

Environment Protection Authority

Financial report
for the year ended
30 June 2020



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To the Presiding Member Environment Protection Authority

Opinion

I have audited the financial report of Environment Protection Authority for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Environment Protection Authority as at 30 June 2020, 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Environment Protection Authority. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive and the Board for the financial report

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

The Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Environment Protection Authority for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Environment Protection Authority'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 and the Board 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.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

15 September 2020

**Environment Protection Authority
(EPA)**

Financial Statements

For the year ended 30 June 2020

Environment Protection Authority
Certification of the Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Environment Protection Authority:

- 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 Authority
- present a true and fair view of the financial position of the Environment Protection Authority as at 30 June 2020 and the results of its operations and cash flows for the financial year.

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



Tony Circelli
Chief Executive
9 September 2020



Catherine Cooper
Presiding Member
10 September 2020



Richard Jacka
Chief Financial Officer
9 September 2020

Environment Protection Authority
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Fees and charges	2.1	60 189	52 667
Grants	2.2	223	252
Interest	2.3	45	111
Resources received free of charge	2.4	143	166
Intra-government transfers	2.5	-	2 076
Other income	2.6	44	66
Total income		60 644	55 338
Expenses			
Surplus cash transferred to the Consolidated account		20 019	17 675
Employee benefits expenses	3.3	22 525	26 395
Supplies and services	4.1	7 763	7 757
Depreciation and amortisation	4.2	907	715
Grants and subsidies	4.3	62	73
Borrowing costs	4.4	12	-
Impairment loss on receivables	6.2	(87)	1 305
Other expenses	4.5	138	171
Total expenses		51 339	54 091
Net result		9 305	1 247
Total comprehensive result		9 305	1 247

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

Environment Protection Authority
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	33 377	29 799
Receivables	6.2	11 176	5 736
Total current assets		44 553	35 535
Non-current assets			
Receivables	6.2	2	1
Property, plant and equipment	5.1	2 872	2 479
Intangible assets	5.4	1 833	1 934
Total non-current assets		4 707	4 414
Total assets		49 260	39 949
Current liabilities			
Payables	7.1	1 339	1 609
Financial liabilities	7.2	178	-
Employee benefits	3.4	2 607	2 690
Provisions	7.3	40	40
Other current liabilities	7.4	33	41
Total current liabilities		4 197	4 380
Non-current liabilities			
Payables	7.1	563	571
Financial liabilities	7.2	324	-
Employee benefits	3.4	5 461	5 564
Provisions	7.3	84	56
Other non-current liabilities	7.4	330	375
Total non-current liabilities		6 762	6 566
Total liabilities		10 959	10 946
Net assets		38 301	29 003
Equity			
Retained earnings		38 301	29 003
Total equity		38 301	29 003

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

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

	Note	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2018		27 834	27 834
Net result for 2018-19		1 247	1 247
Total comprehensive result for 2018-19		1 247	1 247
Balance at 30 June 2019		29 003	29 003
Changes in accounting policy on adoption of AASB 16		(7)	(7)
Adjusted balance at 1 July 2019		28 996	28 996
Net result for 2019-20		9 305	9 305
Total comprehensive result for 2019-20		9 305	9 305
Balance at 30 June 2020		38 301	38 301

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

Environment Protection Authority
Statement of Cash Flows
for the year ending 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Fees and charges		54 796	53 209
Receipts from grants		223	252
Interest received		54	111
Intra-government transfers		-	2 076
Other receipts		49	76
Cash generated from operating activities		55 122	55 724
Cash outflows			
Employee benefits payments		(22 663)	(26 430)
Payments for supplies and services		(7 945)	(7 514)
Payments of grants and subsidies		(62)	(73)
Interest paid		(12)	-
Surplus cash transferred to the Consolidated account		(20 019)	(17 675)
Other payments		(126)	(139)
Cash used in operating activities		(50 827)	(51 831)
Net cash provided by operating activities	8.1	4 295	3 893
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(528)	(665)
Cash used in investing activities		(528)	(665)
Net cash (used in) investing activities		(528)	(665)
Cash flows from financing activities			
Repayment of leases		(189)	-
Cash generated from financing activities		(189)	-
Net cash (used in) financing activities		(189)	-
Net increase / (decrease) in cash and cash equivalents		3 578	3 228
Cash and cash equivalents at the beginning of the reporting period		29 799	26 571
Cash and cash equivalents at the end of the reporting period	6.1	33 377	29 799

The accompanying notes form part of these financial statements.

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

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

1. About the Environment Protection Authority

The Environment Protection Authority (the Authority) comprises the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the *Public Sector Act 2009*
- the Environment Protection Fund (the Fund) established under the *Environment Protection Act 1993*.

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The Authority's financial statements include assets, liabilities, revenues and expenses attributable to Radiation Protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in note 8.3. However assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity being the Authority and the Fund, in accordance with *AASB 10 Consolidated Financial Statements*.

Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

The financial statements and accompanying notes include all the controlled activities of the Authority.

Administered Items

The transactions and balances of the following activities are not recognised as income, expense, assets and liabilities of the Authority:

(1) Solid Waste Levies

As per section 113 of the *Environment Protection Act 1993* the Authority collects waste levies, and is then required to transfer 50 percent of the cash component of solid waste levies collected to Green Industries SA as per section 17 of the *Green Industries SA Act 2004*.

(2) Local Nuisance and Litter Control Act 2016 - Dob in a Litterer Revenue

The launch of the Dob in a Litterer campaign on 1 February 2017 followed the introduction of the litter provisions in the *Local Nuisance and Litter Control Act 2016*, and a state government commitment to introduce a public litter reporting system. From 1 May 2017, fines began being imposed to those caught littering from their vehicles following a 3-month grace period where warning letters were issued in lieu of fines.

As part of the 2018-19 State Budget, the government made the decision that funding for the Dob in a Litterer program would cease effective 1 July 2018. Any revenue collected in future years will be repayment of residual fines currently on instalment arrangements and must be transferred to the Consolidated Account.

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

1. About the Environment Protection Authority (continued)

1.1. Basis of preparation

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

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

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

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

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

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

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

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

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

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

1.2. Objectives and programs

Objectives

The objectives of the Authority are to achieve a better environment for the wellbeing and prosperity of all South Australians:

- through the protection, restoration and enhancement of the environment, and the risk-based regulation of pollution, waste and noise
- by ensuring the safe use of radiation to minimise adverse impacts on human health and the environment, through the risk-based regulation of radiation.

The Authority works closely with industry, the community and government to protect our unique natural environment and promote the safe use of radiation while supporting economic growth and improving wellbeing.

Programs

The Authority, in 2019-20 was funded by fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities, the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a better environment for the wellbeing and prosperity of South Australians. As the Authority conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

1.3. Impact of COVID-19 pandemic on the Authority

The Authority has continued to operate throughout the restrictions, adhering to social distancing requirements.

Our Emergency Response Teams, Community Engagement Officers, Authorised Officers, scientists, and support staff have worked around the challenges and continued to operate.

We have been in regular contact with major licensees to check on their welfare and offer any support they may require.

We will continue to adjust to the restrictions as they change and provide the best level of service possible while social distancing requirements remain.

While some aspects of our operations have been paused or restricted, such as particular fieldwork and face to face engagement, the COVID-19 pandemic has not had a material impact on the operations of the Authority in the 2019-20 financial year.

1.4. Financial arrangements

The Authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- waste levies from landfill depots
- environmental authorisation fees
- radiation licence fees
- fines and penalties
- section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with the Department of Treasury and Finance (DTF) pursuant to Section 8 and Section 21 of the *Public Finance and Audit Act 1987*. The deposit accounts are used for revenues from services provided and from fees and charges.

DEW provides some professional, technical and administrative support to the Authority, under an annual memorandum of understanding. The identifiable direct costs of providing these services are met by the Authority.

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

1.5. Budget performance

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

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000
Statement of Comprehensive Income	Note			
Income				
Fees and charges		62 404	60 189	(2 215)
Grants		170	223	53
Interest		102	45	(57)
Resources received free of charge		-	143	143
Other income		-	44	44
Total income		62 676	60 644	(2 032)
Expenses				
Employee benefits expenses		23 087	22 525	(562)
Supplies and services		8 283	7 763	(520)
Depreciation and amortisation		686	907	221
Borrowing costs		-	12	12
Grants and subsidies		120	62	(58)
Surplus cash transferred to the Consolidated account	a	-	20 019	20 019
Impairment loss on receivables		-	(87)	(87)
Other expenses		134	138	4
Total expenses		32 310	51 339	19 029
Net result		30 366	9 305	21 061
Total comprehensive result		30 366	9 305	21 061

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) Surplus cash transferred to the Consolidated account was greater than the original budget due to a review of the Authority's operating account balance as at 30 June 2019 in accordance with DTF's Cash Alignment Policy. The amount of surplus cash advised by DTF to be returned was \$20.019 million.

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

1.5. Budget performance (continued)

Administered Items		Original budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000
Statement of Comprehensive Income Expenses	Note			
Intra government transfers	b	43 884	37 036	(6 848)
Other expenses		-	3	3
Total expenses		43 884	37 039	(6 845)
Income				
Fees, fines and penalties		43 884	40 396	(3 488)
		43 884	40 396	(3 488)
Net result		-	(3 357)	(3 357)
Total comprehensive result		-	(3 357)	(3 357)

Investing expenditure summary		Original budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000
Total new projects	c	1 239	113	(1 127)
Total annual program		576	413	(163)
Total investing expenditure		1 815	526	(1 290)

(b) The intra government transfers were lower than the original budget due to:

- An earlier than anticipated waste levy payment from Inkerman Council (\$1.113 million) which was received in the 2018-19 financial year, but actually budgeted for in 2019-20 financial year
- Lower than expected Solid Waste Tonnes (\$2.379 million)
- The timing difference caused by the budget for Waste Levy being set on an accrual basis, while the transfer to Green Industries SA being made on a cash basis (\$3.413 million)

(c) Total new project investing expenditure was lower than original budget due to delays relating to the Material Flow and Levy Information System project.

1.6. Significant transactions with government related entities

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

- 100% of accommodation expense payments relate to accommodation supplied by the Department of Planning, Transport and Infrastructure
- 50% of the cash component of solid waste levies collected by the Authority is transferred to Green Industries SA
- the Authority has a memorandum of understanding with DEW for professional, technical and administrative support
- other significant transactions include those with licence holder SA Water for various charges.

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

2. Income

2.1. Fees and charges

	2020	2019
	\$'000	\$'000
Waste levies	41 233	35 633
Environmental authorisation fees	14 256	12 135
Radiation licence fees	3 459	3 256
Other licence fees	861	1 002
Fines and penalties	310	559
Other fees and charges	70	82
Total fees and charges	60 189	52 667

Waste levies are recognised by the Authority when they are received. Any outstanding amounts at reporting date are recognised as a receivable.

The Authority recognises revenue for environmental authorisation fees, raised in accordance with the *Environment Protection Act 1993*, when an invoice is issued to the customer.

Revenue from other licence fees, including those received under the *Radiation Protection and Control Act 1982*, are recognised as revenue by the Authority when they are received.

2.2. Grants

	2020	2019
	\$'000	\$'000
SA Government grants	142	172
Commonwealth Government grants	81	80
Total grants	223	252

	2020	2019
	\$'000	\$'000
(i) State Government Grants		
Department of State Development	135	135
Department for Environment and Water	3	3
Department of the Premier and Cabinet	2	2
Primary Industries and Regions SA	2	2
Adelaide and Mount Lofty Ranges NRM Board	-	30
	142	172

(ii) Commonwealth Government Grants		
Department of the Environment and Energy	53	53
Department of Industry, Innovation and Science	28	27
	81	80

The Authority recognises grant revenue when it is received.

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

2.3. Interest

	2020	2019
	\$'000	\$'000
Interest from entities within the SA Government	45	111
Total interest revenues	45	111

2.4. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	143	166
Total resources received free of charge	143	166

Resources received free of charge – whole of government change in accounting treatment for Shared Services SA payments. Now treated as supplies and services with an income offset – resources received free of charge. On 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA to general government sector agencies. As a result of this change Shared Services SA is directly appropriated funding for the services provided.

2.5. Intra-government transfers

	2020	2019
	\$'000	\$'000
Recovery from Department of Treasury and Finance for TVSPs	-	2 076
Total intra-government transfers	-	2 076

2.6. Other income

	2020	2019
	\$'000	\$'000
Salaries and wages recoveries	8	3
Other sundry revenue	36	63
Total other income	44	66

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

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Authority include the Minister for Environment and Water, the EPA Board Members, the Chief Executive and the other five members of the Executive Team who have responsibility for the strategic direction and management of the Authority. Total compensation for key management personnel was \$1.507 million in 2019-20 and \$1.429 million in 2018-19.

The compensation disclosed in the note below 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 the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	1 380	1 305
Post-employment benefits	127	124
Total compensation	<u>1 507</u>	<u>1 429</u>

Transactions with key management personnel and other related parties

No transactions with key management personnel or related parties have occurred throughout the 2019-20 financial year, other than those disclosed in note 1.5.

3.2. Board and committee members

Members during the 2020 financial year were:

Board of the Environment Protection Authority

Stephen Christley
 Tony Circelli*
 Catherine Cooper
 Nancy Cromar
 Helen Macdonald
 Christopher Stathy
 Christine Trenorden
 Mark Withers

Radiation Protection Committee

Eva Bezak
 Tony Circelli*
 Sarah Constantine*
 Greg Marshall*
 Cara Miller
 Graeme Palmer
 Nigel Spooner
 Pamela Sykes
 Wilson Vallat*
 Bettina Venner*

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

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

3.2. Board and committees members (continued)

Board and committee remuneration

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

	2020	2019
\$0 - \$19 999	10	11
\$20 000 - \$39 999	7	7
Total number of members	17	18

The total remuneration received or receivable by members was \$0.197 million (2019: \$0.198 million). Remuneration of members include sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax.

3.3. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	17 415	17 802
Employment on-costs – superannuation	2 070	2 198
Annual leave	1 635	1 690
Employment on-costs – other	1 017	1 132
Board and committee fees	181	196
Skills and Experience Retention Leave	122	118
Workers compensation	44	9
Long Service Leave	5	1 162
Targeted voluntary separation packages	-	2 057
Other employee related expenses	36	31
Total employee benefits expenses	22 525	26 395

Employment on-costs - superannuation

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

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

3.3. Employee benefits expenses (continued)

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2020	2019
	Number	Number
\$154 001 – 174 000	2	2
\$194 001 – 214 000	2	2
\$234 001 – 254 000	1	1
\$254 001 – 274 000*	-	2
\$274 001 – 294 000*	-	1
\$314 001 – 334 000	-	1
\$334 001 – 354 000	1	-
\$374 001 – 394 000*	-	1
Total	6	10

The total remuneration received by those employees for the year was \$1.338 million (2019: \$2.477 million).

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.

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

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was nil (2019: 24).

	2020	2019
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	-	2 057
Leave paid to separated employees	-	639
Recovery from the Department of Treasury and Finance	-	(2 076)
Net cost to the Environment Protection Authority	-	620

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

3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Annual leave	1 639	1 597
Long service leave	354	601
Accrued salaries and wages	507	398
Skills and experience retention leave	107	94
Total current employee benefits	2 607	2 690
Non-current		
Long service leave	5 461	5 564
Total non-current employee benefits	5 461	5 564
Total employee benefits	8 068	8 254

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.

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

4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Accommodation	1 722	1 989
General administration	1 651	1 744
Fee for service - Site Contamination	949	1 132
Fee for service – Other	949	311
Information technology and communications	676	641
Minor works, maintenance & equipment	389	280
Staff development	254	323
Scientific and technical services	222	328
Fee for service – DEW	160	152
Operating lease payments	143	-
Travel and accommodation	117	173
Temporary staff	106	75
Transportation	99	85
Consultants	67	-
Vehicle and aircraft	46	261
Monitoring fees	32	40
Other	181	223
Total supplies and services	7 763	7 757

Accommodation

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

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

Consultants

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

	2020	2020	2019	2019
	No	\$'000	No	\$'000
\$10 000 or above	2	67	-	-
Total paid/payable to consultants engaged	2	67	-	-

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

4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Buildings and improvements	1	1
Right-of-use buildings	72	-
Computing equipment	10	21
Furniture and fittings	89	104
Vehicles	8	8
Right-of-use vehicles	125	-
Infrastructure	22	22
Plant and equipment	181	176
Intangible assets	399	383
Total depreciation and amortisation	907	715

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

Useful life

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

<u>Class of Asset</u>	<u>Useful Life (years)</u>
Computing equipment	3-10
Intangible Assets	3-22
Infrastructure	15-30
Plant and equipment	3-15
Vehicles	10-25
Furniture and fittings	9-15
Buildings and improvements	40
Right-of-use Vehicles	1-3
Right-of-use Buildings	6-10
Other	10

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected 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.

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

4.3. Grants and subsidies

	2020	2019
	\$'000	\$'000
Community organisations and associations	37	43
Environment Protection Authority NSW	10	10
Green Industries SA	8	-
Attorney General's Department	5	5
Department of the Premier and Cabinet	2	2
Adelaide and Mount Lofty Ranges NRM Board	-	13
Total grants and subsidies	62	73

4.4. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	12	-
Total Borrowing costs	12	-

The Authority does not capitalise borrowing costs.

4.5. Other expenses

	2020	2019
	\$'000	\$'000
Donated asset	12	-
Capital project costs not capitalised	-	25
Property, plant and equipment write-offs	-	7
Other	126	139
Total other expenses	138	171

Other

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.126 million (2019: \$0.139 million). No other services were provided by the Auditor-General's Department.

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

5. Non-financial assets

5.1. Property, plant and equipment by asset class

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

	2020 \$'000	2019 \$'000
Land		
At cost (deemed fair value)	278	278
Total land	<u>278</u>	<u>278</u>
Buildings and improvements		
At cost (deemed fair value)	40	40
Less accumulated depreciation	(29)	(28)
Total buildings and improvements	<u>11</u>	<u>12</u>
Right-of-use buildings		
At cost (deemed fair value)	481	-
Less accumulated depreciation	(128)	-
Total right-of-use buildings	<u>353</u>	<u>-</u>
Infrastructure		
At cost (deemed fair value)	484	507
Less accumulated depreciation	(257)	(246)
Total infrastructure	<u>227</u>	<u>261</u>
Capital works in progress		
Capital works in progress	271	200
Total capital works in progress	<u>271</u>	<u>200</u>
Vehicles		
At cost (deemed fair value)	180	180
Less accumulated depreciation	(129)	(121)
Total vehicles	<u>51</u>	<u>59</u>
Right-of-use vehicles		
At cost (deemed fair value)	249	-
Less accumulated depreciation	(114)	-
Total right-of-use vehicles	<u>135</u>	<u>-</u>
Computing equipment		
At cost (deemed fair value)	320	252
Less accumulated depreciation	(236)	(226)
Total computing equipment	<u>84</u>	<u>26</u>
Furniture and fittings		
At cost (deemed fair value)	3 755	3 688
Less accumulated depreciation	(3 044)	(2 954)
Total furniture and fittings	<u>711</u>	<u>734</u>
Plant and equipment		
At cost (deemed fair value)	3 996	4 609
Less accumulated depreciation	(3 245)	(3 700)
Total plant and equipment	<u>751</u>	<u>909</u>
Total property, plant and equipment	<u><u>2 872</u></u>	<u><u>2 479</u></u>

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

5.2. Property, plant and equipment owned by the Authority

Property, plant and equipment owned by the Authority with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Authority is recorded at fair value. Detail about the Authority's approach to fair value is set out in note 11.2.

Impairment

Property, plant and equipment owned by the Authority has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

Reconciliation 2019-20

	Land \$'000	Buildings and improvements \$'000	Infrastructure \$'000	Vehicles \$'000	Computing equipment \$'000
Carrying amount at 1 July 2019	278	12	261	59	26
Acquisitions	-	-	-	-	68
Transfers to/(from) capital works in progress	-	-	-	-	-
Disposals - transfers for nil consideration	-	-	(12)	-	-
Depreciation / amortisation expense	-	(1)	(22)	(8)	(10)
Carrying amount at 30 June 2020	278	11	227	51	84

	Furniture and fittings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July 2019	734	909	200	2 479
Acquisitions	66	23	369	526
Transfers to/(from) capital works in progress	-	-	(298)	(298)
Disposals - transfers for nil consideration	-	-	-	(12)
Depreciation / amortisation expense	(89)	(181)	-	(311)
Carrying amount at 30 June 2020	711	751	271	2 384

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

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

Reconciliation 2018-2019

	Land	Buildings and improvements	Infrastructure	Vehicles	Computing equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	278	13	283	47	47
Acquisitions	-	-	-	27	-
Transfers to/(from) capital works in progress	-	-	-	-	-
Asset written off	-	-	-	(7)	-
Capital WIP - expensed in current period	-	-	-	-	-
Depreciation / amortisation expense	-	(1)	(22)	(8)	(21)
Carrying amount at 30 June 2019	278	12	261	59	26

	Furniture and fittings	Plant and equipment	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	805	801	93	2 367
Acquisitions	33	284	321	665
Transfers to/(from) capital works in progress	-	-	(189)	(189)
Asset written off	-	-	-	(7)
Capital WIP - expensed in current period	-	-	(25)	(25)
Depreciation / amortisation expense	(104)	(176)	-	(332)
Carrying amount at 30 June 2019	734	909	200	2 479

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

5.3. Property, plant and equipment leased by the Authority

Property, plant and equipment leased by the Authority is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$0.488 million.

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

The Authority has a limited number of leases:

- 22 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
- Laboratories at Byron Place, Adelaide and Richmond Road, Netley. These premises are used largely for scientific and laboratory work. The lease term for Byron Place is from 1 February 2020 for a period of 4.5 years, while Netley commenced on 11 June 2014 for a period of 10 years. Right of renewal and notice of termination options exist for both leases which are documented in each Memorandum of Administrative Arrangement.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Authority's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4.2 and 4.4 respectively. Cash outflows related to leases are disclosed in note 8.2.

Impairment

Property, plant and equipment leased by the Authority has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

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

5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Internally developed intangible assets		
At cost (deemed fair value)	99	98
Less accumulated amortisation	(44)	(35)
Total internally generated computer software	55	63
General Environment Information System (GENI)		
At cost (deemed fair value)	2 105	2 033
Less accumulated amortisation	(1 941)	(1 841)
Total GENI	164	192
Licensing Administration Management Program (LAMP)		
At cost (deemed fair value)	1 677	1 617
Less accumulated amortisation	(794)	(629)
Total LAMP	883	988
Environment Licensing Forms (ELF)		
At cost (deemed fair value)	545	518
Less accumulated amortisation	(254)	(198)
Total ELF	291	320
EMP Masterpiece Interface (EMP)		
At cost (deemed fair value)	45	45
Less accumulated amortisation	(23)	(18)
Total EMP	22	27
Other		
At cost (deemed fair value)	862	723
Less accumulated amortisation	(444)	(379)
Total Other	418	344
Total intangible assets	1 833	1 934

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

The 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.

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

5.4. Intangible assets (continued)

Reconciliation 2019-20

	Internally developed	GENI	LAMP	Electronic Licensing Forms	EMP	Other Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	63	192	988	320	27	344	1 934
Transfers from capital works in progress	-	72	60	27	-	139	298
Amortisation	(8)	(100)	(165)	(56)	(5)	(65)	(399)
Carrying amount at 30 June 2020	55	164	883	291	22	418	1 833

Reconciliation 2018-2019

	Internally developed	GENI	LAMP	Electronic Licensing Forms	EMP	Other Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	71	236	1 128	362	32	298	2 128
Transfers from capital works in progress	-	56	25	11	-	97	189
Amortisation	(8)	(100)	(165)	(53)	(5)	(51)	(383)
Carrying amount at 30 June 2019	63	192	988	320	27	344	1 934

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

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	24 016	21 153
Environment Protection Fund Deposit Account	9 357	8 641
Imprest account/cash on hand	4	5
Total cash and cash equivalents	33 377	29 799

Cash is measured at nominal amounts.

Deposits with the Treasurer and cash on hand is non-interest bearing. The Environment Protection Fund Deposit Account earns a floating interest rate, based on daily bank deposit rates.

The Environment Protection Fund is established under section 24 of the *Environment Protection Act 1993*. The Fund must be kept as directed by the Treasurer. Prescribed percentages of waste levies and licence fees are paid into the Fund under section 8 of the *Environment Protection Regulations 2009*. The Fund may be applied by the Minister or by the Authority with the approval of the Minister.

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2020	2019
	\$'000	\$'000
Environment Protection Fund	9 357	8 641
Externally funded projects	17	2
	9 374	8 643

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

6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	35	38
From non-government entities	12 361	6 964
Less allowance for doubtful debts	(1 296)	(1 385)
Total trade receivables	<u>11 100</u>	<u>5 617</u>
Prepayments	74	99
Accrued revenues	1	19
Workers compensation recoveries	1	1
Total current receivables	<u>11 176</u>	<u>5 736</u>
<u>Non-current</u>		
Workers compensation recoveries	2	1
Total non-current receivables	<u>2</u>	<u>1</u>
Total receivables	<u><u>11 178</u></u>	<u><u>5 737</u></u>

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade 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 doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

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

6.2. Receivables (continued)

Allowance for impairment loss of receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	1 385	87
Amounts written off	(2)	(7)
(Decrease)/increase in the allowance recognised in profit or loss	(87)	1 305
Carrying amount at the end of the period	1 296	1 385

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

7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade payables	634	897
Employment on-costs	567	542
Accrued expenses	126	162
Paid Parental Leave Scheme payable	12	8
Total current payables	1 339	1 609
<u>Non-current</u>		
Employment on-costs	563	571
Total non-current payables	563	571
Total payables	1 902	2 180

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.

Employment on-costs

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

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

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

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

7.1. Payables (continued)

Paid parental leave scheme

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

7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Lease liabilities	178	-
Total current financial liabilities	178	-
<u>Non-current</u>		
Lease liabilities	324	-
Total non-current financial liabilities	324	-
Total financial liabilities	502	-

The Authority measures financial liabilities at amortised cost.

7.3. Provisions

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Provision for workers compensation	40	40
Total current provisions	40	40
<u>Non-current</u>		
Provision for workers compensation	84	56
Total non-current provisions	84	56
Total provisions	124	96

Movement in Provisions

Carrying amount at the beginning of the period	96	102
Reductions arising from payments	(78)	(15)
Increases/(decreases) resulting from re-measurement	106	9
Carrying amount at the end of the period	124	96

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

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

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

7.4. Other liabilities

	2020	2019
	\$'000	\$'000
Current		
Accommodation incentive	39	39
Other	(6)	2
Total current other liabilities	<u>33</u>	<u>41</u>
Non-current		
Accommodation incentive	330	375
Total non-current other liabilities	<u>330</u>	<u>375</u>
Total other liabilities	<u><u>363</u></u>	<u><u>416</u></u>

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

8. Other disclosures

8.1. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis.

	2020	2019
	\$'000	\$'000
Leases		
Buildings	72	-
Vehicles	128	-
Total cash outflow for leases	<u>200</u>	<u>-</u>

Reconciliation of net result to cash flows from operating activities

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

	2020	2019
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	<u>33 377</u>	<u>29 799</u>
Balance as per the Statement of Cash Flows	<u>33 377</u>	<u>29 799</u>

Reconciliation of net cash provided by operating activities to net result

Net cash provided by operating activities	4 295	3 893
Add / less non-cash items		
Opening equity adjustment	-	78
Depreciation and amortisation	(907)	(715)
Donated asset	(12)	-
Capital work-in-progress and asset write-offs	-	(32)

Movement in assets and liabilities

(Decrease)/increase in receivables	5 441	(1 726)
(Increase)/decrease in payables	277	(305)
Decrease/(increase) in employee benefits	186	30
Decrease in provisions	(28)	6
Decrease in other liabilities	53	18
Net result	<u>9 305</u>	<u>1 247</u>

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

8.2. The Environment Protection Fund

The following is a summary of the financial activity attributable to the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

Statement of Comprehensive Income
for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
Income		
Fees and Charges	4 890	4 384
Interest revenue	45	111
Total income	4 935	4 495
Expenses		
Employee benefits expenses	273	370
Supplies and services	3 514	3 300
Grants and subsidies	26	56
Total expenses	3 813	3 726
Net result	1 122	769

Statement of Financial Position
as at 30 June 2020

	2020	2019
	\$'000	\$'000
Current assets		
Cash	9 357	8 641
Receivables	797	452
Total current assets	10 154	9 093
Total assets	10 154	9 093
Current liabilities		
Payables	380	431
Employee Benefits	6	16
Total current liabilities	386	447
Total liabilities	386	447
Net assets	9 768	8 646
Equity		
Retained earnings	9 768	8 646
Total equity	9 768	8 646

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

8.2. The Environment Protection Fund (continued)

Statement of Changes in Equity for the year ended 30 June 2020	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2018	7 877	7 877
Net result for 2018-19	769	769
Balance at 30 June 2019	8 646	8 646
Net result for 2019-20	1 122	1 122
Balance at 30 June 2020	9 768	9 768

Statement of Cash Flows for the year ended 30 June 2020	2020 Inflows (Outflows) \$'000	2019 Inflows (Outflows) \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	4 546	4 401
Interest received	45	111
Cash generated from operating activities	4 591	4 512
Cash outflows		
Employee benefit payments	(283)	(354)
Payments for supplies and services	(3 566)	(2 996)
Grants and contribution payments	(26)	(55)
Cash used in operating activities	(3 875)	(3 405)
Net cash provided by/(used in) operating activities	716	1 107
Net increase / (decrease) in cash and cash equivalents	716	1 107
Cash and cash equivalents at the beginning of the reporting period	8 641	7 534
Cash and cash equivalents at the end of the reporting period	9 357	8 641

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

8.3. Radiation Protection

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. In reflecting these amounts in the Authority's financial statements, transactions between Radiation Protection and the Statutory Authority have been eliminated.

Statement of Comprehensive Income for the Year Ended 30 June 2020	2020	2019
	\$'000	\$'000
Income		
Radiation license fees	3 459	3 256
Sales	12	17
Grants and contributions	29	27
Other income	1	9
Total income	3 501	3 309
Expenses		
Employee benefits expenses	1 498	1 481
Supplies and services	60	57
Total expenses	1 558	1 538
Net result	1 943	1 771

8.4. Administered items

The following is a summary of the amounts captured as Administered Items of the Authority which comprises Solid Waste Levies received and transferred to Green Industries SA and revenue received under the *Local Nuisance and Litter Control Act 2016*.

Statement of Comprehensive Income for the Year Ended 30 June 2020	2020	2019
	\$'000	\$'000
Income		
Solid waste levies	40 393	34 864
Expiation fees (Dob in a Litterer)	3	52
Total income	40 396	34 916
Expenses		
Solid waste levies transferred to GISA	37 036	35 289
Expiation fees (Dob in a Litterer) transferred to Consolidated Account	3	52
Total expenses	37 039	35 341
Net result	3 357	(425)

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8.4. Administered items (continued)

Statement of Financial Position as at 30 June 2020	2020	2019
	\$'000	\$'000
Current assets		
Cash and cash equivalents	59	144
Receivables	8 040	4 683
Total current assets	8 099	4 827
Total assets	8 099	4 827
Current liabilities		
Payables	59	144
Total current liabilities	59	144
Total liabilities	59	144
Net assets	8 040	4 683
Equity		
Retained earnings	8 040	4 683
Total equity	8 040	4 683

Statement of Cash Flows for the Year Ended 30 June 2020	2020	2019
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Solid waste levies received	37 036	35 289
Expiation fees (Dob in a Litterer)	3	52
Cash generated from operating activities	37 039	35 341
Cash outflows		
Solid waste levies transferred to GISA	(36 983)	(35 145)
Expiation fees (Dob in a Litterer) returned to Consolidated Account)	(141)	(54)
Cash used in operating activities	(37 124)	(35 199)
Net cash (used in) / provided by operating activities	(85)	142
Net increase in cash and cash equivalents	(85)	142
Cash and cash equivalents at the beginning of the reporting period	144	2
Cash and cash equivalents at the end of the reporting period	59	144

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9. Changes in accounting policy

9.1. AASB 16 Leases

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

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

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

Impact on retained earnings

The total impact on the Authority's retained earnings as at 1 July 2019 is as follows:

	2019
	<u>\$'000</u>
Closing retained earnings 30 June 2019 – AASB 117	<u>29 003</u>
Assets	
Property, plant and equipment	(7)
Liabilities	
Financial liabilities	-
Opening retained earnings 1 July 2019 – AASB 16	<u>28 996</u>

The Authority disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$20.194 million under AASB 117.

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

These MoAA do not meet the definition of a lease as set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$0.639 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

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

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9.1. AASB 16 Leases (continued)

	1 July 2019
	\$'000
Operating lease commitments at 30 June 2019	20 194
Discounted using the incremental borrowing rate at 1 July 2019	<u>320</u>
<i>Adjustments to lease liabilities transferred in</i>	
Office accommodation under MOAA"	(19 874)
Extension options exercised	<u>370</u>
Lease liabilities recognised at 1 July 2019	<u>690</u>

There were no finance liabilities recognised at 30 June 2019.

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

Accounting policies on transition

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

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations
- the initial measurement of lease liabilities was the present value of the remaining leases payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.97%
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition

Ongoing accounting policies

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

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

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

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9.2. AASB 15 Revenue from Contracts with Customers

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

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

The Authority has assessed the revenue received relating to its environmental authorisation fees collected under the *Environment Protection Act 1993* as meeting the revenue recognition requirements of AASB 15.

An annual assessment is conducted by the Authority over its environmental authorisation fees, allocating the invoiced amount across the financial year it relates to. Thus far, this exercise has proven that recognising revenue under AASB 15 it is not materially different to the practice currently adopted by the Authority where revenue is recognised upon the creation of an invoice.

Accounting policies on transition

On transition, there was no impact on retained earnings.

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

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

The Authority has not acquired any assets at significantly less than fair value and are not in receipt of volunteer services. The Authority does not receive grants for the construction or acquisition of non-financial assets.

Accounting Policies on transition

On transition, there was no impact on retained earnings.

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9.4. Presentation of Financial Statements

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

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

10. Outlook

10.1. Unrecognised contractual commitments

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

Expenditure commitments

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

	2020	2019
	\$'000	\$'000
Within one year	1 699	1 926
Later than one year but not longer than five years	7 344	8 147
Later than five years	6 500	9 482
Total expenditure commitments	15 543	19 555

The Authority's expenditure commitments are for agreements for:

- memoranda of administrative arrangements with the DPTI for accommodation.

Operating lease commitments

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

	2020	2019
	\$'000	\$'000
Within one year	-	163
Later than one year but not longer than five years	-	476
Total operating lease commitments	-	639
Representing:		
Non-cancellable operating leases	-	639
Total operating lease commitments	-	639

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

Environment Protection Authority
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10.2. 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 Authority is not aware of the existence of any other contingent assets or contingent liabilities as at 30 June 2020.

10.3. Impact of standards not yet effective

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The Authority has preliminarily assessed its arrangements and due to the nature of the services provided by the EPA, these services are not likely to fall within the scope of AASB 1059.

10.4. COVID-19 pandemic outlook for the Authority

The Authority has implemented a range of operational practices that have allowed it to continue to operate while meeting SA Health COVID-19 requirements. This has included supporting employees working from home.

The Authority will continue to monitor the COVID-19 pandemic situation with regards to any restrictions in force applicable to South Australia.

The Authority has assessed the current environment and estimates that the COVID-19 pandemic will not have a significant impact on the operations of the Authority in the 2020-21 financial year and beyond.

10.5. Events after the reporting period

There were no events that occurred after the reporting period for the year ended 30 June 2020.

11. Measurement and risk

11.1. Long service leave liability - measurement

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

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds decreased from 2019 (1.25%) to 2020 (0.75%).

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

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$0.450 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The unconditional portion of the long service leave provision is classified as current as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

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11.2. Fair value

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

Initial recognition

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

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

Revaluation

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

As the Authority does not hold assets that meet this criteria, assets have not been revalued.

Fair value hierarchy

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

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and 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 an active market and are derived from unobservable inputs.

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

During 2019 and 2020, the Authority 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.

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

	Level 3
Recurring fair value measurements	\$'000
Land	278
Buildings and improvements	11
Infrastructure	227
Vehicles	51
Computer equipment	84
Furniture and fittings	711
Plant and equipment	751
Total recurring fair value measurements	2 113

Environment Protection Authority
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11.2. Fair value (continued)

Fair value measurements as at 30 June 2019

	Level 3 \$'000
Recurring fair value measurements	
Land	278
Buildings and improvements	12
Infrastructure	261
Vehicles	59
Computer equipment	26
Furniture and fittings	734
Plant and equipment	909
Total recurring fair value measurements	2 279

11.3. Financial instruments

Financial Risk Management

Risk management is managed by the Authority's corporate services section. Authority 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 Authority'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 Authority is funded principally from revenue received from licence fees and waste levies. The Authority works with the Department of Treasury and Finance 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 Authority 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 Authority.

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 Authority uses a combined approach where the Authority considers receivables that are impaired and then applies a provision matrix as a practical expedient to measure lifetime expected credit losses on the remaining non-government debtors.

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 Authority 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 Authority'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 Authority is exposed to credit risk.

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11.3. Financial instruments (continued)

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.

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
Current (not past due)	9 804	0.00%	-
1 - 30 days past due	247	0.03%	-
31 - 60 days past due	169	1.99%	3
61 - 90 days past due	44	9.32%	4
More than 90 days past due	879	4.22%*	71
Loss allowance			78 **

* This reflects the average loss percentage applied to debtors aged 91-150 days overdue, 151-180 days overdue, 181 days to 1 year overdue and more than 1 year overdue.

** Invoices worth \$1.218 million have not been included in the ECL model due to their unique circumstances that are not expected to occur again in the future. These have been included in the original doubtful debt balance.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Authority'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 Authority and a failure to make contractual payments for a period of greater than 90 days past due.

The Authority 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.

Market risk

The Authority does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Authority 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 Authority's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

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11.3. Financial instruments (continued)

Categorisation of Financial Instruments

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

Classification of Financial Instruments

The Authority measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Notes	2020	2019			
		Carrying amount/fair value \$'000	Carrying amount/fair value \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents						
Cash and cash equivalents		33 377	29 799	-	-	-
Financial assets at amortised cost						
Receivables	(1)(2)	1	19	-	-	-
Total financial assets		33 378	29 818	-	-	-
Financial liabilities						
Financial liabilities at amortised cost						
Payables	(1)	634	930	634	-	-
Financial liabilities		502	-	178	324	-
Total financial liabilities		1 136	930	812	324	-

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

(2) The receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 6.2 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.