

# South Australian State Emergency Service

Financial report  
for the year ended  
30 June 2020



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## To the Chief Officer South Australian State Emergency Service

### Opinion

I have audited the financial report of South Australian State Emergency Service 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 South Australian State Emergency Service 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 Chief Officer and the Business Manager.

### Basis for opinion

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

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

## **Responsibilities of the Chief Officer for the financial report**

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

## **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* section 120(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of South Australian State Emergency Service for the financial year ended 30 June 2020.

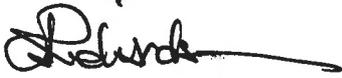
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 South Australian State Emergency Service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

**Auditor-General**

24 September 2020

**South Australian State Emergency Service  
(SES)**

**Financial Statements**

For the year ended 30 June 2020

**South Australian State Emergency Service**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2020*

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We certify that the attached general-purpose financial statements for the South Australian State Emergency Service:

- 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 South Australian State Emergency Service
- present a true and fair view of the financial position of the South Australian State Emergency Service 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 South Australian State Emergency Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Chris Beattie  
Chief Officer

17 September 2020



Silvana Di Ciocco  
Business Manager

18 September 2020

**South Australian State Emergency Service**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Contributions from the Community Emergency Services Fund	2.1	22 998	21 084
Fees and charges	2.2	159	-
Intra-government transfers	2.3	41	465
Investment and interest revenues	2.4	15	23
Donated asset	2.5	-	99
Other income	2.6	51	105
Net gain from disposal of non-current assets	4.5	-	4
<b>Total income</b>		<b>23 264</b>	<b>21 780</b>
<b>Expenses</b>			
Employee benefits	3.2	7 493	7 400
Supplies and services	4.1	10 133	9 044
Grants and subsidies	4.2	88	123
Depreciation and amortisation	4.4	2 908	2 460
Net loss from disposal of non-current assets	4.5	236	-
Borrowing costs	4.3	21	-
<b>Total expenses</b>		<b>20 879</b>	<b>19 027</b>
<b>Net result</b>		<b>2 385</b>	<b>2 753</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to net result</b>			
Changes in property, plant and equipment asset revaluation surplus		3 330	-
<b>Items that will be reclassified subsequently to net result when specific conditions are met</b>			
Gains or losses recognised directly in equity		(14)	6
<b>Total other comprehensive income</b>		<b>3 316</b>	<b>6</b>
<b>Total comprehensive result</b>		<b>5 701</b>	<b>2 759</b>

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

**South Australian State Emergency Service**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	2 135	2 267
Receivables	6.2	734	307
Other financial assets	6.3	191	283
<b>Total current assets</b>		<b>3 060</b>	<b>2 857</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	49 599	43 748
Intangible assets	5.4	197	19
<b>Total non-current assets</b>		<b>49 796</b>	<b>43 767</b>
<b>Total assets</b>		<b>52 856</b>	<b>46 624</b>
<b>Current liabilities</b>			
Payables	7.1	1 120	1 504
Employee benefits	3.3	1 254	1 090
Provisions	7.3	203	210
Financial liabilities	7.2	153	-
<b>Total current liabilities</b>		<b>2 730</b>	<b>2 804</b>
<b>Non-current liabilities</b>			
Payables	7.1	126	151
Employee benefits	3.3	1 367	1 654
Provisions	7.3	1 382	1 436
Financial liabilities	7.2	971	-
<b>Total non-current liabilities</b>		<b>3 846</b>	<b>3 241</b>
<b>Total liabilities</b>		<b>6 576</b>	<b>6 045</b>
<b>Net assets</b>		<b>46 280</b>	<b>40 579</b>
<b>Equity</b>			
Asset revaluation surplus		8 482	5 152
Retained earnings		37 806	35 421
Investments market value reserve		(8)	6
<b>Total equity</b>		<b>46 280</b>	<b>40 579</b>

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

**South Australian State Emergency Service**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

	Investments market value reserve	Asset revaluation surplus	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2018</b>	-	5 152	32 668	37 820
Net result for 2018-19	-	-	2 753	2 753
Gains or losses recognised directly in equity	6	-	-	6
<b>Total comprehensive result for 2018-19</b>	<b>6</b>	<b>-</b>	<b>2 753</b>	<b>2 759</b>
<b>Balance at 30 June 2019</b>	<b>6</b>	<b>5 152</b>	<b>35 421</b>	<b>40 579</b>
<b>Net result for 2019-20</b>	-	-	2 385	2 385
Gain on revaluation of land and buildings during 2019-20	-	1 390	-	1 390
Loss on revaluation of vehicles during 2019-20	-	(378)	-	(378)
Gain on revaluation of plant and equipment during 2019-20	-	2 318	-	2 318
Gains or losses recognised directly in equity	(14)	-	-	(14)
<b>Total comprehensive result for 2019-20</b>	<b>(14)</b>	<b>3 330</b>	<b>2 385</b>	<b>5 701</b>
<b>Balance at 30 June 2020</b>	<b>(8)</b>	<b>8 482</b>	<b>37 806</b>	<b>46 280</b>

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

**South Australian State Emergency Service**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

		2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
<b>Cash flows from operating activities</b>	<b>Note</b>		
<b>Cash inflows</b>			
Contributions from Community Emergency Services Fund		22 998	21 084
Fees and charges		26	-
Investment and interest received		15	23
Intra-government transfers		41	465
GST recovered from the Australian Taxation Office		886	1 026
Other receipts		8	187
<b>Cash generated from operations</b>		<b>23 974</b>	<b>22 785</b>
<b>Cash outflows</b>			
Employee benefits payments		(7 676)	(7 544)
Supplies and services payments		(11 687)	(9 891)
Grants and subsidies payments		(88)	(123)
Interest paid		(21)	-
<b>Cash used in operations</b>		<b>(19 472)</b>	<b>(17 558)</b>
<b>Net cash provided by / (used in) operating activities</b>	<b>8.2</b>	<b>4 502</b>	<b>5 227</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from the sale of property, plant and equipment		109	74
<b>Cash generated from investing activities</b>		<b>109</b>	<b>74</b>
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(4 665)	(4 623)
Purchase of investment		78	210
<b>Cash used in investing activities</b>		<b>(4 587)</b>	<b>(4 413)</b>
<b>Net cash provided by / (used in) investing activities</b>		<b>(4 478)</b>	<b>(4 339)</b>
<b>Cash outflows</b>			
Repayment of leases		(156)	-
<b>Cash used in financing activities</b>		<b>(156)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(132)</b>	<b>888</b>
Cash and cash equivalents at the beginning of the reporting period		2 267	1 379
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6.1</b>	<b>2 135</b>	<b>2 267</b>

The accompanying notes form part of these financial statements.

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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# South Australian State Emergency Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2020

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#### 1. About the South Australian State Emergency Service

Under the *Fire and Emergency Services Act 2005* (the Act), the South Australian State Emergency Service (SES) is a body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of SES.

SES does not control any other entity and has no interest in unconsolidated structured entities.

SES has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

#### 1.1. Basis of preparation

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

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

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

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

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

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

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

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

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

#### 1.2. Trust funds

SES administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for the transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of SES's own objectives.

Transactions and balances relating to the trust assets are not recognised as SES's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Trust Funds', refer note 11.4.

The accrual basis of accounting and applicable accounting standards has been adopted.

# South Australian State Emergency Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2020

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#### 1.3. Objectives and programs

##### Objectives

The South Australian State Emergency Service (SES) is a volunteer based, not for profit body corporate of the State of South Australia. SES was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency
- to assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency
- to deal with any emergency until such time as anybody or person that has the lawful authority to assume control of operations for dealing with the emergency
- to respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency
- to undertake rescues.

##### Funding arrangements

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

Funds generated by Units through fund raising activities are held locally for expenditure in the local community.

These funds are recognised as part of the 'other income' within SES's financial statements.

##### Programs

In achieving its objectives, SES provides these services classified under one program titled 'State Emergency Service'.

These services are predominantly provided by volunteers. As at 30 June 2020, the State Emergency Services has 1599 volunteers.

#### 1.4. Impact of COVID-19 pandemic on SES

The COVID-19 pandemic has impacted on the operations of the SES and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- Additional expenditure to keep personnel safe while maintaining service delivery to the community.
- Additional expenditure to support the South Australian response to the COVID-19 pandemic.
- Reduced capital expenditure due to supplier business restrictions.
- Increased expected credit losses on fees and charges resulting from the impact of the COVID-19 pandemic on businesses.

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

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**1.5. Budget performance**

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

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
<b>Statement of Comprehensive Income</b>				
<b>Income</b>				
Contributions from the Community Emergency Services Fund		21 540	22 998	1 458
Fees and charges		-	159	159
Intra-government transfers		-	41	41
Investment and interest revenues		23	15	(8)
Other income		96	51	(45)
<b>Total income</b>		<b>21 659</b>	<b>23 264</b>	<b>1 605</b>
<b>Expenses</b>				
Employee benefits		7 521	7 493	(28)
Supplies and services	a	9 001	10 133	1 132
Grants and subsidies		93	88	(5)
Depreciation and amortisation		2 316	2 908	592
Net loss from disposal of non-current assets		-	236	236
Borrowing costs		-	21	21
<b>Total expenses</b>		<b>18 931</b>	<b>20 879</b>	<b>1 948</b>
<b>Net result</b>		<b>2 728</b>	<b>2 385</b>	<b>(343)</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified to net result</b>				
Changes in property, plant and equipment asset revaluation surplus	b	-	3 330	3 330
<b>Items that will be reclassified subsequently to net result when specific conditions are met</b>				
Gains or losses recognised directly in equity		-	(14)	(14)
<b>Total other comprehensive income</b>		<b>-</b>	<b>3 316</b>	<b>3 316</b>
<b>Total comprehensive result</b>		<b>2 728</b>	<b>5 701</b>	<b>2 973</b>

	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
<b>Investing expenditure summary</b>			
Total annual program	4 768	4 665	(103)
<b>Total investing expenditure</b>	<b>4 768</b>	<b>4 665</b>	<b>(103)</b>

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.5. Budget performance (continued)**

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

- a. Supplies and services were higher than budgeted levels due to an increase in out of scale costs predominantly for the support provided for the Kangaroo Island bushfires and interstate deployment associated with the NSW and QLD bushfires. Also, there were expenditure associated with additional accommodation costs with the Department of Planning, Transport and Infrastructure and an increase in Bureau of Meteorology services.
- b. The movement in the asset valuation is as a result of an independent valuation undertaken in 2019-20.

**1.6. Significant transactions with government entities**

**Significant transactions with government related entities**

The following transactions were significant for SES:

- Contributions from the Community Emergency Services Fund (refer note 2.1).
- Payment to the Attorney-General's Department for the government radio network of \$3.05 million

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Contributions from the Community Emergency Service Fund**

	2020	2019
	\$'000	\$'000
Community Emergency Services Fund	22 998	21 084
<b>Total Contributions from the Community Emergency Services Fund</b>	<b>22 998</b>	<b>21 084</b>

Contributions from Community Emergency Services Fund are recognised as revenues when SES obtains control over the funding. Control over contributions is normally obtained upon receipt

For details on the expenditure associated with the operational funding and capital funding refer notes 3.2, 4.1,4.2,4.3 and 5.1

**2.2. Fees and charges**

	2020	2019
	\$'000	\$'000
Incident cost recoveries	159	-
<b>Total fees and charges</b>	<b>159</b>	<b>-</b>

Income from fees and charges is derived from recoveries of costs associated with other state government emergencies where SASES has been deployed to assist. This revenue is recognised upon delivery of the service or by reference to the stage of completion.

**2.3. Intra-government transfers**

	2020	2019
	\$'000	\$'000
Intra agency grants	38	465
State government	3	-
<b>Total intra-government transfers</b>	<b>41</b>	<b>465</b>

Contributions are recognised as an asset and income when SES obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

SA Government grants and contributions consist of National Disaster Resilience Program funding for SES Basecamp Shelters.

**2.4. Investment and interest revenues**

	2020	2019
	\$'000	\$'000
Dividend Income	5	6
Interest on deposit accounts	10	17
<b>Total investment and interest revenues</b>	<b>15</b>	<b>23</b>

**2.5. Donated Asset**

	2020	2019
	\$'000	\$'000
Donated asset	-	99
<b>Total donated asset</b>	<b>-</b>	<b>99</b>

In 2018-19 the SES received donated shares. These shares are not held for trading.

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2.6. Other income**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Donations	14	5
Unit fundraising	6	26
Insurance recoveries	-	1
Sundry revenues	8	3
Other	23	70
<b>Total other income</b>	<b>51</b>	<b>105</b>

Other income is recognised upon receipt.

**2.7. Resources received free of charge**

SES volunteer members give a significant number of hours to providing frontline emergency response services to the community. A value for volunteer services received has not been recognised in the financial statements as the recognition criteria of AASB 1058 Income of Not for Profit Entities has not been met.

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**3. Board, committees and employees**

**3.1. Key management personnel**

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

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Emergency Services. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
<b>Compensation</b>		
Salaries and other short term employee benefits	482	473
Post-employment benefits	43	43
<b>Total compensation</b>	<u>525</u>	<u>516</u>

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

There are no material transactions or balances to disclose with key management personnel or related parties.

**3.2. Employee benefits expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages	6 115	5 675
Workers compensation	(18)	37
Employment on-costs - superannuation	633	640
Annual leave	460	554
Long service leave	(149)	295
Payroll tax	352	356
Skills and experience retention leave	16	27
Additional compensation	51	(226)
Other employment related expenses	33	42
<b>Total employee benefits expenses</b>	<u>7 493</u>	<u>7 400</u>

**Employment on-costs - superannuation**

The superannuation employment on-cost charge represents SES contributions to superannuation plans in respect of current services of current employees.

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**3.2. Employee benefits expenses (continued)**

**Remuneration of employees**

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

	2020	2019
	Number	Number
\$151 000 to \$154 000*	N/A	-
\$154 001 to \$174 000	4	2
\$174 001 to \$194 000	-	1
\$214 001 to \$234 000	-	1
\$234 001 to \$254 000	1	-
\$274 001 to \$294 000	1	1
<b>Total</b>	<b>6</b>	<b>5</b>

(\*) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The total remuneration received by these employees for the year was \$1.18 million (2019: \$1.02 million).

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

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**3.3. Employee benefits liability**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Accrued salaries and wages	184	123
Annual leave	941	838
Skills and experience retention leave	30	35
Long service leave	99	94
<b>Total current employee benefits</b>	<b>1 254</b>	<b>1 090</b>
<b>Non-current</b>		
Long service leave	1 367	1 654
<b>Total non-current employee benefits</b>	<b>1 367</b>	<b>1 654</b>
<b>Total employee benefits</b>	<b>2 621</b>	<b>2 744</b>

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

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

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention liability are payable later than 12 months, the liability will be measured at present value.

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

**Long service leave**

The liability for long service leave is 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 project unit credit methods. Details about the measurement of long service leave liability is provided as note 11.1.

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**4. Expenses**

Employee benefits expenses are disclosed in note 3.2

**4.1. Supplies and services**

	2020	2019
	\$'000	\$'000
Government radio network	3 050	2 960
Operating lease costs	-	1 130
Short term leases	1	-
Accommodation	1 193	-
Operational costs	1 291	958
Vehicle	778	698
Travel and training	520	613
Property Costs	508	540
Computing Costs	737	573
Communication	385	310
Consultancy, contractors and legal fees	655	270
Uniforms and protective clothing	327	345
Insurance premiums	86	83
Shared Services SA payments	1	-
Other expenses	601	564
<b>Total supplies and services</b>	<b>10 133</b>	<b>9 044</b>

**Accommodation**

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

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

**Other**

Audit fees paid/payable to the Auditor-General's Department (AGD) relating to work performed under the *Public Finance and Audit Act* were \$30 000 (2019: \$29 000). These costs are recognised in Other Expenses above. No other services were provided by the Auditor-General's Department.

**Operating leases**

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term. Operating lease payments do not include payments associated with accommodation MoAA. This information is provided for 2018-19 only, as AASB 16 Leases does not distinguish between operating and finance leases for lessees.

	2020	2019
	\$'000	\$'000
Operating lease minimum payments	-	1 130
<b>Total</b>	<b>-</b>	<b>1 130</b>

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**4.1. Supplies and services (continued)**

**Consultants**

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

	2020 Number	2020 \$'000	2019 Number	2019 \$'000
Below \$10 000	2	12	-	-
\$10 000 or above	2	40	2	36
<b>Total</b>	<b>4</b>	<b>52</b>	<b>2</b>	<b>36</b>

**4.2. Grants and subsidies**

	2020 \$'000	2019 \$'000
Recurrent grant	88	123
<b>Total grants and subsidies</b>	<b>88</b>	<b>123</b>

**4.3. Borrowing Costs**

	2020 \$'000	2019 \$'000
Interest expense on lease liabilities	21	-
<b>Total Borrowing Costs</b>	<b>21</b>	<b>-</b>

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**4.4. Depreciation and amortisation**

	2020	2019
	\$'000	\$'000
<b>Depreciation</b>		
Vehicles	1 099	928
Buildings	861	777
Communications	336	341
Computers	149	212
Plant and equipment	289	198
Right-of-use buildings	160	-
Right-of-use vehicles	6	-
<b>Total depreciation</b>	<b>2 900</b>	<b>2 456</b>
<b>Amortisation</b>		
Software	8	4
<b>Total amortisation</b>	<b>8</b>	<b>4</b>
<b>Total depreciation and amortisation</b>	<b>2 908</b>	<b>2 460</b>

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

**Useful life**

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

<b>Class of asset</b>	<b>Useful life (years)</b>
Buildings	40
Vehicles	20
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5
ROU Assets	Remaining term of leases

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

**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.

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**4.5. Net gain / (loss) from disposal of non-current assets**

	2020	2019
	\$'000	\$'000
<b>Land and buildings</b>		
Proceeds from disposal	-	-
Less net book value of assets disposed	(220)	-
<b>Net gain / (loss) from disposal of land and buildings</b>	<u>(220)</u>	<u>-</u>
<b>Vehicles</b>		
Proceeds from disposal	104	72
Less net book value of assets disposed	(125)	(70)
<b>Net gain / (loss) from disposal of vehicles</b>	<u>(21)</u>	<u>2</u>
<b>Plant and equipment</b>		
Proceeds from disposal	5	2
Less net book value of assets disposed	-	-
<b>Net gain / (loss) from disposal of plant and equipment</b>	<u>5</u>	<u>2</u>
<b>Total assets</b>		
Total proceeds from disposal	109	74
Less total value of assets disposed	(345)	(70)
<b>Total net gain / (loss) from disposal of non-current assets</b>	<u><u>(236)</u></u>	<u><u>4</u></u>

Gains/losses on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

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**5. Non-financial assets**

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

	2020	2019
	\$'000	\$'000
<b>Land</b>		
Land at fair value	4 617	4 236
<b>Total land</b>	<u>4 617</u>	<u>4 236</u>
<b>Buildings</b>		
Buildings at fair value	21 942	23 845
Accumulated depreciation	(611)	(3 937)
<b>Total buildings</b>	<u>21 331</u>	<u>19 908</u>
<b>Vehicles</b>		
Vehicles at fair value	14 077	17 317
Accumulated depreciation	( 770)	(4 089)
<b>Total vehicles</b>	<u>13 307</u>	<u>13 228</u>
<b>Communications (Comms.) equipment</b>		
Communications equipment at fair value	2 408	2 703
Accumulated depreciation	(237)	(1 361)
<b>Total communications equipment</b>	<u>2 171</u>	<u>1 342</u>
<b>Computer equipment</b>		
Computer equipment at fair value	694	1 072
Accumulated depreciation	(77)	(834)
<b>Total computer equipment</b>	<u>617</u>	<u>238</u>
<b>Plant and equipment</b>		
Plant and equipment at fair value	3 105	1 846
Accumulated depreciation	(226)	(921)
<b>Total plant and equipment</b>	<u>2 879</u>	<u>925</u>
<b>Capital work in progress</b>		
Capital works in progress at cost (deemed fair value)	3 563	3 871
<b>Total capital work in progress</b>	<u>3 563</u>	<u>3 871</u>
<b>Right-of-use buildings</b>		
Right-of-use buildings (at cost)	1 273	-
Accumulated depreciation	(160)	-
<b>Total right-of-use buildings</b>	<u>1 113</u>	<u>-</u>
<b>Right-of-use vehicles</b>		
Right-of-use vehicles (at cost)	7	-
Accumulated depreciation	(6)	-
<b>Total right-of-use vehicles</b>	<u>1</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<u><u>49 599</u></u>	<u><u>43 748</u></u>

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**5.2. Property, plant and equipment owned by SES**

**Acquisition and recognition**

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

**Impairment**

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

**Reconciliation 2019-20**

	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Comms. equipment</b>	<b>Computer equipment</b>	<b>Plant &amp; equipment</b>	<b>Work in progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July 2019	4 236	19 908	13 228	1 342	238	925	3 871	43 748
Acquisitions	-	-	-	-	-	-	4 665	4 665
Transfers from capital WIP	-	1 522	1 674	146	-	1 445	(4 973)	(186)
Transfers between asset classes	-	(27)	-	-	-	27	-	-
Revaluation increment	382	1 008	(378)	1 019	528	771	-	3 330
Depreciation	-	(861)	(1 099)	(336)	(149)	(289)	-	(2 734)
Disposals	(1)	(219)	(125)	-	-	-	-	(345)
Other	-	-	7	-	-	-	-	7
<b>Carrying amount at 30 June 2020</b>	<b>4 617</b>	<b>21 331</b>	<b>13 307</b>	<b>2 171</b>	<b>617</b>	<b>2 879</b>	<b>3 563</b>	<b>48 485</b>

**Reconciliation 2018-19**

	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Comms. equipment</b>	<b>Computer equipment</b>	<b>Plant &amp; equipment</b>	<b>Work in progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July 2018	3 546	18 332	12 829	1 352	439	892	4 284	41 674
Acquisitions	690	-	-	-	-	-	3 910	4 600
Transfers from capital WIP	-	2 353	1 397	331	11	231	(4 323)	-
Depreciation	-	(777)	(928)	(341)	(212)	(198)	-	(2 456)
Disposals	-	-	(70)	-	-	-	-	(70)
<b>Carrying amount at 30 June 2019</b>	<b>4 236</b>	<b>19 908</b>	<b>13 228</b>	<b>1 342</b>	<b>238</b>	<b>925</b>	<b>3 871</b>	<b>43 748</b>

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**5.3. Property, plant and equipment leased by SES**

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

SES has a limited number of leases:

- 1 motor vehicle lease with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- The SES has three commercial leases for buildings which are for the purpose of SES operational and administrative activities.

**Impairment**

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

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. SES' maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4.3 and 4.4. Cash outflows related to leases are disclosed in note 8.2.

**5.4. Intangible assets**

	2020	2019
	\$'000	\$'000
<b>Software</b>		
Computer software	209	23
Accumulated amortisation	(12)	(4)
<b>Total software</b>	<u>197</u>	<u>19</u>
<b>Total intangible assets</b>	<u>197</u>	<u>19</u>

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

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

**Reconciliation 2019-20**

	Computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2019	19	19
Transfers from capital WIP	186	186
Amortisation	(8)	(8)
<b>Carrying amount at 30 June 2020</b>	<u>197</u>	<u>197</u>

**Reconciliation 2018-19**

	Computer software	Total
	\$'000	\$'000
Transfers from capital WIP	23	23
Amortisation	(4)	(4)
<b>Carrying amount at 30 June 2020</b>	<u>19</u>	<u>19</u>

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**6. Financial assets**

**6.1. Cash and cash equivalents**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits with the Treasurer	955	1 177
Cash on hand	-	1
Cash at bank	-	12
Cash at bank - Units	894	774
Short-term deposits - Units	194	231
Short-term deposits	92	72
<b>Total cash and cash equivalents</b>	<b>2 135</b>	<b>2 267</b>

Cash is measured at nominal amounts.

**Deposits with the Treasurer**

One operating account is held with the Treasurer. This account is interest bearing.

**Short term deposits**

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

**Interest rate risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represent fair value.

**6.2. Receivables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Receivables	118	-
Prepayments	202	80
Accrued revenues	59	1
GST input tax recoverable	355	226
<b>Total current receivables</b>	<b>734</b>	<b>307</b>
<b>Total receivables</b>	<b>734</b>	<b>307</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Refer to note 11.3 for further information on risk management.

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 net amount of GST payable to the ATO is included as part of receivables.

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**6.3. Other financial assets**

	2020	2019
	\$'000	\$'000
Medium term deposits - Units	100	178
Investments classified as fair value through other comprehensive income		
Listed equity instruments	91	105
<b>Total other financial assets</b>	<b>191</b>	<b>283</b>

Medium-term deposits are made for varying periods of between three months and twelve months. The deposits are lodged with various financial institutions at their respective medium-term deposit rates.

The equity instruments are carried at fair value.

Investments were designated at fair value through other comprehensive income with all changes in fair value being taken to the investment reserve. These investments are not subject to impairment testing.

On disposal of these equity investments, any related balance within the investment reserve will be reclassified to retained earnings. Dividends arising from these investments will be recognised in the statement of comprehensive income.

For further information on risk management refer to note 11.3.

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**7. Liabilities**

Employee benefits liabilities are disclosed in note 3.3

**7.1. Payables**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Creditors	120	210
Accrued expenses	787	1 107
Employment on-costs	213	187
<b>Total current payables</b>	<u>1 120</u>	<u>1 504</u>
<b>Non-current</b>		
Employment on-costs	126	151
<b>Total non-current payables</b>	<u>126</u>	<u>151</u>
<b>Total payables</b>	<u><u>1 246</u></u>	<u><u>1 655</u></u>

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.

The net amount of GST recoverable from the ATO is included as part of payables.

**Employment on-costs**

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the percentage of the proportion of long service leave taken as leave has changed from the 2019 rate (41%) to 42% and the average factor for the calculation of employer superannuation cost on-cost is 9.8% (2019: 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

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**7.2. Financial Liabilities**

	2020	2019
	\$'000	\$'000
Lease liabilities	153	-
<b>Total current financial liabilities</b>	<b>153</b>	<b>-</b>
Lease liabilities	971	-
<b>Total non-current financial liabilities</b>	<b>971</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1 124</b>	<b>-</b>

All material cash outflows are reflected in the lease liabilities disclosed above.

**7.3. Provisions**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Provision for workers' compensation	194	197
Additional compensation	9	13
<b>Total current provisions</b>	<b>203</b>	<b>210</b>
<b>Non-current</b>		
Provision for workers' compensation	644	753
Additional compensation	738	683
<b>Total non-current provisions</b>	<b>1 382</b>	<b>1 436</b>
<b>Total provisions</b>	<b>1 585</b>	<b>1 646</b>

<b>Movement in provisions</b>	2020	2019
	\$'000	\$'000
<b>Workers' compensation:</b>		
Carrying amount at the beginning of the period	950	1 064
Reductions arising from payments	(94)	37
Reductions resulting from re-measurement	(18)	(151)
<b>Carrying amount at the end of the period</b>	<b>838</b>	<b>950</b>
<b>Additional compensation:</b>		
Carrying amount at the beginning of the period	696	937
Reductions arising from payments	-	(226)
Additional provisions recognised	51	(15)
<b>Carrying amount at the end of the period</b>	<b>747</b>	<b>696</b>

**Workers' Compensation**

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

SES is responsible for the payment of workers' compensation claims.

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**7.3. Provisions (continued)**

**Additional Compensation for Certain Work-Related Injuries or Illnesses (Additional Compensation provision)**

Additional compensation was introduced in 2018 and provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The additional compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to workers as required under current arrangements.

SES is responsible for the payment of additional compensation claims.

There is a degree of uncertainty associated with this estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the additional compensation provision is impacted by a short claim's history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

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**8. Other disclosures**

**8.1 Equity**

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

**Investment reserve**

The reserve is used to record all changes in fair value of investments classified as fair value through other comprehensive income.

**8.2 Cash flow reconciliation**

	2020	2019
	\$'000	\$'000
<b>Leases</b>		
Buildings	171	-
Vehicles	6	-
<b>Total cash outflow for leases</b>	<u>177</u>	<u>-</u>

	2020	2019
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	2 135	2 267
<b>Balance as per the Statement of Cash Flows</b>	<u>2 135</u>	<u>2 267</u>

<b>Reconciliation of net cash provided by operating activities to net result</b>		
Net cash provided by/(used in) operating activities	4 502	5 227
<b>Add / (less) non-cash items</b>		
Depreciation and amortisation	(2 908)	(2 460)
Donated Asset	-	99
Net gain/(loss) from disposal of non-current assets	(236)	4

<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	427	(64)
(Increase)/decrease in payables	416	(212)
(Increase)/decrease in employee benefits	123	(196)
(Increase)/decrease in provisions	61	355
<b>Net cost</b>	<u>2 385</u>	<u>2 753</u>

**South Australian State Emergency Service**  
**Notes to and forming part of the financial statements**  
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**9. Changes in accounting policy**

**9.1. AASB 16 Leases**

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

The adoption of AASB 16 *Leases* from 1 July 2019 resulted 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 SES' retained earnings as at 1 July 2019 is as follows:

	<u>\$'000</u>
<b>Closing retained earnings 30 June 2019 – AASB 117</b>	<b>35 421</b>
<b><u>Assets</u></b>	
Right-of-use assets	1 280
<b><u>Liabilities</u></b>	
Lease liabilities	<u>1 280</u>
<b>Opening retained earnings 1 July 2019 – AASB 16</b>	<b><u>35 421</u></b>

SES disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$3.3 million under AASB 117.

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

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$1.3 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

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

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.1 applies the correct classification for both the current and comparative years.

# South Australian State Emergency Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2020

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#### 9.1. AASB 16 Leases (continued)

##### 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. SES 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 lease 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 1.5%.
- 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.

##### 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 SES' 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.
- SES, 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.

#### 9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

##### Impact on retained earnings

On transition, there was no impact on retained earnings.

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**Notes to and forming part of the financial statements**  
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**9.3. AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 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**

On transition, there was no impact on retained earnings.

**9.4. Presentation of Financial Statements**

Treasurer's Instructions (Accounting Policy Statements) issued on 01 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 SES. 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.

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**10. Outlook**

**10.1. Unrecognised contractual commitments**

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

**Capital commitments**

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

	2020	2019
	\$'000	\$'000
Within one year	46	203
<b>Total capital commitments</b>	<b>46</b>	<b>203</b>

The capital commitments relate to building improvements.

**Expenditure commitments**

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

	2020	2019
	\$'000	\$'000
Within one year	965	830
Later than one year but not later than five years	1 205	1 329
<b>Total expenditure commitments</b>	<b>2 170</b>	<b>2 159</b>

Contractual commitments relate to information technology contracts and staff training.

**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	-	148
Later than one year but not later than five years	-	527
Later than five years	-	627
<b>Total operating lease commitments</b>	<b>-</b>	<b>1 302</b>

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for Memoranda of Administrative Arrangements with the Department of Planning, Transport and Infrastructure for accommodation. This has been reclassified and included under expenditure commitments. For more detail about the reclassification see Note 9.1.

**South Australian State Emergency Service**  
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**10.2. Contingent assets and liabilities**

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

SES is not aware of any contingent assets or liabilities.

**10.3. Impact of standards and statements not yet effective**

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

**AASB 1059 Service Concession Arrangements: Grantors**

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. SES has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

**10.4. COVID-19 pandemic outlook for SES**

The COVID-19 pandemic will continue to impact the operations of SES in 2020-21. The key expected impacts are:

- Further significant outbreaks of the COVID-19 pandemic in South Australia would see greater response measures with associated additional expenses.
- Additional expenditure may be incurred due to supplier business restrictions.
- Expected credit losses may continue at elevated levels until economic conditions improve.

**10.5. Events after the reporting period**

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

**South Australian State Emergency Service**  
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**11. Measurement and risk**

**11.1. Long service leave**

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (1.00%).

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.47 million and employee benefits expense of \$1.64 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 2.50% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**11.2. Fair value**

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

**Initial recognition**

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

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

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**11.2 Fair value (continued)**

**Revaluation**

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

The revaluation process is reviewed by SES each year.

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

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

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

**Fair value hierarchy**

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

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in active market and are derived from unobservable inputs.

During 2020 and 2019, SES had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

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

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land	5.1	320	4 297	4 617
Buildings	5.1	-	21 331	21 331
Vehicles	5.1	-	13 307	13 307
Communication equipment	5.1	-	2 171	2 171
Computer equipment	5.1	-	617	617
Plant and equipment	5.1	-	2 879	2 879
<b>Total recurring fair value measurements</b>		<b>320</b>	<b>44 602</b>	<b>44 922</b>
<b>Total recurring fair value measurements</b>		<b>320</b>	<b>44 602</b>	<b>44 922</b>

**South Australian State Emergency Service**  
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**11.2. Fair value (continued)**

**Fair value classification – non-financial assets at 30 June 2019**

		Level 2	Level 3	Total
Recurring fair value measurements	Note	\$'000	\$'000	\$'000
Land	5.1	1 939	2 297	4 236
Buildings	5.1	9 742	10 166	19 908
Vehicles	5.1	-	13 228	13 228
Communication equipment	5.1	-	1 342	1 342
Computer equipment	5.1	-	238	238
Plant and equipment	5.1	-	925	925
<b>Total recurring fair value measurements</b>		<b>11 681</b>	<b>28 196</b>	<b>39 877</b>
<b>Total recurring fair value measurements</b>		<b>11 681</b>	<b>28 196</b>	<b>39 877</b>

**Land and Buildings**

An independent valuation of land and buildings was performed by a Certified Practising Valuer from Liquid Pty Ltd as at 1 November 2019. The Emergency Services Sector did not revalue land and buildings related to peppercorn leased sites. These have been recognised at their carrying amounts from 30 June 2019. The land and buildings values at revaluation were considered relevant for 30 June 2020.

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

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

**Plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life that less than three years. Plant and equipment have not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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**11.2. Fair value (continued)**

**Reconciliation of level 3 recurring fair value measurement at 30 June 2020**

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	2 297	10 166	13 228	1 342	238	925	28 196
Capitalised asset transfers	-	1 522	1 674	146	-	1 445	4 787
Disposals	(1)	(219)	(125)	-	-	-	(345)
Transfers between asset classes	-	(27)	-	-	-	27	-
Transfer to level 3	1 619	9 742	7	-	-	-	11 368
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(861)	(1 495)	(336)	(149)	(289)	(3 130)
<b>Total gains/(losses) recognised in net result</b>	<b>-</b>	<b>(861)</b>	<b>(1 495)</b>	<b>(336)</b>	<b>(149)</b>	<b>(289)</b>	<b>(3 130)</b>
Gains/(losses) for the period recognised in other comprehensive income (OCI):							
Revaluation increments/(decrements)	382	1 008	(378)	1 019	528	771	3 330
<b>Total gains/(losses) recognised in OCI</b>	<b>382</b>	<b>1 008</b>	<b>(378)</b>	<b>1 019</b>	<b>528</b>	<b>771</b>	<b>3 330</b>
<b>Carrying amount at the end of the period</b>	<b>4 297</b>	<b>21 331</b>	<b>12 911</b>	<b>2 171</b>	<b>617</b>	<b>2 879</b>	<b>44 206</b>

**Reconciliation of Level 3 recurring fair value measurement at 30 June 2019**

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	2 297	10 661	12 829	1 352	439	892	28 470
Capitalised asset transfers	-	-	1 397	331	11	231	1 970
Disposals	-	-	(70)	-	-	-	(70)
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(495)	(928)	(341)	(212)	(198)	(2 174)
<b>Total gains/(losses) recognised in net result</b>	<b>-</b>	<b>(495)</b>	<b>(928)</b>	<b>(341)</b>	<b>(212)</b>	<b>(198)</b>	<b>(2 174)</b>
<b>Carrying amount at the end of the period</b>	<b>2 297</b>	<b>10 166</b>	<b>13 228</b>	<b>1 342</b>	<b>238</b>	<b>925</b>	<b>28 196</b>

# South Australian State Emergency Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2020

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#### 11.3. Financial instruments

##### Financial risk management

Risk management is managed by SES corporate services section and SES 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 exposure of SES to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

##### Liquidity risk

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

Refer to note 7.1 and 7.2 for further information.

##### Credit risk

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

##### Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. SES uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors. It is expected the credit loss for SES is nil.

All of SES's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. Due to the nature of SES's trade debtors in the prior year, the impairment was assessed as nil.

##### Market risk

SES has non-interest-bearing assets (cash on hand and receivables) and liabilities (payables) and interest-bearing assets (cash at bank and investments). SES's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

SES does not trade in foreign currency, enter into transactions for speculative purpose nor for hedging. SES does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

##### Categorisation of financial instruments

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

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**11.3. Financial instruments (continued)**

**Categorisation and maturity analysis of financial assets and liabilities**

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2020 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>					
<b>Cash and cash equivalents</b>					
Cash and cash equivalents	6.1	2 135	2 135	-	-
<b>Financial assets at amortised cost</b>					
Receivables	6.2	177	177	-	-
<b>Financial assets classified as fair value through other comprehensive income</b>					
Other financial assets	6.3	191	191	-	-
<b>Total financial assets</b>		<b>2 503</b>	<b>2,503</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at amortised cost</b>					
Payables	7.1	907	907	-	-
Financial liabilities	7.2	1 124	153	971	-
<b>Total financial liabilities</b>		<b>2 031</b>	<b>1 060</b>	<b>971</b>	<b>-</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>					
<b>Cash and cash equivalents</b>					
Cash and cash equivalents	6.1	2 267	2 267	-	-
<b>Loans and receivables</b>					
Receivables	6.2	1	1	-	-
Other financial assets	6.3	283	283	-	-
<b>Total financial assets</b>		<b>2 551</b>	<b>2,551</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
Payables	7.1	1 317	1 317	-	-
<b>Total financial liabilities</b>		<b>1 317</b>	<b>1,317</b>	<b>-</b>	<b>-</b>

**South Australian State Emergency Service**  
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**11.3. Financial instruments (continued)**

**Receivables and payables**

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. 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 cost (not materially different from amortised cost).

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2

**11.4. Trust funds**

	2020	2019
	\$'000	\$'000
Cash at bank	158	189
<b>Total trust funds</b>	<b>158</b>	<b>189</b>

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the State Emergency Services Headquarters in Australia. SES will administer these funds until they are fully expended. In 2019-20, total income earned by the Council was \$39 000 and expenses incurred totalled \$76 000.