

Kangaroo Island
Natural Resources Management Board

Financial report
for the year ended
30 June 2020



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To the Presiding Member Kangaroo Island Natural Resources Management Board

Opinion

I have audited the financial report of the Kangaroo Island Natural Resources Management Board 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 Kangaroo Island Natural Resources Management Board 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 and Chief Financial Officer of the Department for Environment and Water.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Kangaroo Island Natural Resources Management Board. 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 Board and the board for the financial report

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

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 37(2) of the *Natural Resources Management Act 2004* (repealed 1 July 2020), I have audited the financial report of Kangaroo Island Natural Resources Management Board 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 Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- 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 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 "Richardson", with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General
27 November 2020

Kangaroo Island Natural Resource Management Board

Financial Statements

For the year ended 30 June 2020

Kangaroo Island Natural Resource Management Board
Certification of the Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Kangaroo Island Natural Resource Management Board:

- 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 Kangaroo Island Natural Resource Management Board
- present a true and fair view of the financial position of the Kangaroo Island Natural Resource Management Board 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 Kangaroo Island Natural Resource Management Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Andrew Heinrich
Presiding Member
25 November 2020



Shaun O'Brien
Chief Financial Officer
Department for Environment and Water
25 November 2020

Kangaroo Island Natural Resource Management Board
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Regional NRM Levies	2.1	402	395
Commonwealth funding	2.2	2 079	1 658
Grants	2.3	1 694	1 198
Interest	2.4	8	15
Other income	2.5	204	147
Total income		4 387	3 413
Expenses			
Board committee and related expenses	3.2	39	46
Supplies and services	4.1	3 646	2 749
Grants and subsidies	4.2	104	11
Depreciation	4.3	102	35
Borrowing costs	4.4	4	-
Other expenses	4.5	43	42
Total expenses		3 938	2 883
Net result		449	530
Total comprehensive result		449	530

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

Kangaroo Island Natural Resource Management Board
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	837	838
Receivables	6.2	1 001	539
Total current assets		1 838	1 377
Non-current assets			
Property, plant and equipment	5.1	340	130
Total non-current assets		340	130
Total assets		2 178	1 507
Current liabilities			
Payables	7.1	211	223
Financial liabilities	7.2	76	-
Total current liabilities		287	223
Non-current liabilities			
Financial liabilities	7.2	158	-
Total non-current liabilities		158	-
Total liabilities		445	223
Net assets		1 733	1 284
Equity			
Retained earnings		1 733	1 284
Total equity		1 733	1 284

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

Kangaroo Island Natural Resource Management Board
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	754	754
Net result for 2018-19	530	530
Total comprehensive result for 2018-19	530	530
Balance at 30 June 2019	1 284	1 284
Net result for 2019-20	449	449
Total comprehensive result for 2019-20	449	449
Balance at 30 June 2020	1 733	1 733

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

Kangaroo Island Natural Resource Management Board
Statement of Cash flows
for the year ended 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Grants, levies and other receipts		2 298	1 752
Commonwealth funding received		1 618	1 137
Interest received		9	15
Cash generated from operating activities		3 925	2 904
Cash outflows			
Supplies and services		(3 657)	(2 705)
Grants and subsidies		(104)	(11)
Board, group and committee member payments		(39)	(46)
Interest paid		(4)	-
Other payments		(43)	(42)
Cash used in operating activities		(3 847)	(2 804)
Net cash provided by operating activities		78	100
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(5)	(43)
Cash used in investing activities		(5)	(43)
Net cash (used in) investing activities		(5)	(43)
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(74)	-
Cash used in financing activities		(74)	-
Net cash provided (used in) financing activities		(74)	-
Net (decrease)/increase in cash and cash equivalents		(1)	57
Cash and cash equivalents at the beginning of the reporting period		838	781
Cash and cash equivalents at the end of the reporting period	6.1	837	838

The accompanying notes form part of these financial statements.

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Kangaroo Island Natural Resource Management Board
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for the year ended 30 June 2020

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Kangaroo Island Natural Resource Management Board

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. About the Kangaroo Island Natural Resource Management Board

The Kangaroo Island Natural Resource Management Board (the Board) was established pursuant to section 23(1) of the *Natural Resources Management Act 2004* (the NRM Act).

The Board operates under a Natural Resources Management Plan (NRM Plan) which was adopted by the Minister for Sustainability, Environment and Conservation in May 2017.

The Board's financial statements include the use of income, expenses, assets and liabilities controlled or incurred by the Board in its own right.

On 1 July 2020, the NRM Act was repealed and the Board was abolished.

By way of a Notice in the Government Gazette on 25th June 2020, the property, assets, rights and liabilities of the Kangaroo Island NRM Board, from 1 July 2020 are vested in or attached to the Kangaroo Island Landscape Board.

Direction by the Minister

On 16 April 2012, the Minister for Environment and Water, pursuant to sub-section 24(3) of the *NRM Act*, directed the Board to:

- use the Department for Environment and Water (DEW) to provide the Board's business support and NRM services to the region
- enter into an agreement for these services
- fund the services and projects set out in the agreement.

The Board entered into a one year Service Level Agreement (SLA) with DEW during 2019-20 for the delivery of support services to the Board to ensure it is able to meet its statutory requirements under the NRM Act and an annual work plan for the delivery of the Board's Business Plan. This agreement details the services, projects and funds to deliver the annual work plan. This SLA is reviewed and updated on an annual basis.

In accordance with notice published in the Government Gazette on 21 June 2012, all Board staff was transferred from employment under the *NRM Act* to the *Public Sector Act 2009*. This was effective from 1 July 2012 at which date staff were brought into the administrative unit of DEW. As a consequence:

- DEW assumed responsibility for the staff previously employed under the *NRM Act* by the Board
- all staff are employed by the Chief Executive, DEW under the *Public Sector Act 2009*
- DEW is responsible for the management, supervision, liability, Work Health and Safety and human resources management of the staff that undertake services under the SLA
- staff undertaking services on behalf of the Board are assigned to the Board under the NRM Act
- the payment for staff salaries are recharged to the Board under a Fee for Service Arrangement.

Kangaroo Island Natural Resource Management Board

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 with reduced disclosure requirements.

For the 2019-20 financial statements the Board 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 8.

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.

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

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

1.2. Objectives and programs

Board's objectives

The Board serves the Government and the people of South Australia by achieving excellence in the provision of Natural Resources Management.

The objectives of the Board as defined in the NRM Act are:

- to undertake an active role with respect to the management of natural resources within its region
- to prepare a regional NRM plan in accordance with the NRM Act, to implement the plan and to keep the plan under review to ensure the objects of the NRM Act are being achieved
- to promote public awareness and understanding of the importance of integrated and sustainable natural resources management within its region, to undertake or support educational activities with respect to natural resources management, and to provide mechanisms to increase the capacity of people to implement programs or to take other steps to improve the management of natural resources
- to provide advice with respect to the assessment of various activities or proposals referred to the Board under the NRM Act
- at the request of the Minister or the NRM Council, or of its own initiative, to provide advice on any matter relevant to the condition of natural resources within its region, or on the management of those resources, to conduct any inquiry or audit, or to provide any other advice or report that may be appropriate in the circumstances
- any other functions assigned to the Board by the Minister by or under the NRM Act or any other Act.

Kangaroo Island Natural Resource Management Board

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1.2. Objectives and programs (continued)

Board goals and programs

In achieving its objectives, the Board provides a range of services that are classified into the following five goals in the Regional NRM plan approved by the Minister in May 2017.

Goal 1 – Distinctiveness

This goal involves ensuring that Kangaroo Island's unique qualities and character are protected and enhanced for the enjoyment and benefit of the community and visitors and for future generations

Goal 2 – Healthy Resilient Environment

This goal involves ensuring that Kangaroo Island's ecosystems are healthy and resilient, biodiversity loss is minimised and ecosystems continue to deliver life-supporting services

Goal 3 – Thriving Community

This goal involves ensuring that the Kangaroo Island community enjoys a high level of well-being, is resilient and connected

Goal 4 – Vibrant Economy

This goal involves ensuring that Kangaroo Island prospers with a vibrant economy that is based on sustainably managed natural resources, primary production and industry that underpins its brand value

Goal 5 – Governance and Local Knowledge

This goal involves ensuring that the Kangaroo Island community uses an adaptive governance approach, learning and making decisions together, valuing all knowledge types and sharing information freely.

The Board has determined that income, expenses, assets and liabilities cannot be reliably attributed to individual programs.

1.3. Impact of COVID-19 pandemic on the Board

The COVID-19 pandemic impacted from March 2020. DEW on behalf of the NRM Board managed the move of a significant number of staff to work from home arrangements where feasible. DEW also ensured precautions were taken for staff and the public where sites and facilities remained open, adopting best practice advice to ensure personal safety at those sites

1.4. Impact of the Kangaroo Island Bushfires on the Board

In December 2019, multiple fires burnt 212,000 ha, nearly half of Kangaroo Island.

All projects being implemented by the Board felt the impacts of the bushfires and have adapted their work to best assist the recovering Kangaroo Island community, industry and environment. In response the Board supported the community by:

- broadening presentations and workshops to include fire recovery
- delaying on-ground works delivery until landholders have the capacity and the materials to undertake the works
- facilitating specialist assistance for fire affected landholders such as coordinating arborist visits

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4. Impact of the Kangaroo Island Bushfires on the Board (continued)

- removing threats to recovering flora and fauna, for example feral pigs and feral cats
- installing sediment barriers in priority watercourses to prevent water contamination from sedimentation and eutrophication and to protect threatened species habitat and communities
- facilitating bushfire recovery planning through assisting with the planning and delivery of the KI Wildlife Recovery Workshop and associated field trip in February with the National Environmental Science Program and SA Department for Environment and Water.

2. Income

2.1. Regional NRM levies

	2020	2019
	\$'000	\$'000
Regional NRM Levy collected through Councils	402	395
Total regional NRM Levies	402	395

Regional NRM levy collected through Councils

The Minister declares contributions by councils under section 92 of the NRM Act 2004 for the relevant financial year by notice in the Government Gazette. The Regional NRM levy is then collected by constituent councils from ratepayers and is based on the value of rateable land. The Regional NRM levies are recognised as revenue when the Board obtains controls over the assets comprising these receipts which is the beginning of the levy period to which they relate. Councils may also seek to recover any outgoing costs associated with the collection of the levy.

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.2. Commonwealth funding

	2020	2019
	\$'000	\$'000
Commonwealth funding		
Regional Land Partnerships Program*	1 876	1 329
Department of Agriculture and Water Resources	203	300
Department of the Environment and Energy	-	29
Total Commonwealth funding	2 079	1 658

	2020	2019
	\$'000	\$'000
* Regional Land Partnerships Program funding consists of the following components		
Core services	441	476
Recovering the Kangaroo Island Narrow Leaved Mallee Woodland	390	427
Creating a Safe Haven for the Kangaroo Island Dunnart	430	211
Future Proofing Agriculture on Kangaroo Island	130	130
Planning for the Future of the Kangaroo Island Dunnart	285	85
Emergency Pest Mitigation	200	-
Total Regional Land Partnership funding	1 876	1 329

Assets arising from Commonwealth funding in scope of AASB 1058 are recognised at their fair value when an asset is received. Commonwealth funding is paid in arrears, subject to an approved declaration of claim. The Board has determined that it has an unconditional contractual right to receive a portion of the funding under AASB 9 when a claim is submitted, as it has satisfied the eligibility criteria and expects that the claim will be accepted. Accordingly, revenue and a receivable are recognised when the claim is submitted.

2.3. Grant revenues

	2020	2019
	\$'000	\$'000
Grant revenues from SA Government		
State Government recurrent funding	1 424	1 143
State Government Grants	-	55
Total grant revenues from SA Government	1 424	1 198
Other grant revenues		
Sundry grants	270	-
Total other grant revenues	270	-
Total grant revenues	1 694	1 198

Income from grants without sufficiently specific performance obligations is recognised when the entity obtains control over the assets. This is when the cash is received.

State Government recurrent funding

Recurrent grant funding is provided to the Board via the NRM Fund, to deliver core operational and governance requirements, in accordance with the NRM Act and the Board's Business Plan.

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.4. Interest

	2020	2019
	\$'000	\$'000
Interest revenues from entities within the SA Government	8	15
Total interest revenues	8	15

2.5. Other income

	2020	2019
	\$'000	\$'000
Sale of goods	113	71
Support services income	81	25
Sponsorship	8	46
Other revenue	2	5
Total other income	204	147

Other income includes revenue generated from the sales of goods such as native plants and associated equipment. The revenue is recognised upon the delivery of the service to the customer, which is in arrears, therefore no contract liability is recognised.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Board include the Minister for Environment and Water, the Presiding Member, all other members of the Board and the Regional Director who have responsibility for the strategic direction and management of the Board.

The total compensation for the Board's key management personnel was \$156 000 in 2019-20 and \$135 000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Environment and Water 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*.

Related party transactions

The Board is a body corporate and was established pursuant to the *Natural Resources Management Act 2004* and is wholly owned and controlled by the Crown.

Related parties of the Board include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

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

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.2. Board and committee members

Members during the 2019-20 financial year were:

NRM Board

A Heinrich (Presiding Member, re-appointed February 2020)
A J S Florance (ceased February 2020)
J M Stanton (ceased February 2020)
D W Welford (ceased February 2020)
C J B Taylor (ceased February 2020)

Biosecurity Advisory Committee

C J B Taylor (Chair)
R V Glatz
M W Veitch
P D Rismiller
D S Connell
P K Davis
B M Overton

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

	2020	2019
\$0 - \$19 999	10	15
\$20 000 - \$29 999	1	-
Total number of members	11	15

The total remuneration received or receivable by members was \$36 000 (2019: \$36 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits, and related fringe benefits tax.

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members. These expenses, in addition to payroll tax amount to \$3 000 (2019: \$10 000).

4. Expenses

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Fee for service - Board funded DEW salaries	1 991	1 592
Fee for service	478	435
Fee for service - Corporate services fee to DEW	384	308
Minor works, maintenance and equipment	250	44
Motor vehicles	101	62
Fee for service - Shared Services SA fee	56	54
General administration	45	27
Travel and accommodation	36	25
Information technology and communication expenses	32	28
Accommodation and property management	25	111
Contracted staff development	4	5
Transport	3	1
Other supplies and services	241	57
Total supplies and services	3 646	2 749

Kangaroo Island Natural Resource Management Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

4.2. Grants and subsidies

	2020	2019
	\$'000	\$'000
Recurrent grants	104	11
Total grants and subsidies	104	11

The Board provided financial assistance to private bodies during the year. Funds are paid by way of grants and all recipients are required to comply with conditions relevant to each grant.

For contributions payable, the contribution will be recognised as a liability and expense when the Board has a present obligation to pay the contribution and the expense recognition criteria are met.

4.3. Depreciation

	2020	2019
	\$'000	\$'000
Plant and equipment	25	35
Right-of-use buildings	77	-
Total depreciation	102	35

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

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, which is a change in accounting estimate.

Useful life

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

Class of asset	Useful life (years)
Plant and equipment	5-10
Right-of-use buildings	3

4.4. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	4	-
Total borrowing costs	4	-

4.5. Other expenses

	2020	2019
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	43	42
Total other expenses	43	42

No other services were provided by the Auditor-General's Department.

Kangaroo Island Natural Resource Management Board
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

	2020	2019
	\$'000	\$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	266	281
Accumulated depreciation	(204)	(194)
Total plant and equipment	62	87
Capital works in progress		
Capital works in progress at cost	48	43
Total capital works in progress	48	43
Right-of-use buildings		
Right-of-use buildings (at cost)	307	-
Accumulated depreciation	(77)	-
Total right-of-use buildings	230	-
Total property, plant and equipment	340	130

The gross value of plant and equipment assets held decreased by \$15 000 in 2019-20 due to the disposal of an asset which was fully depreciated.

5.2. Property, plant and equipment owned by the Board

Reconciliation 2019-20

	Plant and equipment	Capital work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	87	43	130
Acquisitions	-	5	5
Depreciation	(25)	-	(25)
Carrying amount at 30 June 2020	62	48	110

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

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

Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2020.

Kangaroo Island Natural Resource Management Board
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 Board

Property, plant and equipment leased by the Board are recorded at cost. Net additions to leased property during 2019-20 were \$0.230 million (2019: \$nil).

The Board has two leases held directly between the Board and landlords, one for office accommodation in Kingscote and the other is for the Nursery and Seedbank facility, operations includes propagation and sales of seedlings and plants. Rent is payable in arrears for both leases. The Office accommodation is leased from Berden Family Super Fund and is in place up to 30 June 2023 and the Nursery facility is leased from Caj Amadio in place up to 30 June 2023. Lease payments are reviewed annually in line with CPI indexation.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Board's maturity analysis of its lease liabilities is disclosed in note 10.2. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4.3 and 4.4 respectively. Cash outflows related to leases are disclosed in the Statement of Cash Flows.

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	837	838
Total cash and cash equivalents	837	838

Cash is measured at nominal value.

Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates.

6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Receivables from government entities	774	-
Receivables from non-government entities	16	17
Accrued revenues	211	522
Total current receivables	1 001	539
Total receivables	1 001	539

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally 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.

The expected credit loss of receivables is considered to be nil.

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7. Liabilities

7.1. Payables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade payables	64	137
Accrued expenses	147	86
Total current payables	211	223
Total payables	211	223

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

7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	76	-
Total current financial liabilities	76	-
Non-current		
Lease liabilities	158	-
Total non-current financial liabilities	158	-
Total financial liabilities	234	-

The Board measures financial liabilities at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above. For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

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8. Changes in accounting policy

8.1. 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 Board's retained earnings as at 1 July 2019 was \$nil.

The Board disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$108 000 under *AASB 117*.

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 Board 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 liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.49%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

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8.1. AASB 16 Leases (continued)

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 Board'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 Board, in the capacity of a lessee, does not include non-lease components in lease amounts.
- 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.

8.2. 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.

Impact on retained earnings

The total impact on the Board's retained earnings as at 1 July 2019 was \$ nil.

8.3. 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 also contains requirements for the receipt of volunteer services. 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.

Accounting policies on transition

The total impact on the Board's retained earnings as at 1 July 2019 was \$ nil.

Kangaroo Island Natural Resource Management Board

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8.4 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 Board. 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.

9. Outlook

9.1. Unrecognised contractual commitments

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

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	-	27
Later than one year but not later than five years	-	81
Total operating lease commitments	-	108

Operating lease commitments comprise the following:

The Board has two operating leases. One is for the Nursery and seedbank operation which includes propagation and sales of seedlings and plants. Rent is payable in arrears. The Nursery/ facility is leased from Caj Amadio. The lease has a remaining term of 36 months for the seedbank facility, and is non-cancellable with a right of renewal for further 5 years. The second is for staff accommodation for approximately 20 staff. The lease has a remaining term of 36 months and is non-cancellable with a right of renewal for further 5 years. Leases are reviewed annually in line with CPI indexation.

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.

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9.1. Unrecognised contractual commitments (continued)

Expenditure commitments

The Board's expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	335	-
Total other commitments	335	-

Commitments under non-cancellable contracts are for grant payments or services at the reporting date.

9.2. Contingent assets and liabilities

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

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

9.3. COVID-19 pandemic outlook for the Board

The COVID-19 pandemic impacted the Board from March 2020 and will continue to impact on the forward commitments transferred to the Kangaroo Island Landscape Board in 2020-21. DEW on behalf of the NRM Board managed the move of a significant number of staff to work from home arrangements where feasible. DEW also ensured precautions were taken for staff and the public where sites and facilities remained open, adopting best practice advice to ensure personal safety at those sites.

The key expected impacts are:

- Delays to works specified in the NRM Plan and business plan due to travel restrictions
- Amendments to project delivery to enable social distancing
- Postponement of scheduled events such as face to face workshops
- Changes to working arrangements for staff, facilitating working from home

9.4. Events after the reporting period

On 1 July 2020, the *Natural Resources Management Act 2004* was repealed and the Kangaroo Island Natural Resources Management (NRM) Board was abolished.

The Kangaroo Island NRM Board has ceased operations, and the management of land, water, pest, plants and animals, and biodiversity across the region is now managed by the Kangaroo Island Landscape Board.

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10. Measurement and risk

10.1. Fair value

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

Initial recognition

Non-current 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 restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

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

The revaluation process is reviewed by the Regional Director and audit committee each year.

Non-current tangible assets are valued at fair value and revaluation of a non-current asset 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 Board does not hold assets that meet these criteria, assets have not been revalued.

10.2. Financial instruments

Financial risk management

Risk management is managed by the Board's corporate services section and Board 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 Board's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

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

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10.2 Financial instruments (continued):

Categorisation of financial instruments

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

Classification of financial instruments

The Board measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying amount \$'000	2019 Carrying amount \$'000	2020 Contractual maturities		
				Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<u>Financial assets</u>						
Financial assets at amortised cost						
Cash and cash equivalents	6.1	837	838	n/a	n/a	n/a
Receivables	6.2	1 001	539	n/a	n/a	n/a
Total financial assets		1 838	1 377	-	-	-
<u>Financial liabilities</u>						
Financial liabilities at amortised cost						
Payables	7.1	152	173	152	-	-
Lease liabilities	7.2	234	-	76	158	-
Total financial liabilities		386	173	228	158	-

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

Receivables and payables

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.