

# Essential Services Commission of South Australia

Financial report  
for the year ended  
30 June 2021



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## To the Acting Chairperson Essential Services Commission

### Opinion

I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2021.

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

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting Chairperson, the Chief Executive Officer 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 the Essential Services Commission. 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 Officer and the Commissioners of the Essential Services Commission for the financial report**

The Chief Executive 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 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.

In preparing the financial report, the Chief Executive 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 Executive 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.

The Commissioners of the Essential Services Commission are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24(2) of the *Essential Services Commission Act 2002*, I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2021.

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

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

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

expressing an opinion on the effectiveness of the Essential Services Commission's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive 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 Executive Officer and the Commissioners of the Essential Services Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

**Auditor-General**

27 September 2021

# **Essential Services Commission**

## **Financial Statements**

For the year ended 30 June 2021

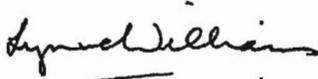
## Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Essential Services Commission:

- are in accordance with the accounts and records of the Essential Services Commission
- comply with relevant Treasurer's Instructions
- comply with relevant Australian Accounting Standards, and
- present a true and fair view of the financial position of the Essential Services Commission as at the end of the financial year and the results of its operation and cash flows for the financial year.

Internal controls employed by the Essential Services Commission for the financial year over its financial reporting and its preparation of the financial statements have been effective.

Signed in accordance with a resolution of the Essential Services Commission.



(Dr) Lynne Williams AM  
Acting Chairperson  
27 September 2021



Mr Adam Wilson  
Chief Executive Officer  
27 September 2021



Mr Nick Maion  
Chief Financial Officer  
27 September 2021

**Essential Services Commission**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2021*

	Note	2021 \$'000	2020 \$'000
<b>Income</b>			
Revenue from licence and administration fees	2.1	5 857	4 617
SA Government grants, subsidies and transfers		890	250
Revenue from services	2.2	322	90
Resources received free of charge	2.3	26	26
Other income	2.4	161	59
<b>Total income</b>		<b>7 256</b>	<b>5 042</b>
<b>Expenses</b>			
Employee benefits expenses	3.3	4 182	4 459
Supplies and services	4.1	1 544	1 712
Depreciation and amortisation		88	146
Other expenses	4.2	2	-
<b>Total expenses</b>		<b>5 816</b>	<b>6 317</b>
<b>Net result</b>		<b>1 440</b>	<b>(1 275)</b>
<b>Total comprehensive result</b>		<b>1 440</b>	<b>(1 275)</b>

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

**Essential Services Commission**  
**Statement of Financial Position**  
*as at 30 June 2021*

	Note	2021 \$'000	2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents		8 707	7 579
Receivables	6.1	1 083	1 215
<b>Total current assets</b>		<b>9 790</b>	<b>8 794</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	91	151
Intangible assets	5.3	341	24
<b>Total non-current assets</b>		<b>432</b>	<b>175</b>
<b>Total assets</b>		<b>10 222</b>	<b>8 969</b>
<b>Current liabilities</b>			
Payables	7.1	298	169
Employee benefits	3.4	434	519
Provisions	7.2	4	4
Other liabilities	7.3	167	221
<b>Total current liabilities</b>		<b>903</b>	<b>913</b>
<b>Non-current liabilities</b>			
Payables	7.1	58	73
Employee benefits	3.4	623	789
Provisions	7.2	12	8
<b>Total non-current liabilities</b>		<b>693</b>	<b>870</b>
<b>Total liabilities</b>		<b>1 596</b>	<b>1 783</b>
<b>Net assets</b>		<b>8 626</b>	<b>7 186</b>
<b>Equity</b>			
Retained earnings		8 626	7 186
<b>Total equity</b>		<b>8 626</b>	<b>7 186</b>

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

**Essential Services Commission**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2021*

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	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2019</b>	<b>8 461</b>	<b>8 461</b>
Net result for 2019-20	(1 275)	(1 275)
<b>Total comprehensive result for 2019-20</b>	<b>(1 275)</b>	<b>(1 275)</b>
<b>Balance at 30 June 2020</b>	<b>7 186</b>	<b>7 186</b>
Net result for 2020-21	1 440	1 440
<b>Total comprehensive result for 2020-21</b>	<b>1 440</b>	<b>1 440</b>
<b>Balance at 30 June 2021</b>	<b>8 626</b>	<b>8 626</b>

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

**Essential Services Commission**  
**Statement of Cash Flows**  
*for the year ended 30 June 2021*

	2021 (Outflows) Inflows \$'000	2020 (Outflows) Inflows \$'000
<b>Cash flows from operating activities</b>		
<b>Cash inflows</b>		
Receipts from licence and administration fees	5 939	4 713
Receipts from SA Government grants, subsidies and transfers	890	250
Receipts from other services	322	90
Other receipts	161	59
<b>Cash generated from operations</b>	<b>7 312</b>	<b>5 112</b>
<b>Cash outflows</b>		
Employee benefits payments	(4 459)	(4 309)
Payments for supplies and services	(1 496)	(1 707)
<b>Cash used in operations</b>	<b>(5 955)</b>	<b>(6 016)</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>1 357</b>	<b>(904)</b>
<b>Cash flows from investing activities</b>		
<b>Cash outflows</b>		
Purchase of intangible assets	(229)	-
<b>Cash used in investing activities</b>	<b>(229)</b>	<b>-</b>
<b>Net cash used in investing activities</b>	<b>(229)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 128</b>	<b>(904)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>7 579</b>	<b>8 483</b>
<b>Cash and cash equivalents at 30 June</b>	<b>8 707</b>	<b>7 579</b>

The accompanying notes form part of these financial statements.

# Essential Services Commission

## Notes to and forming part of the financial statements

For the year ended 30 June 2021

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### 1. About the Essential Services Commission

#### 1.1. Reporting entity

The Essential Services Commission (Commission) is a not for profit statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (ESC Act).

#### 1.2. Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

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

The financial statements are prepared based on a 12-month reporting period and are 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.

#### Banking arrangements

The Commission uses the banking arrangements of the Department of Treasury and Finance (DTF) under a Service Level Agreement. A non-interest bearing Special Deposit Account (SDA) entitled 'Essential Services Commission Operating Account', established by the Treasurer of South Australia (Treasurer) under the PFAA, is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

#### Tax arrangements

The Commission is not subject to income tax but is liable for fringe benefits tax (FBT), goods and services tax (GST) and payroll tax. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the Statement of Financial Position.

Other Significant accounting policies are set out in the notes.

#### 1.3. Administered items

Section 22 of the ESC Act requires that, except as otherwise directed by the Treasurer, fees or other amounts received by the Commission under that or any other Act will be paid into the Consolidated Account. The Treasurer has directed the use of the SDA for the purpose of recording all the financial transactions of the Commission.

The amounts transferred to the Consolidated Account are administered items held on behalf of the South Australian Government. The Commission is accountable for the collection and banking of those administered items, but does not have the discretion to deploy the resources for the achievement of the Commission's objectives. The receipt of these administered items is not recognised as revenue. Instead, the subsequent transfer of these items to the Consolidated Account is disclosed in notes 2.1 and 11.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**1.4. Objectives and programs**

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to the South Australian Government on economic and regulatory matters. The ESC Act and various industry Acts together provide the Commission with those regulatory and advisory powers and functions. The Commission's role under the *Planning, Development and Infrastructure Act 2016* has not commenced, as the enabling regulations are not in place.

Under the ESC Act the Commission has the primary objective of the '...protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services'.

The ESC Act sets out seven further factors which the Commission must have regard to in performing its functions, being:

- promoting competitive and fair market conduct
- preventing misuse of monopoly or market power
- facilitating entry into relevant markets
- promoting economic efficiency
- ensuring consumers benefit from competition and efficiency
- facilitating maintenance of the financial viability of regulated industries and the incentive for long-term investment, and
- promoting consistency in regulation with other jurisdictions.

The Commission has two broad advisory functions. The first is to provide advice to the Treasurer, on request, in relation to any matter (section 5(f) of the ESC Act). In that capacity the Commission acts as an adviser to the South Australian Government, providing independent advice on economic and regulatory matters.

The second is to conduct formal public inquiries (Part 7 of the ESC Act). Such inquiries can be initiated by the Commission (into any matters within its regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).

The ESC Act specifies a general set of functions for the Commission. However, the specific roles of the Commission are assigned to it under industry legislation.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

**1.4 Objectives and programs (continued)**

The following table summarises such roles for the year ended 30 June 2021.

<b>Legislation</b>	<b>Regulatory functions</b>
<i>Water Industry Act 2012</i>	Water and sewerage retail service providers: <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Retail price regulation</li> <li>• Consumer protection</li> <li>• Service / reliability standard setting</li> <li>• Performance monitoring and reporting</li> </ul> Third Party Access Regime regulator
<i>Electricity Act 1996</i>	Electricity retail operations: <ul style="list-style-type: none"> <li>• Monitoring and, if necessary, determination of the retailer Solar Photovoltaic Feed-in Tariff</li> <li>• Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports</li> <li>• Retailer Energy Productivity Scheme administration</li> </ul> Electricity generation, transmission, distribution and off-grid retailers: <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Network service / reliability standard setting</li> <li>• Performance monitoring and reporting</li> </ul>
<i>Gas Act 1997</i>	Gas retail operations: <ul style="list-style-type: none"> <li>• Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports</li> <li>• Retailer Energy Productivity Scheme administration</li> </ul> Retail and Distribution LPG gas operations: <ul style="list-style-type: none"> <li>• Licensing</li> </ul> Natural gas operations: <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Standard setting</li> <li>• Performance monitoring and reporting</li> </ul>
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access Regulator of: <ul style="list-style-type: none"> <li>• Tarcoola–Darwin railway</li> <li>• Intrastate railway</li> </ul>
<i>Maritime Services (Access) Act 2000</i>	Ports services pricing and access regulator
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the State Government (not yet commenced, as the enabling regulations are not in place)
<i>Statutes Amendment (Local Government Review) Act 2021 (received Royal assent on 17 June 2021, not yet commenced)</i>	The Commission has functions relating to the provision of advice on the appropriateness of amendments to, and revenue sources for, local councils' long-term financial and infrastructure and asset management plans (yet to commence).

**1.5. Impact of COVID-19 pandemic on the Commission**

The COVID-19 pandemic has not had an impact on the operations of the Commission.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**2. Income**

**2.1. Revenue from licence and administration fees**

	Note	Electricity \$'000	Gas \$'000	Water \$'000	2021 \$'000	2020 \$'000
Licence fees		6 157	2 396	8 603	17 156	17 573
Administration fees		1 000	278	-	1 278	1 074
Administered items	11	(5 857)	(2 354)	(4 366)	(12 577)	(14 030)
<b>Total revenue from licence and administration fees</b>		<b>1 300</b>	<b>320</b>	<b>4 237</b>	<b>5 857</b>	<b>4 617</b>

Revenue from the issuing of licence and administration fees is recognised at the point in time the licence is issued and upon annual renewal. Licence and administration fees are set by the relevant Minister in accordance with the relevant Act. Unearned revenue is recognised where cash is received by the Commission for licence or administration fees prior to the date of renewal or issue.

**2.2. Revenue from services**

	2021 \$'000	2020 \$'000
Contribution to rail regulatory costs by Northern Territory Government	322	90
<b>Total revenue from services</b>	<b>322</b>	<b>90</b>

Contributions are recognised as revenues upon receipt.

**2.3. Resources received free of charge**

	2021 \$'000	2020 \$'000
Services received free of charge - Shared Services SA	26	26
<b>Total resources received free of charge</b>	<b>26</b>	<b>26</b>

Contribution of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated. The Commission receives Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA.

**2.4. Other income**

	2021 \$'000	2020 \$'000
Other income	161	59
<b>Total other income</b>	<b>161</b>	<b>59</b>

Includes salary reimbursement of \$80 000 (2020: \$48 000) and Water for Fodder Advice funding of \$81 000 (2020: \$0).

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**3. Commission, committees and employees**

**3.1. Key management personnel**

Key management personnel of the Commission include the Commissioners, Chief Executive Officer and four members of the Leadership Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$1 396 000 (2020: \$1 519 000) and excludes salaries and other benefits for the Minister. 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 DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

**Transactions with key management personnel and other related parties**

The Commission did not enter into any transactions with key management personnel or their close family during the reporting period.

**3.2. Commission and committee members**

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2021 financial year were:

**Essential Services Commission**

Mr Brett Rowse (Chairperson)  
Dr Lynne Williams AM  
Ms June Roache  
Mr David Round AM  
Mr David Swift

**Consumer Advisory Committee**

Mr Brett Rowse (Chairperson)\*\*  
Ms Elaine Attwood  
Ms Sue Averay  
Mr Sandy Canale \*\*  
Mr Mark Henley  
Mr Andrew McKenna  
Ms Heather Smith  
Mr Ross Womersley

**Power Line Environment Committee**

Mr Kevin Hamilton (Chairperson)  
Mr Andrew Burnell\*  
Mr Klinton Devenish (Appointment commenced 26 November 2020)  
Ms Jo Davidson\*  
Ms Margaret Lee  
Ms Kerry McConnell\*  
Mr Mike Magin  
Mr Kim Steinle

\* In accordance with the Premier and Cabinet Circular No016 government employees did not receive any remuneration for Commission / committee duties during the reporting period.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**3.2 Commission and committee members (continued)**

\*\* No remuneration was received by Mr Brett Rowse in the role of Chairperson of the Consumer Advisory Committee and Mr Sandy Canale has elected to not be remunerated.

**Commission and committee remuneration**

The number of members* whose remuneration received or receivable falls within the following bands:	<b>2021</b>	<b>2020</b>
\$0 - \$19 999	15	16
\$20 000 - \$39 999	-	2
\$40 000 - \$59 999	3	2
\$60 000 - \$79 999	2	2
<b>Total number of members</b>	<b>20</b>	<b>22</b>

\* If members sit on multiple committees they are only counted once.

The total remuneration received or receivable by members was \$295 000 (2020: \$299 000). Remuneration of members reflect all costs of performing duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the Commission would have adopted if dealing with the related party at arm's length in the same circumstances.

**3.3. Employee benefits expenses**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	3 077	3 217
Long service leave	49	30
Annual leave	259	289
Skill and experience retention leave	(8)	25
Employment on-costs - superannuation	340	372
Employment on-costs - other	167	182
Commission and committee fees*	271	295
Other employee related expenses	27	49
<b>Total employee benefits expenses</b>	<b>4 182</b>	<b>4 459</b>

\* Commission and committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on-costs - superannuation. See note 3.2 for details of remuneration for Commission and committee members.

**Employment on-costs – superannuation**

The superannuation employment on-cost charge represents the Commissions' contributions to superannuation plans in respect of current services of current employees. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**3.3 Employee benefits expenses (continued)**

**Remuneration of employees**

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

	2021	2020
	No.	No.
\$154 001 - \$174 000	1	2
\$194 001 - \$214 000	2	1
\$214 001 - \$234 000	-	1
\$234 001 - \$254 000	-	1
\$314 001 - \$334 000	1	-
\$334 001 - \$354 000	1	-
\$394 001 - \$414 000	-	1
<b>Total remuneration of employees</b>	<b>5</b>	<b>6</b>

The total remuneration received by these employees for the year was \$1 235 000 (2020: \$1 392 000).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year, of which 4 (2020: 4) are executive and 1 (2020: 2) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

**3.4. Employee benefits liability**

	2021	2020
	\$'000	\$'000
<b>Current</b>		
Accrued salaries and wages	102	135
Annual leave	222	286
Long service leave	99	73
Skills and experience retention leave	11	25
<b>Total current employee benefits</b>	<b>434</b>	<b>519</b>
<b>Non-current</b>		
Long service leave	623	789
<b>Total non-current employee benefits</b>	<b>623</b>	<b>789</b>
<b>Total employee benefits</b>	<b>1 057</b>	<b>1 308</b>

Employee benefits accrue for employees 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 their nominal amounts.

**Salaries and wages, annual leave, skills and experience retention leave 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.

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2021*

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**3.4 Employee benefits liability (continued)**

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and are 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 to be 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 at note 10.1.

**4. Expenses**

Employee benefits expenses are disclosed in note 3.3.

**4.1. Supplies and services**

	2021	2020
	\$'000	\$'000
Accommodation	442	432
General administration	554	565
Information technology charges	292	259
Consultants	201	351
Contractors	40	91
Other supplies and services	15	14
<b>Total supplies and services</b>	<b>1 544</b>	<b>1 712</b>

Total Supplies and services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the ATO.

**Accommodation**

The Commission's accommodation is provided by the Department for Infrastructure and Transport (DIT) under Memorandum of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease and are expensed (included in Accommodation).

**Consultants**

The number of consultancies and dollar amount paid/payable (included in expense shown above) to consultants were:

	2021	2021	2020	2020
	No.	\$'000	No.	\$'000
Below \$10 000	3	14	3	15
\$10 000 or above	5	187	5	336
<b>Total</b>	<b>8</b>	<b>201</b>	<b>8</b>	<b>351</b>

**4.2. Other expenses**

	2021	2020
	\$'000	\$'000
Doubtful debts expense	2	-
<b>Total other expenses</b>	<b>2</b>	<b>-</b>

**Essential Services Commission**  
**Notes to and forming part of the financial statements**  
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**5. Non-financial assets**

**5.1. Property, plant and equipment by asset class**

	2021 \$'000	2020 \$'000
<b>Building fit-outs</b>		
Building fit-outs at cost (deemed fair value)	566	566
Accumulated depreciation	(475)	(415)
<b>Total building fit-outs</b>	<u>91</u>	<u>151</u>
<b>Total property, plant and equipment</b>	<u>91</u>	<u>151</u>

**5.2. Property, plant and equipment owned by the Commission**

Property, plant and equipment owned by the Commission with a value of \$15 000 or more is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value. Detail about the Commission's approach to fair value is set out in note 10.2.

**Reconciliation of property, plant and equipment**

The following table shows the movement in value of property, plant and equipment for the year ended 30 June 2021.

	Building fit-outs \$'000	Total \$'000
Carrying amount at 1 July 2020	151	151
Depreciation and amortisation	(60)	(60)
<b>Carrying amount at 30 June</b>	<u>91</u>	<u>91</u>

**5.3. Intangible assets**

	2021 \$'000	2020 \$'000
<b>Internally developed software</b>		
Internally developed computer software at cost	401	240
Accumulated amortisation	(244)	(220)
<b>Total internally generated software</b>	<u>157</u>	<u>20</u>
<b>Externally developed software</b>		
Externally developed computer software at cost	184	184
Accumulated amortisation	(184)	(180)
<b>Total externally developed software</b>	<u>-</u>	<u>4</u>
<b>Work in Progress</b>		
At cost	184	-
<b>Total work in progress</b>	<u>184</u>	<u>-</u>
<b>Total Intangible Assets</b>	<u>341</u>	<u>24</u>

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**5.3 Intangible assets (continued)**

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

The acquisition 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 \$15 000.

The Commission is developing a new Retail Energy Productivity Scheme system to replace the Retailer Energy Efficiency Scheme system. Partial completion has been capitalised or treated as work in progress at year end. It is expected to be fully operational in the 2021-22 financial year.

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2021.

**Reconciliation of intangible assets**

The following table shows the movement of intangible assets for the year ended 30 June 2021.

	<b>Internally developed software</b>	<b>Externally developed software</b>	<b>Work in progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amount at 1 July 2020</b>	20	4	-	24
Additions - Retail Energy Productivity Scheme	161	-	4	165
Additions - Regulatory Intelligence System	-	-	180	180
Amortisation	(24)	(4)	-	(28)
<b>Carrying amount at 30 June 2021</b>	<b>157</b>	<b>-</b>	<b>184</b>	<b>341</b>

**Depreciation and amortisation**

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

**Useful life**

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

<b>Class of asset</b>	<b>Useful life (years)</b>
Leasehold improvements	3-10
Furniture and fittings	3-10
Office equipment – Information Technology	3-5
Office equipment - Other	3-5
Intangibles	3-10

**Review of accounting estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. No adjustments were made during the reporting period. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

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**6. Financial assets**

**6.1. Receivables**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Licences and Administration Receivable	719	839
Less impairment loss on receivables	(3)	(1)
<b>Total trade receivables</b>	<u>716</u>	<u>838</u>
Accrued revenue	303	319
Prepayments	64	58
<b>Total current receivables</b>	<u>1 083</u>	<u>1 215</u>
<b>Total receivables</b>	<u>1 083</u>	<u>1 215</u>

Receivables arise in the normal course of the issue or renewal of energy and water licences to licensees and administration fees to energy retailers. Receivables are normally settled within 30 days after the issue of an invoice. Receivables, prepayments and accrued revenues are non-interest bearing. Collectability of receivables is reviewed on an ongoing basis. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

**Impairment loss for receivables**

	2021 \$'000	2020 \$'000
Carrying amount at the beginning of the period	1	41
Amounts written off	-	(40)
Increase / (decrease) in allowance recognised in profit or loss	2	-
<b>Carrying amount at the end of the period</b>	<u>3</u>	<u>1</u>

Refer to note 10.3 for the methodology for determining impairment.

**7. Liabilities**

**7.1. Payables**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Creditors and accrued expenses	237	94
Employment on-costs	61	75
<b>Total current payables</b>	<u>298</u>	<u>169</u>
<b>Non-Current:</b>		
Employment on-costs	58	73
<b>Total non-current payables</b>	<u>58</u>	<u>73</u>
<b>Total payables</b>	<u>356</u>	<u>242</u>

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**7.1 Payables (continued)**

Payables are measured at nominal amounts.

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 and superannuation contributions and are settled when the respective employee benefit that they relate to are discharged. The Commission makes contributions to the South Australian Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There are no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the DTF, the percentage of the proportion of long service leave taken has remained at 42% in 2021 and the average factor for the calculation of the employer superannuation on-costs has increased from 9.8% in 2020 to 10.1% in 2021. These rates are used in the employment on-cost calculation. The net financial effect of the change on employment on-costs and employee benefit expense is immaterial.

**7.2. Provisions**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Workers' compensation	4	4
<b>Total current provisions</b>	<u>4</u>	<u>4</u>
<b>Non-Current:</b>		
Workers' compensation	12	8
<b>Total non-current payables</b>	<u>12</u>	<u>8</u>
<b>Total provisions</b>	<u>16</u>	<u>12</u>
<b>Movement in provisions</b>	2021 \$'000	2020 \$'000
Carrying amount at the beginning of the period	12	9
Additional provisions recognised	<u>4</u>	<u>3</u>
<b>Carrying amount at the end of the period</b>	<u>16</u>	<u>12</u>

**Workers compensation provision**

The Commission is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Commission 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.

The provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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**7.3. Other liabilities**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Unearned revenue	167	221
<b>Total current other liabilities</b>	<b>167</b>	<b>221</b>
<b>Total other liabilities</b>	<b>167</b>	<b>221</b>

Unearned revenue is recognised where cash is received by the Commission for licence and administration fees prior to the date of renewal.

**8. Changes in accounting policy**

The Commission has assessed the impact of the new amended Australian Accounting Standards and Interpretations and changes to the Accounting Policy Statements issued by the Treasurer. The Commission considers there will be no impact on the financial statements.

**9. Outlook**

**9.1. Unrecognised contractual commitments**

Commitments arise from contractual or statutory sources and are disclosed at their nominal value.

**Expenditure commitments**

Commitments for accommodation and consultant contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2021 \$'000	2020 \$'000
Within one year	894	458
Later than one year but not later than five years	268	635
<b>Total expenditure commitments</b>	<b>1 162</b>	<b>1 093</b>

**9.2. Contingent assets and contingent 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 Commission is not aware of any contingent assets or contingent liabilities as at 30 June 2021.

**9.3. COVID-19 pandemic outlook for the Commission**

The Commission does not expect any material impact on its operations in 2021-22.

**9.4. Impacts of standards not yet effective**

The Commission has assessed the impact of the new amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer and considers there will be no impact on the financial statements.

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**9.5. Events after the reporting period**

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

**10. Measurement and risk**

**10.1. Long service leave liability - measurement**

AASB 119 *Employee Benefits* describes 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 across the South Australian Government.

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 increased from 0.75% in 2020 to 1.25% in 2021.

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 actuarial assessment performed by the DTF has kept the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from the changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$78 255 and employee benefits expense of \$84 555. 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.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

**10.2. Fair value**

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

**Initial recognition**

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible and intangible assets with a value equal to or in excess of \$15 000 are capitalised.

**Revaluation**

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

All non-current assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 500 000 and estimated useful life is greater than three years.

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**10.2 Fair value (continued)**

**Plant and equipment**

All items of plant and equipment had a fair value less than \$1 500 000 at time of acquisition. The carrying value of these items are deemed to approximate fair value.

**10.3. Financial instruments**

**Financial risk management**

Risk management is overseen by the Commission and the Commission's Leadership Team. The Risk Management Framework set by the Commission is 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 Commission's exposure to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held and the current assessment of risk. Financial Instruments are measured at amortised cost.

**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 Commission 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.

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

Loss allowance on the Commission's receivables at 30 June 2021 was \$3 000 (2020: \$1 000).

**Categorisation of financial instruments**

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

The total financial assets consisting of cash and cash equivalents are \$8 707 000 (2020: \$7 579 000). Total financial liabilities comprising payables are \$207 000 (2020: \$52 000).

The contractual maturities of all financial instruments are expected to be within 1 year.

**Receivables and payables**

The amount of payables disclosed excludes amounts relating to statutory payables (Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). The Commission's receivables balance consists entirely of statutory receivables.

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**11. Administered items**

*Australian Energy Market Commission*

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity and gas licence and administration fees received by the Commission for the Australian Energy Market Commission. In 2021 \$2 426 000 (2020: \$2 148 000) was transferred.

*Consumer Advocacy and Research Fund*

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Consumer Advocacy and Research Fund. In 2021 \$294 000 (2020: \$288 000) was transferred.

*Technical Regulator*

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity, gas and water licence fees received by the Commission for the Technical Regulator. In 2021 \$8 903 000 (2020: \$10 662 000) was transferred.

*Department for Environment and Water*

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department for Environment and Water. In 2021 \$571 000 (2020: \$557 000) was transferred.

*Department of Treasury and Finance*

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department of Treasury and Finance. In 2021 \$384 000 (2020: \$375 000) was transferred.