasurement	-	-	-	-	51	-	**51**
Donated assets provided	-	-	(27)	-	-	-	**(27)**
Subtotal:	**61 801**	**72 178**	**45 953**	**7 513**	**959**	**615**	**189 019**
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(3 269)	(3 992)	(879)	(99)	(238)	(8 477)
Subtotal:	-	**(3 269)**	**(3 992)**	**(879)**	**(99)**	**(238)**	**(8 477)**
Carrying amount at the end of the period	**61 801**	**68 909**	**41 961**	**6 634**	**860**	**377**	**180 542**
Gross carrying amount							
Gross carrying amount	61 801	77 504	52 166	8 718	1 135	750	**202 074**
Accumulated depreciation	-	(8 595)	(10 205)	(2 084)	(275)	(373)	**(21 532)**
Carrying amount at the end of the period	**61 801**	**68 909**	**41 961**	**6 634**	**860**	**377**	**180 542**

*All property, plant and equipment are classified in the level 3 fair value hierarchy. Refer to note 7.2 for details about the lease liability for right-of-use assets.

(1) Refer to note 5.5.

5.1 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment during 2020-21

	Land	Buildings	Vehicles	Plant & equipment	ROU Buildings	ROU Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the beginning of the period	**61 801**	**65 986**	**43 866**	**5 487**	**972**	**295**	**178 407**
Acquisitions	-	-	-	-	-	343	**343**
Transfers from capital WIP [1]	-	7 308	3 540	618	-	-	**11 466**
Disposals	-	-	(552)	(6)	-	(6)	**(564)**
Remeasurement	-	-	-	-	23	-	**23**
Subtotal:	**61 801**	**73 294**	**46 854**	**6 099**	**995**	**632**	**189 675**
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(3 262)	(3 902)	(772)	(87)	(238)	**(8 261)**
Subtotal:	-	**(3 262)**	**(3 902)**	**(772)**	**(87)**	**(238)**	**(8 261)**
Carrying amount at the end of the period	**61 801**	**70 032**	**42 952**	**5 327**	**908**	**394**	**181 414**
Gross carrying amount							
Gross carrying amount	61 801	75 358	49 402	6 537	1 084	652	194 834
Accumulated depreciation	-	(5 326)	(6 450)	(1 210)	(176)	(258)	(13 420)
Carrying amount at the end of the period	**61 801**	**70 032**	**42 952**	**5 327**	**908**	**394**	**181 414**

*All property, plant and equipment are classified in the level 3 fair value hierarchy. Refer to note 7.2 for details about the lease liability for right-of-use assets.

[1] Refer to note 5.5.

5.1 Property, plant and equipment (continued)

Depreciation expense

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.

Useful life

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

Class of asset	Useful life (years)
Buildings	1-60
Vehicles	1-20
Plant and equipment	1-20
ROU Buildings	12
ROU Vehicles	3-5

Review of Accounting Estimates

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected useful 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, which is a change in accounting estimate.

The MFS revalued its vehicles and buildings as at 1 November 2019.

5.2. Property, plant and equipment owned by MFS

Property, plant and equipment owned by the MFS with a value equal to or in excess of $10,000 is capitalised. However, the MFS can control large quantities of similar assets that individually fall under the capitalisation threshold but, when grouped together, comprise a large proportion of a particular asset class. In these circumstances, MFS groups these asset types for the purpose of capitalisation in the financial statements. In 2021-22 the MFS capitalised $2.027 million in portable radios.

Property, plant and equipment owned by MFS is recorded at fair value. Detail about the MFS' approach to fair value is set out in note 10.1.

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.

Revaluation of property, plant and equipment is undertaken on a regular cycle as detailed in Note 10.1, 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.

5.3. Property, plant and equipment leased by the MFS

Right-of-use property, plant and equipment leased by the MFS as lessee are measured at cost and there was no indication of impairment.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than $10,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

The MFS has a limited number of lease arrangements:

- 45 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.
- the MFS has one commercial lease for a building used for the purpose of operating a regional fire station at Mount Barker.

The lease liabilities related to the ROU assets, the related maturity analysis and the interest expense are disclosed in note 7.2. Cash outflows related to leases are disclosed in note 8.2. The MFS has not committed to any lease arrangements that have not commenced from 1 July.

5.4. Intangible assets

Reconciliation	2022	2021
	$'000	$'000
Carrying amount at the beginning of the period	**52**	127
Transfers from capital WIP [(1)]	78	-
Disposals	-	(46)
Subtotal:	**130**	**81**
Gains/(losses) for the period recognised in net result:		
Amortisation	(44)	(29)
Subtotal:	**(44)**	**(29)**
Carrying amount at the end of the period	**86**	**52**
Gross carrying amount		
Gross carrying amount	344	336
Accumulated depreciation	(258)	(284)
Carrying amount at the end of the period	**86**	**52**

[(1)] Refer to note 5.5.

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.

Amortisation of computer software is calculated on a straight-line basis over the estimate of 5 years.

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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.

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

5.5. Capital works in progress

	2022	2021
	$'000	$'000
Carrying amount at the beginning of the period	**8 691**	8 257
Acquisitions	14 926	11 970
Transfers to property, plant and equipment	(8 186)	(11 466)
Transfers to intangible assets	(78)	-
CWIP write off	(39)	(70)
Carrying amount at the end of the period	**15 314**	**8 691**

Capital works in progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as property, plant and equipment (refer note 5.1) or intangible assets (refer note 5.4) and are valued at cost.

6. Financial assets

6.1. Cash and cash equivalents

	2022 $'000	2021 $'000
Deposits with the Treasurer	6 830	337
Cash on hand	6	6
Total cash and cash equivalents	**6 836**	**343**

Cash is measured at nominal amounts.

Deposits with the Treasurer

Special deposit accounts are established under section 8 of the *Public Finance and Audit Act 1987*. Special deposit accounts must be used in accordance with their approved purpose. The operating account held with the Treasurer is interest bearing. In November 2020, Treasury advised public authorities that, given interest rates were approximately 0%, no interest would be paid on any interest bearing accounts held with the Treasurer. Therefore, no interest was earned during 2022. This position may change in the future.

6.2. Receivables

	2022 $'000	2021 $'000
Current		
Receivables	1 258	940
Less impairment loss on receivables	(9)	(3)
Prepayments	1 278	327
Accrued revenues	18	24
GST input tax recoverable	701	681
Total current receivables	**3 246**	**1 969**
Total receivables	**3 246**	**1 969**

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.

Other than as recognised in the allowance for impairment loss, 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 10.2 for further information on risk management.

The MFS has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

Movement in allowance for impairment loss on receivables

	2022 $'000	2021 $'000
Carrying amount at the beginning of the period	3	2
Increase/(decrease) in the allowance	8	9
Amounts written off	(2)	(8)
Carrying amount at the end of the period	**9**	**3**

Impairment losses relate to receivables arising from contracts with customers that are external to the SA Government. Refer to note 10.2 for details regarding credit risk and the methodology for determining impairment.

7. Liabilities

7.1. Payables

	2022 $'000	2021 $'000
Current		
Creditors	21	53
Accrued expenses	3 687	4 431
Paid Parental Leave Scheme payable	8	6
Employment on-costs	4 133	4 604
Total current payables	**7 849**	**9 094**
Non-current		
Creditors	-	3
Employment on-costs	3 670	4 563
Total non-current payables	**3 670**	**4 566**
Total payables	**11 519**	**13 660**

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

Employment on-costs

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

The MFS 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 the DTF, the portion of long service leave taken as leave has changed from 2021 rate of 89.17% to 80.78% and the average factor for the calculation of employer superannuation cost on-cost has changed to 14.6% (2020-2021 rate of 13.5%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

7.2. Financial liabilities

The MFS measures lease liabilities $1.263 million (2021: $1.319 million) at discounted future lease payments using either the interest rate implicit in the lease or the DTF's incremental borrowing rate. There were no defaults or breaches throughout the year.

Interest expense paid on lease liabilities during 2021-22 was $23 000 (2020-21 $25 000). The MFS does not capitalise borrowing costs.

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

	2022 $'000	2021 $'000
within 1 year	314	305
1 to 5 years	603	598
More than 5 years	434	512
Total lease liabilities (undiscounted)	**1 351**	**1 415**

7.3. Provisions

	2022 $'000	2021 $'000
Current		
Provision for workers compensation	4 906	4 761
Additional compensation	1 565	1 116
Total current provisions	**6 471**	**5 877**
Non-current		
Provision for workers compensation	29 564	29 358
Additional compensation	17 597	15 211
Total non-current provisions	**47 161**	**44 569**
Total provisions	**53 632**	**50 446**

Movement in workers compensation provisions	2022 $'000	2021 $'000
Workers compensation		
Carrying amount at the beginning of the period	34 119	41 413
Reductions arising from payments	(7 626)	(7 526)
Changes from remeasurement	7 977	232
Carrying amount at the end of the period	**34 470**	**34 119**
Additional compensation		
Carrying amount at the beginning of the period	16 327	14 148
Changes from remeasurement	4 670	3 927
Reductions arising from payments	(1 835)	(1 748)
Carrying amount at the end of the period	**19 162**	**16 327**

7.3 Provisions (continued)

Workers Compensation provision (statutory and additional compensation schemes)

The MFS is an exempt employer under the *Return to Work Act 2014.* Under a scheme arrangement, the MFS is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

According, a liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes).

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

The additional compensation scheme provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are nonserious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation

There is a significant degree of uncertainty associated with estimating future claim and expense payments and also around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

In addition to these uncertainties, the additional compensation scheme is impacted by the limited claims history and the evolving nature of the interpretation of, and evidence required to meeting, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate.

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

8.2. Cash flow reconciliation

	2022 $'000	2021 $'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	6 836	343
Balance as per the Statement of Cash Flows	6 836	343
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	20 730	5 456
Add / (less) non-cash items		
Depreciation and amortisation	(8 521)	(8 290)
Net gain/(loss) from disposal of non-current assets	(853)	(603)
CWIP write off	(39)	-
Capital accruals	1 017	1 284
Movement in assets and liabilities		
Increase/(decrease) in receivables	1 277	(11)
(Increase)/decrease in payables	2 141	(1 928)
(Increase)/decrease in employee benefits	9 148	(798)
(Increase)/decrease in provisions	(3 186)	5 115
Net result	**21 714**	**225**

Total cash outflows for leases for the MFS was $616 000 (2020-21: $533 000).

9. Outlook

9.1. Unrecognised contractual commitments

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

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2022	2021
	$'000	$'000
Within one year	1 606	13 132
Later than one year but not later than five years	-	1 555
Total capital commitments	**1 606**	**14 687**

These capital commitments are related to the Noarlunga Command Station and vehicle equipment.

Expenditure commitments

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

	2022	2021
	$'000	$'000
Within one year	1 612	6 612
Later than one year but not later than five years	1 849	2 010
Later than five years	2 846	-
Total expenditure commitments	**6 307**	**8 622**

MFS's expenditure commitments are for accommodation, agreements for contractual commitments relating to asset maintenance, information technology, protective firefighting equipment and equipment.

9.2. Contingent assets and liabilities

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

The MFS is not aware of any contingent assets or liabilities.

9.3. Impact of standards not yet implemented

The MFS has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

Amending Standard AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* will apply from 1 July 2022 and Amending Standard AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* will apply from 1 July 2023. Although applicable to the MFS, this amending standard is not expected to have an impact on the MFS's general purpose financial statements. The MFS will update its policies, procedures and work instructions, where required, to reflect the additional clarification requirements.

9.3. Impact of standards not yet implemented (continued)

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. The MFS continues to assess liabilities eg LSL and whether or not the MFS has a substantive right to defer settlement. Where applicable these liabilities will be classified as current.

9.4. COVID-19 pandemic outlook for the MFS

The COVID-19 pandemic will continue to impact the operations of the MFS in 2022-23. The key expected impacts are:

- Further significant outbreaks of the COVID-19 pandemic in South Australia would see greater response measures with associated additional expenses.
- Additional expenditure to keep the MFS personnel safe while maintaining service delivery to the community.
- Additional expenditure may be incurred due to supplier business restrictions.
- Delays in the delivery of capital programs and increase capital expenditure due to supplier business restrictions and demand.

9.5. Events after the reporting period

There were no events after the reporting period affecting the financial statements.

10. Measurement and risk

10.1. 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 tangible 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.

Revaluation

Property, plant and equipment, other than right of use assets, are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is reviewed by the MFS 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 $1.0 Million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. 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.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

The 2019 valuation highlighted a possibility of the COVID-19 pandemic impacting the determined fair values. However there is no observable evidence that can reliably quantify the impact at the reporting date.

Fair value hierarchy

The MFS classifies the 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 active market and are 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 active market and are derived from unobservable inputs.

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

During 2021 and 2020, the MFS had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

10.2. Fair value (continued)

Land and buildings

An independent valuation of land and buildings was performed by a Certified Practising Valuer from Liquid Pacific Holdings Pty Ltd as at 1 November 2019. These have been recognised at their carrying amounts from 30 June 2019. The land and buildings values at revaluation were considered relevant for 30 June 2022.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, fair value was determined by applying an adjustment to reflect the restriction.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

Plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition less than $1.0 million and had an estimated useful life that less than three years have not been revalued. The carrying value of these items is deemed to approximate fair value.

10.2. Financial instruments

Financial risk management

Risk management is managed by the MFS corporate services section and the MFS risk management policies are in accordance with the *Risk Management Guide* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines.*

The exposure of the MFS to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

Liquidity risk arises from the possibility that the MFS is unable to meet its financial obligations as they fall due. The MFS is funded principally from the Fund. The MFS works with the Fund to determine the cash flows associated with its government-approved program of work to ensure funding meets the expected cash flows.

Refer to note 7.1 and 7.2 for further information.

Credit risk

The MFS has minimal concentration of credit risk. The MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The MFS does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the MFS.

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 MFS 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 MFS 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 MFS' 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 MFS 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.

10.3. Financial instruments (continued)

Impairment of financial assets (continued)

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

	Debtor gross carrying amount $'000	Loss %	Lifetime expected losses $'000
2022			
Current (not past due)	191	0.18	-
1 - 30 days past due	90	0.30	-
31 - 60 days past due	51	0.83	-
61 - 90 days past due	40	1.57	1
More than 90 days past due	295	2.53	8
Loss allowance	**667**		**9**

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 MFS'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 MFS and a failure to make contractual payments for a period of greater than 180 days past due.

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.

Cash and debt instruments

The MFS 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 MFS'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.

Market risk

The MFS does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The agency 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*.

Exposure to interest rate risk may arise through its interest-bearing liabilities, including borrowings. The MFS' interest bearing liabilities are managed through the SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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 assets and liabilities

The MFS measures all financial instruments at amortised cost other than lease liabilities which are measured at the present value of expected future cash payments. All financial assets and liabilities carrying amount equals their fair value as at 30 June 2022 and are expected to be settled within one year excluding financial liabilities. Maturity analysis for financial liabilities is presented in note 7.2.