

Department for
Environment and Water

Financial report
for the year ended
30 June 2019



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To the Chief Executive Department for Environment and Water

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Environment and Water for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2019, its financial performance and its cash flows for year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2019
- a Statement of Administered Financial Position as at 30 June 2019
- a Statement of Administered Cash Flows for the year ended 30 June 2019
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Department for Environment and Water. 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* have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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

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 Department for Environment and Water's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson
Auditor-General
16 September 2019

Department for Environment and Water
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Department for Environment and Water:

- 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 department
- present a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2019 and the results of its operations and cash flows for the financial year.

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



John Schutz
Chief Executive
13 September 2019



Shaun O'Brien
Chief Financial Officer
13 September 2019

Department for Environment and Water
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.4	168 318	158 542
Supplies and services	3.1	79 217	73 351
Grants and subsidies	3.2	31 912	34 373
Depreciation and amortisation	3.3	24 620	23 564
Net loss from disposal of non-current assets	4.5	-	35
Impairment loss	6.2	642	72
Assets transferred for nil consideration	3.4	47 575	1 306
Other expenses	3.5	5 127	4 822
Total expenses		357 411	296 065
Income			
Fees and charges	4.2	101 982	102 768
Grants	4.3	81 467	97 069
Interest	4.4	900	769
Net gain from disposal of non-current assets	4.5	27	-
Resources received free of charge	4.6	26 242	19 760
Other income	4.7	701	2 071
Total income		211 319	222 437
Net cost of providing services		146 092	73 628
Revenues from / (payments to) SA Government			
Revenues from SA Government	4.1	164 702	156 903
Payments to SA Government	4.1	(4 432)	(94)
Total net revenues from SA Government		160 270	156 809
Net result		14 178	83 181
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in property, plant and equipment asset revaluation surplus	5.1	-	32 489
Total other comprehensive income		-	32 489
Total comprehensive result		14 178	115 670

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

Department for Environment and Water
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	187 373	183 569
Receivables	6.2	21 990	12 471
Inventories	5.3	2 226	2 109
Other assets	6.3	1 054	1 019
Total current assets		212 643	199 168
Non-current assets			
Receivables	6.2	26	19
Other financial assets	6.4	-	3
Property, plant and equipment	5.1	766 925	755 554
Intangible assets	5.2	5 150	5 708
Total non-current assets		772 101	761 284
Total assets		984 744	960 452
Current liabilities			
Payables	7.1	43 162	38 137
Employee benefits	2.5	18 074	15 475
Provisions	7.2	512	489
Other liabilities	7.3	2 065	1 955
Total current liabilities		63 813	56 056
Non-current liabilities			
Payables	7.1	3 417	3 167
Employee benefits	2.5	37 045	34 572
Provisions	7.2	1 635	725
Other liabilities	7.3	18 713	17 776
Total non-current liabilities		60 810	56 240
Total liabilities		124 623	112 296
Net assets		860 121	848 156
Equity			
Contributed capital		22 612	22 612
Retained earnings		417 703	405 738
Asset revaluation surplus		419 806	419 806
Total equity		860 121	848 156

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

Department for Environment and Water
Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017		22 612	387 317	282 887	692 816
Error correction - property, plant and equipment	5.1	-	-	39 670	39 670
Restated balance at 1 July 2017		22 612	387 317	322 557	732 486
Net result for 2017-18		-	-	83 181	83 181
Gain/(loss) on revaluation of property, plant and equipment		-	32 489	-	32 489
Total comprehensive result for 2017-18		-	32 489	83 181	115 670
Balance at 30 June 2018		22 612	419 806	405 738	848 156
Adjustments on initial adoption of AASB 9	9.2	-	-	(170)	(170)
Error correction - property, plant and equipment	5.1	-	-	(872)	(872)
Restated balance at 1 July 2018		22 612	419 806	404 696	847 114
Net result for 2018-19		-	-	14 178	14 178
Total comprehensive result for 2018-19		-	-	14 178	14 178
Transactions with SA Government as owner					
Net assets transferred as a result of an administrative restructure	1.3	-	-	(1 171)	(1 171)
Balance at 30 June 2019		22 612	419 806	417 703	860 121

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

Department for Environment and Water
Statement of Cash Flows
for the year ended 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefits payments		(161 905)	(158 794)
Payments for supplies and services		(90 834)	(85 870)
Payments of grants and subsidies		(34 095)	(37 810)
Other payments		(647)	(3 907)
Cash used in operating activities		(287 481)	(286 381)
Cash inflows			
Fees and charges		94 783	107 802
Receipts from grants		84 990	100 232
Interest received		896	747
GST recovered from the Australian Taxation Office		11 311	11 998
Other receipts		771	2 278
Cash generated from operating activities		192 751	223 057
Cash flows from SA government			
Receipts from SA government		164 702	156 903
Payments to SA government		(4 526)	-
Cash generated from SA government		160 176	156 903
Net cash provided by operating activities	8.1	65 446	93 579
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(61 672)	(54 355)
Cash used in investing activities		(61 672)	(54 355)
Cash inflows			
Proceeds from the sale of property, plant and equipment		30	16
Cash generated from investing activities		30	16
Net cash (used in) investing activities		(61 642)	(54 339)
Net increase in cash and cash equivalents		3 804	39 240
Cash and cash equivalents at the beginning of the reporting period		183 569	144 329
Cash and cash equivalents at the end of the reporting period	6.1	187 373	183 569

The accompanying notes form part of these financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Environment and Water

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Department for Environment and Water

The Department for Environment and Water (DEW) is a government department of the State of South Australia and operates within the *Public Sector Act 2009*. DEW is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of DEW (refer to the Disaggregated Schedule for details of the DEW's controlled activities). Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to DEW's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

1.1. Basis of preparation

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

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

For the 2018-19 financial statements the department adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

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

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

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

DEW prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DEW is liable for the GST payments and entitled to the GST receipts associated with these entities and items.

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, DEW has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs

Objectives

DEW plays a critical role in conserving and delivering practical outcomes for the state's unique environment and cultural resources in a changing climate, for the prosperity and wellbeing of all South Australians.

To support this, the department:

- manages the state's nature, parks, places, wildlife and cultural assets for the health, enjoyment and prosperity of South Australians
- ensures water, including the River Murray, is managed sustainably for the benefit of the environment, community and economy
- works in partnership with key bodies to develop and deliver policies that protect and conserve the state's environment and heritage and support sustainable development
- leads coordinated, whole of government action to address climate change risk and opportunity for South Australia.

Programs

In achieving its objectives, DEW provides a range of services classified into the following programs:

Sustainability

Ensure the effective management of South Australia's landscapes through statewide policy, planning and frontline service delivery for the benefit of the community, the economy and ecosystems.

Water

Sustainably manage South Australia's water resources including the River Murray, for the benefit of the economy, community and environment.

Parks and public assets

Conserve, sustain and build South Australia's parks and reserves system to enhance visitor experiences, improve management practices and help mitigate against the impacts of bushfire.

The table on the following page presents expenses and income information attributable to each program. *AASB 1052 Disaggregated Disclosures* requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DEW cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs (continued)

Expenses and income by program

	Sustainability		Water		Parks and Public Assets		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Employee benefits expenses	58 733	54 953	37 153	34 906	72 432	68 683	168 318	158 542
Supplies and services	21 243	19 471	22 073	17 100	35 901	36 780	79 217	73 351
Grants and subsidies	2 588	3 587	27 423	29 020	1 901	1 766	31 912	34 373
Depreciation and amortisation	1 970	4 383	11 571	6 245	11 079	12 936	24 620	23 564
Net loss from disposal of non-current assets	-	14	-	4	-	17	-	35
Impairment loss	252	72	114	-	276	-	642	72
Assets transferred for nil consideration	-	-	46 612	118	963	1 188	47 575	1 306
Other expenses	1 783	470	1 388	3 311	1 956	1 041	5 127	4 822
Total expenses	86 569	82 950	146 334	90 704	124 508	122 411	357 411	296 065
Income								
Fees and charges	39 969	42 763	36 281	34 430	25 732	25 575	101 982	102 768
Grants	9 374	7 295	67 109	83 081	4 984	6 693	81 467	97 069
Interest	5	5	870	749	25	15	900	769
Net gain from disposal of non-current assets	-	-	-	-	27	-	27	-
Resources received free of charge	10 496	8 022	4 724	2 174	11 022	9 564	26 242	19 760
Other income	595	840	24	630	82	601	701	2 071
Total income	60 439	58 925	109 008	121 064	41 872	42 448	211 319	222 437
Net cost of providing services	26 130	24 025	37 326	(30 360)	82 636	79 963	146 092	73 628
Revenues from / (payments) to SA Government								
Revenues from SA Government	64 130	61 861	33 236	21 297	67 336	73 745	164 702	156 903
Payments to SA Government	(1 773)	-	(798)	(94)	(1 861)	-	(4 432)	(94)
Total net revenues from SA Government	62 357	61 861	32 438	21 203	65 475	73 745	160 270	156 809
Net result	36 227	37 836	(4 888)	51 563	(17 161)	(6 218)	14 178	83 181

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department

2018-19 Transferred out

As a result of administrative arrangements outlined in The South Australian Government Gazette (the Government Gazette) on 13 December 2018, the department relinquished responsibility for the Pastoral Unit, a business unit of the department. Assets and liabilities relating to this business unit were transferred to the Department of Primary Industries and Regions, South Australia effective 1 January 2019.

	Pastoral Unit \$'000	Total \$'000
Current assets		
Receivables	1 406	1 406
Total Assets	<u>1 406</u>	<u>1 406</u>
Current liabilities		
Payables	22	22
Employee benefits	77	77
Non-current liabilities		
Payables	12	12
Employee benefits	124	124
Total liabilities	<u>235</u>	<u>235</u>
Net Loss on Transfer Out	<u>1 171</u>	<u>1 171</u>

Net assets transferred by the department as a result of the administrative restructure were recognised at the carrying amount. The net assets transferred were treated as a distribution to the government as owner.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance

The budget performance table compares DEW's outcomes against budget information presented to Parliament (2018-19 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 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Statement of Comprehensive Income	Note			
Expenses				
Employee benefits expenses	a	150 019	168 318	18 299
Supplies and services		77 162	79 217	2 055
Grants and subsidies		36 031	31 912	(4 119)
Depreciation and amortisation		25 262	24 620	(642)
Impairment loss		-	642	642
Assets transferred for nil consideration	b	-	47 575	47 575
Other expenses		4 803	5 127	324
Total expenses		293 277	357 411	64 134
Income				
Fees and charges	c	88 665	101 982	13 317
Grants		83 519	81 467	(2 052)
Interest		124	900	776
Net gain from disposal of non-current assets		-	27	27
Resources received free of charge	d	-	26 242	26 242
Other income		1 393	701	(692)
Total income		173 701	211 319	37 618
Net cost of providing services		119 576	146 092	26 516
Revenues from / payments to SA government				
Revenues from SA government		151 819	164 702	12 883
Payments to SA government		-	(4 432)	(4 432)
Total net revenues from SA Government		151 819	160 270	8 451
Net result		32 243	14 178	(18 065)

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

- a. Voluntary Separation Packages and National Landcare Program 2 delivery were not included in the original budget
- b. Assets transferred for nil consideration (see note 3.4) were not included in the original budget
- c. Funding from NRM Boards largely for the delivery of National Landcare Program 2 and funding for Scientific Services were not included in the original budget
- d. Assets received free of charge from external entities was not included in the original budget.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance (continued)

		Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Investing expenditure summary				
Total new projects	e	5 802	3 782	(2 020)
Total existing projects	f	82 364	51 551	(30 813)
Total annual program		8 398	9 320	922
Total investing expenditure		96 564	64 653	(31 911)

- e. Delays to the Waterfall Gully Summit Trail project due to engineering works to address erosion and soil stability and reclassification of expenditure from investing to operating for the Opening Up SAs Reservoirs
- f. Re-profiling the South Australian Riverland Floodplains Integrated Infrastructure Program and the Riverine Recovery Program in line with project milestones and completion dates.

1.5. Significant transactions with government related entities

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

- A substantial portion of accommodation and property management expenses relate to accommodation supplied by the Department of Planning, Transport and Infrastructure
- Total vehicle and aircraft payments include significant payments for vehicles supplied by Fleet SA
- Fees and charges revenue includes NRM board salary recoveries relating to salary recoups for DEW employees providing services to the NRM Boards
- Fees and charges revenue also includes service recoveries relating to water planning management cost recoveries from SA Water

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of DEW include the Minister, the Chief Executive and the seven members of the Executive Team who have responsibility for the strategic direction and management of the department.

Total compensation for key management personnel was \$1.975 million in 2018-19 and \$2.328 million in 2017-18.

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*.

	2019 \$'000	2018 \$'000
Compensation		
Salaries and other short term employee benefits	1 789	1 742
Post-employment benefits	186	183
Other long-term employment benefits	-	93
Termination benefits	-	310
Total compensation	1 975	2 328

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Related party transactions

The Department for Environment and Water is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of DEW 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 2018-19 financial year, other than those disclosed in note 1.5.

2.3. Board and committee members

Members during 2018-19 financial year were:

Animal Welfare Advisory Committee

M S Doroudi* (Chair)
G I Anderson (appointed February 2019)
R F Eyers
M Greenslade
S J Hazel
S A Joppich (retired February 2019)
R I Mussell
M D Peters* (Observer, retired June 2019)
A M Piggott (appointed February 2019)
P S Warren

Arabana Parks Advisory Committee

F J Gill* (Chair, retired April 2019)
F J Singer (Deputy Chair, retired April 2019)
K J Blaylock* (retired April 2019)
E J Bravington* (retired April 2019)
K Buzzacott (retired April 2019)
T B Gotch* (retired April 2019)
R Dodd (Deputy Member, retired April 2019)

Witjira National Park Board of Management

G A Pelton* (Chair)
M R Ah Chee (Deputy Chair)
A Ah Chee
V T N Fuschtei (retired September 2018)
A B Magor*
R Tjami
K A Villiers* (retired August 2018)
A S McInerney* (appointed October 2018)
J Ah Chee (appointed September 2018)
V C McKenzie (Deputy Member)

Flinders Ranges National Park Co-Management Board

B P Grear* (Chair) (appointed November 2018)
P J Coulthard (formerly McKenzie) (Deputy Chair, appointed November 2018)
T C Coulthard (appointed November 2018)
L M Loan* (appointed November 2018)
M McKenzie (Snr) (appointed November 2018)
T O'Loughlin* (appointed November 2018)
B M Patterson (appointed November 2018)
S A M Paul* (appointed November 2018)

Premier's Climate Change Council

B J Carter (Chair, retired December 2018)
A S Ferguson
N M Halsey
P S Heithersay* (appointed September 2018)
J A Paradiso
M K Haese (Presiding Member, appointed January 2019)
A M Stock
S M J Verschoor
C N Wilkins
C Woolford

South Australian Heritage Council

K A Conlon (Chair)
M J H Constantine
J D Ferguson
A G MacKinnon
K McDougall
M J Rolfe
J Schulz
D J Stevenson
R J Taylor
A Ben Kahn (Deputy Member)
D M Lindsay (Deputy Member)
W D Cornell (Deputy Member)

Department for Environment and Water
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2.3. Board and committee members (continued)

Ngaut Ngaut Conservation Park Co-Management

Board

I M Campbell (Chair)
P G Gillen* (Deputy Chair)
I L Campbell
S T Dominelli* (retired December 2018)
C M Hutchinson
J Tesoriero*
J Irving* (appointed December 2018)
A B Hunter (Deputy Chair, retired December 2018)

Vulkathunha-Gammon Ranges National Park

Cooperative Management Committee

J Irving* (Chair, appointed November 2018)
J M Coulthard (Deputy Chair, appointed November 2018)
M F G Anderson (appointed November 2018)
A Breeding* (appointed November 2018)
S Coulthard (appointed November 2018)
K Johnson (appointed November 2018)
S Kondylas* (appointed November 2018)
T L Naismith* (appointed November 2018)

Nullarbor Wilderness Protection Area Co-Management

Advisory Committee

C L Lawrie (Chair)
M J Ward* (Deputy Chair)
M J Anderson*
L M Halliday* (appointed February 2019)
K Kerdel*
V Lawrie (appointed as member February 2019, retired as Deputy Member January 2019)
D Miller (retired January 2019)
P J Richter*
A S Munday (appointed February 2019)
N Miller (Deputy Member)
M Clements (Deputy Member)

Kangaroo Management Reference Group

Q L B Agius (retired December 2018)
T Ackland (Deputy Member)
R Borda
N D De Preu
A Freebairn*
A G Lewis
J H Neal
G W Tansell (retired December 2018)
R M Warwick (Deputy Member, retired December 2018)
S L Williams
M L Winen (Deputy Member, retired December 2018)
K Slade (retired December 2018)
R Eyers (retired December 2018)
G Antony (appointed May 2019)
C Cowin (appointed May 2019)
C Crabbe (appointed May 2019)
G Coulthard* (appointed May 2019)
G Mills (appointed May 2019)
D Crabbe (appointed May 2019)

YYP A Committee Coongie Lakes National Park

J A Gates* (appointed August 2018) (Chair)
E S Dahl* (appointed August 2018)
T J Elliott (appointed August 2018)
J L Gregg-Smith* (appointed August 2018)
L J Harris Snr (appointed August 2018)
A M Paterson (appointed August 2018)
G Rigney (appointed August 2018)
J Fluin (appointed April 2019)
V M Linton* (retired May 2019)
R Singleton* (Deputy Member, appointed August 2018)

Department for Environment and Water
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2.3. Board and committee members (continued)

Yumbarra Conservation Park Co-management Board

M J Ward* (Deputy Chair)
 L G Miller (Snr) (Deputy Chair, retired February 2019)
 M J Anderson*
 S R Haseldine (retired February 2019)
 H Coleman (appointed February 2019)
 W Miller (Chair)
 E Roberts (retired February 2019)
 P J Richter*
 W Ware (appointed February 2019)
 L M Halliday* (appointed February 2019)
 T Murragilli (appointed February 2019)
 W Newchurch (Deputy Member, retired February 2019)
 L J Cox (formerly Scott) (Deputy member, appointed February 2019)
 K Ware (Deputy Member, appointed February 2019)

Parks and Wilderness Council

A McEwen (Presiding Member)
 M I Bossley
 G M Coulthard*
 C B Daniels*
 E J Forster
 K James
 W R McIntosh
 J E Schutz* (Member (Ex Officio))
 W D F MacKenzie

DEW Risk and Performance Committee

T Stubbs (Chair, appointed August 2018)
 J C Grant* (Chair, retired September 2018)
 A D Copus* (retired December 2018)
 M Martin* (appointed March 2019)
 P Martin
 S Carruthers* (appointed November 2018)
 S Spadavecchia
 A Swanson*
 M Swart*

* In accordance with the Premier and Cabinet's Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

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

	2019	2018
\$0 - \$19 999	138	131
\$20 000 - \$39 999	1	1
Total number of members	139	132

Individuals may be members of more than one Board, Committee or Group associated with DEW.

The total remuneration received or receivable by members was \$224 000 (2018: \$267 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Department for Environment and Water
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2.4. Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	116 341	121 041
Employment on-costs - superannuation	13 255	13 515
Annual leave	11 015	10 899
Targeted Voluntary Separation Packages (refer below)	9 937	455
Employment on-costs - other	7 501	7 411
Long service leave (LSL)	7 126	3 744
Workers compensation	1 943	245
Skills and experience retention leave (SERL)	693	661
Board and committees fees	286	329
Other employee related expenses	221	242
Total employee benefits expenses	168 318	158 542

Employment on-costs - superannuation

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

Executive remuneration

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

	2019	2018
	Number	Number
\$151 001 – \$171 000	8	9
\$171 001 – \$191 000	8	7
\$191 001 – \$211 000	2	4
\$211 001 – \$231 000	5	2
\$231 001 – \$251 000	1	-
\$251 001 – \$271 000	1	1
\$271 001 – \$291 000	-	2
\$291 001 – \$311 000	2	1
\$371 001 – \$391 000	1	1
\$511 001 – \$531 000	1	-
\$691 001 – \$711 000	-	1
Total	29	28

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, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Targeted Voluntary Separation Packages (TVSPs)

The number of employees who accepted a TVSP during the reporting period was 119 (2018: 5).

	2019	2018
	\$'000	\$'000
Amount paid/payable to separated employees:		
TVSPs	9 937	455
Leave paid/payable to separated employees	2 743	72
Recovery from the Department of Treasury and Finance	(13 062)	-
Net cost to the department	(382)	527

Department for Environment and Water
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2.5. Employee benefits liability

	2019	2018
	\$'000	\$'000
Current		
Annual leave	9 362	9 458
Long service leave	2 763	3 221
Accrued salaries and wages	5 158	1 998
Skills and experience retention leave	791	798
Total current employee benefits	<u>18 074</u>	<u>15 475</u>
Non-current		
Long service leave	37 045	34 572
Total non-current employee benefits	<u>37 045</u>	<u>34 572</u>
Total employee benefits	<u><u>55 119</u></u>	<u><u>50 047</u></u>

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

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

Department for Environment and Water
Notes to and forming part of the financial statements
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3. Expenses

Employee benefits expenses are disclosed in note 2.4.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Fee for service	18 964	12 985
General administration	10 005	10 355
Information technology & communication	9 371	9 730
Accommodation and property management	8 203	8 377
Sand replenishment	6 266	4 705
Vehicle and aircraft	4 781	4 707
Operating lease payments	4 376	4 103
Minor works, maintenance & equipment	3 721	4 780
Bore drilling services	1 900	2 158
Cost of goods sold	1 691	1 466
Contractors	1 522	1 843
Travel and accommodation	1 459	1 629
Staff development	1 086	1 304
Scientific and technical services	758	576
Monitoring fees	533	205
Consultants	404	175
Transportation	358	382
Other	3 819	3 871
Total supplies and services	79 217	73 351

Operating lease payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

Consultants

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

	2019	2019	2018	2018
	Number	\$'000	Number	\$'000
Below \$10 000	6	36	4	13
\$10 000 or above	7	368	3	162
Total	13	404	7	175

Department for Environment and Water
Notes to and forming part of the financial statements
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3.2. Grants and subsidies

	2019	2018
	\$'000	\$'000
Murray Darling Basin Authority	22 687	22 784
Goyder Institute	2 000	2 000
Administration of the <i>Animal Welfare Act 1985</i>	1 132	1 104
Riverine Recovery Project	681	412
SA Riverland Floodplain Infrastructure Program	464	332
South East Confined Aquifer Well Rehabilitation	-	1 109
Marine parks	-	641
Coorong, Lower Lakes and Murray Mouth - Long Term Plan	-	344
Building upgrade finance	-	275
Other	4 948	5 372
Total grants and subsidies	31 912	34 373

Grants and subsidies paid / payable to entities within the SA Government

	2019	2018
	\$'000	\$'000
Other	592	1 194
Total grants and subsidies - SA Government entities	592	1 194

3.3. Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Depreciation		
Buildings and improvements	3 667	3 341
Park infrastructure	2 771	2 379
Roads, tracks and trails	4 155	4 368
Groundwater monitoring wells	4 288	4 288
Salinity disposal schemes	440	440
Patawalonga seawater circulation and Barcoo outlet	530	590
Sand pumping infrastructure	940	1 006
Surface water monitoring network	170	170
Waste disposal stations	314	170
Regulators and embankments	1 278	1 431
Plant and equipment	2 800	2 827
Leasehold improvements	1 788	1 788
Other	18	18
Total depreciation	23 159	22 816
Amortisation		
Application software - internally generated	1 293	580
Application software - externally purchased	146	146
Other - war services leases	22	22
Total amortisation	1 461	748
Total depreciation and amortisation	24 620	23 564

Department for Environment and Water
Notes to and forming part of the financial statements
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3.3. Depreciation and amortisation (continued)

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.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Land is not depreciated.

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 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.

Useful life

Depreciation/amortisation 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)
<i>Property, plant and equipment</i>	
Buildings and improvements	5-150
Groundwater monitoring wells	48
Regulators and embankments	10-200
Park infrastructure	3-120
Patawalonga seawater circulation and Barcoo Outlet	6-99
Plant and equipment	3-30
Roads, tracks and trails	4-50
Salinity disposal schemes	15-99
Surface water monitoring network	40-80
Waste disposal stations	50
Sand pumping infrastructure	10-50
Leasehold improvements	12
Other	45-99
<i>Intangible assets</i>	
Externally acquired	3-10
Internally acquired	2-12
War services leases	44

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

Department for Environment and Water
Notes to and forming part of the financial statements
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3.4. Assets transferred for nil consideration

	2019	2018
	\$'000	\$'000
Regulators and embankments	46 612	118
Plant and equipment	853	75
Buildings and improvements	80	145
Park infrastructure	30	368
Land	-	600
Total assets transferred for nil consideration	47 575	1 306

During the current year the department donated South East Flows Restoration project assets to the value of \$42.278 million to the South Eastern Water Conservation and Drainage Board. In addition, assets to the value of \$0.418 million were transferred to the Board of the Botanic Gardens and State Herbarium and assets to the value of \$4.879 million were transferred to land owners.

3.5. Other expenses

	2019	2018
	\$'000	\$'000
Assumption of liabilities	2 300	-
Property, plant and equipment write-offs	2 218	215
Capital project costs not capitalised	793	1 313
Audit fees	551	506
Settlement of legal claims	20	3 100
Intangible asset write-offs	-	88
Reversal of impairment loss	-	(329)
Movement in Inventory	(68)	(72)
Asset related adjustments	(693)	-
Other	6	1
Total other expenses	5 127	4 822

Audit fees

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.489 million (2017: \$0.425 million). No other services were provided by the Auditor-General's Department.

4. Income

4.1. Net revenues from SA Government

	2019	2018
	\$'000	\$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the Appropriation Act	151 819	153 699
Appropriations from contingency funds	12 883	3 204
Total revenues from SA Government	164 702	156 903
Payments to SA Government		
Return to consolidated account	-	(94)
Return of surplus cash	(4 432)	-
Total payments to SA Government	(4 432)	(94)
Net revenues from SA Government	160 270	156 809

Department for Environment and Water
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4.1. Net revenues from SA Government (continued)

Appropriations

Appropriations are recognised upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of DEW and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

Total revenues from Government consist of \$154.345 million (2018: \$146.628 million) for operational funding and \$10.357 million (2018: \$10.275 million) for capital projects.

4.2. Fees and charges

	2019	2018
	\$'000	\$'000
NRM Board salary recovery	29 270	31 238
Service recoveries	18 906	18 444
Sale of support services	17 234	20 182
Admissions and guided tours	9 850	9 682
Sale of professional services	9 437	8 095
Property rental and related income	6 206	6 013
Sale of goods	4 635	4 041
Fees, levies and licences	2 424	2 472
Provision of services	1 852	-
Other salary recoveries	1 453	1 558
Sale of spatial information	544	915
Sale of freehold titles	171	83
Taxation revenue - River Murray rehabilitation Levy	-	45
Total revenues from fees and charges	101 982	102 768

NRM board salary recovery relates to salary recoups for DEW employees providing services to the NRM Boards. Sale of support services predominantly includes revenue received for work undertaken by DEW on behalf of other entities as well as the recovery of costs previously expensed. Service recoveries relate to water planning management cost recoveries from SA Water and the sale of professional services includes professional advice as well as fees received from providing camping and accommodation facilities. Property rental and related income includes revenue from pastoral leases, irrigation licences, reimbursement of property related expenses and income from shack rentals.

Department for Environment and Water
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4.3. Grant revenues

	2019	2018
	\$'000	\$'000
Grant revenues from the Commonwealth		
SA Riverland Floodplain Infrastructure Program	40 000	36 500
Coorong, Lower Lakes and Murray Mouth - Long Term Plan	6 701	18 823
Murray Futures - Riverine Recovery	6 387	15 303
Murray Futures - Water Management Solutions Project	6 300	-
The Interim Great Artesian Basin Infrastructure Investment Program	1 822	-
Implementing the Murray Darling Basin reform	1 486	1 486
The Living Murray - Chowilla	1 046	1 015
The Living Murray - Lower Lakes, Coorong and Murray Mouth	900	834
Flows for the future	900	6 700
Tourism Demand Driver Infrastructure	-	539
Other	584	378
Total grant revenues from the Commonwealth	66 126	81 578
Grant revenues from SA Government		
Adelaide Living Beaches strategy	4 135	2 721
Community Emergency Services Funding	3 540	2 908
Climate change initiatives	2 363	-
Compliance and Monitoring	876	742
Botanic Gardens - Aquifer Storage and Recovery	655	655
Carbon Neutral Adelaide	250	1 042
Water Industry Act	174	170
Other	2 829	4 639
Total grant revenues from SA Government	14 822	12 877
Grant revenues from private industry and local government		
Other	519	2 614
Total grant revenues from private industry and local government	519	2 614
Total grant revenues	81 467	97 069

Contributions are recognised as an asset and income when DEW obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (that is the amount can be reliably measured and the flow of resources is probable).

Generally, DEW has obtained control or the right to receive:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable; that is the earlier of when the receiving entity has formally been advised that the contribution (for example, grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – that is when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

Contributions with conditions of expenditure

DEW received grants from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2019 \$90.897 million (2018: \$86.351 million) of grants, which have been recognised as revenues in the Statement of Comprehensive Income, are yet to be spent in the manner specified by the contributors.

Department for Environment and Water
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4.4. Interest

	2019	2018
	\$'000	\$'000
Interest	900	769
Total interest revenues	900	769

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

	2019	2018
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	30	16
Less net book value of assets disposed	(3)	(51)
Net gain / (loss) from disposal of plant and equipment	27	(35)
Total assets		
Proceeds from disposal	30	16
Less net book value of assets disposed	(3)	(51)
Total net gain / (loss) from disposal of non-current assets	27	(35)

Gains/losses on disposal 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.

4.6. Resources received free of charge

	2019	2018
	\$'000	\$'000
Assets received free of charge	21 615	15 379
Services received free of charge - Shared Services SA	4 627	4 381
Total resources received free of charge	26 242	19 760

Assets received free of charge in 2018-19 comprised \$3.171 million (2018: \$12.490 million) transferred from DEW Administered Items (Crown lands) following the proclamation of new parks and additions to existing parks and reserves. Heritage assets donated from the Department of Planning, Transport and Infrastructure totalled \$18.361 million. In addition assets received from the Friends of the Park amounted to \$68 000 and Eyre Peninsula Natural Resource Management Board \$15 000.

4.7. Other income

	2019	2018
	\$'000	\$'000
Insurance recoveries	288	689
Salaries and wages recoveries	69	64
Sponsorships, donations, commissions and bequests	17	570
Water sales	39	573
Other sundry revenue	288	175
Total other income	701	2 071

Other Income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

Department for Environment and Water
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5. Non-financial assets

5.1. Property, plant and equipment

	2019 \$'000	2018 \$'000
Land		
Land at fair value ⁽ⁱ⁾	330 370	315 183
Total land	<u>330 370</u>	<u>315 183</u>
Buildings and improvements		
Buildings and improvements at fair value ⁽ⁱ⁾	200 057	195 696
Buildings and improvements at cost (deemed fair value) ⁽ⁱⁱ⁾	4 600	4 004
Accumulated depreciation	(136 435)	(134 456)
Total buildings and improvements	<u>68 222</u>	<u>65 244</u>
Park infrastructure		
Park infrastructure at fair value ⁽ⁱ⁾	209 202	211 688
Park infrastructure at cost (deemed fair value) ⁽ⁱⁱ⁾	9 688	5 906
Accumulated depreciation	(193 439)	(192 893)
Total park infrastructure	<u>25 451</u>	<u>24 701</u>
Roads, tracks and trails		
Roads, tracks and trails at fair value ⁽ⁱ⁾	219 054	230 244
Roads, tracks and trails at cost (deemed fair value) ⁽ⁱⁱ⁾	16 049	21 497
Accumulated depreciation	(212 280)	(219 110)
Total roads, tracks and trails	<u>22 823</u>	<u>32 631</u>
Groundwater monitoring wells		
Ground monitoring wells at fair value ⁽ⁱ⁾	223 231	223 231
Accumulated depreciation	(155 694)	(151 406)
Total groundwater monitoring wells	<u>67 537</u>	<u>71 825</u>
Salinity disposal schemes		
Salinity disposal schemes at fair value ⁽ⁱ⁾	43 067	43 068
Accumulated depreciation	(14 382)	(13 943)
Total salinity disposal schemes	<u>28 685</u>	<u>29 125</u>
Patawalonga seawater circulation and Barcoo outlet		
Patawalonga seawater circulation and Barcoo outlet at fair value ⁽ⁱ⁾	45 451	45 451
Accumulated depreciation	(16 412)	(15 882)
Total Patawalonga seawater circulation and Barcoo outlet	<u>29 039</u>	<u>29 569</u>
Sand pumping infrastructure		
Sand pumping infrastructure at fair value ⁽ⁱ⁾	23 116	23 116
Accumulated depreciation	(5 990)	(5 050)
Total sand pumping infrastructure	<u>17 126</u>	<u>18 066</u>

Department for Environment and Water
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5.1. Property, plant and equipment (continued)

	2019	2018
	\$'000	\$'000
Surface water monitoring network		
Surface water monitoring network at fair value ⁽ⁱ⁾	12 748	12 747
Accumulated depreciation	(5 831)	(5 660)
Total surface water monitoring network	6 917	7 087
Waste disposal stations		
Waste disposal stations at fair value ⁽ⁱ⁾	14 767	14 767
Waste disposal stations at cost ⁽ⁱⁱ⁾	1 147	-
Accumulated depreciation	(5 434)	(5 119)
Total waste disposal stations	10 480	9 648
Regulators and embankments		
Regulators and embankments at fair value ⁽ⁱ⁾	83 787	83 787
Regulators and embankments at cost (deemed fair value) ⁽ⁱⁱ⁾	12 940	-
Accumulated depreciation	(32 630)	(31 352)
Total regulators and embankments	64 097	52 435
Plant and equipment		
Plant and equipment at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	41 754	38 971
Accumulated depreciation	(25 255)	(23 403)
Total plant and equipment	16 499	15 568
Leasehold improvements		
Leasehold improvements at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	21 460	21 459
Accumulated depreciation	(5 663)	(3 874)
Total leasehold improvements	15 797	17 585
Other		
Other at cost (deemed fair value) ⁽ⁱⁱⁱ⁾	1 868	1 867
Accumulated depreciation	(723)	(704)
Total other	1 145	1 163
Capital works in progress		
Capital works in progress	62 737	65 724
Total capital works in progress	62 737	65 724
Total property, plant and equipment	766 925	755 554

(i), (ii), (iii) refer note 11.2 for details of the carrying amounts of property, plant and equipment.

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 DEW's approach to fair value is set out in note 11.2.

Department for Environment and Water
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5.1. Property, plant and equipment (continued)

Error correction

An error correction of \$39.670 million has been disclosed in the Statement of Changes in Equity and has been retrospectively restated as at 1 July 2017 in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The error correction comprised three adjustments, for \$23.996 million, \$13.769 million and \$1.905 million which resulted in a net increase of \$39.670 million to retained earnings and adjustments to the carrying values of several asset classes.

In regards to the error correction relating to \$23.996 million, the carrying value of land was increased by \$21.729 million to recognise various land parcels gazetted as conservation parks during 2016-17. Other adjustments to the carrying values of assets related to the first time recognition of assets and other asset revisions. The impact of the adjustments were as follows: buildings and improvements (\$0.111 million increase); park infrastructure (\$0.741 million increase) and roads, tracks, and trails (\$1.415 million increase).

The error correction of \$13.769 million was required to reflect Crown Land that had transferred to DEW Controlled during 2013-14 following a ministerial approval to declare Tennyson Dunes as a Conservation Reserve. This resulted in an increase of \$13.769 million to retained earnings and to the carrying value of land.

The adjustment for \$1.905 million related to the incorrect calculation of accumulated depreciation in the processing of the revaluation of the Data Dictionary in 2016-17 and impacted the asset classes as follows: buildings and improvements (\$0.418 million increase); park infrastructure (\$0.529 million increase) and roads, tracks, and trails (\$0.958 million increase).

In addition, an error correction of \$0.872 million has been disclosed in the Statement of Changes in Equity and has been retrospectively restated as at 1 July 2018 in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The error correction resulted in a net decrease of \$0.872 million to retained earnings and a net decrease to the carrying values of the following asset classes, buildings and improvements, \$0.168 million; park infrastructure, \$0.288 million, and roads, tracks and trails, \$0.416 million. The adjustments to the carrying values of assets related to the incorrect calculation of accumulated depreciation in the processing of the revaluation of the Data Dictionary in 2016-17.

Impairment

DEW holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible. Accordingly, the recoverable amount will be close to or greater than fair value.

DEW also expects for all other non-current tangible assets that any costs of disposal would be negligible and the recoverable amount to be close to or greater than fair value.

As at reporting date no impairment losses were recognised in the Statement of Comprehensive Income.

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for the year ended 30 June 2019

5.1. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	Land \$'000	Buildings & improvements \$'000	Park infrastructure \$'000	Roads, tracks & trails \$'000	Groundwater monitoring wells \$'000	Salinity disposal schemes \$'000
Carrying amount at 30 June 2018	315 183	65 244	24 701	32 631	71 825	29 125
Error correction	-	(168)	(288)	(416)	-	-
Carrying amount at 1 July 2018	315 183	65 076	24 413	32 215	71 825	29 125
Acquisitions	-	-	-	-	-	-
Transfer between classes	-	613	3 234	(3 900)	-	-
Assets received for nil consideration	15 187	6 400	11	-	-	-
Assets transferred for nil consideration	-	(80)	(30)	-	-	-
Disposals	-	-	-	-	-	-
Write-offs	-	(427)	(150)	(1 629)	-	-
Transfers to/(from) capital works in progress	-	309	467	17	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Other changes via profit and loss	-	(2)	277	275	-	-
Subtotal	15 187	6 813	3 809	(5 237)	-	-
Gains/(losses) for the period recognised in net result:						
Depreciation	-	(3 667)	(2 771)	(4 155)	(4 288)	(440)
Subtotal	-	(3 667)	(2 771)	(4 155)	(4 288)	(440)
Carrying amount at 30 June 2019	330 370	68 222	25 451	22 823	67 537	28 685

	Patawalonga seawater circulation \$'000	Sand pumping infrastructure \$'000	Surface water monitoring network \$'000	Waste disposal stations \$'000	Regulators and embankments \$'000
Carrying amount at 30 June 2018	29 569	18 066	7 087	9 648	52 435
Error correction	-	-	-	-	-
Carrying amount at 1 July 2018	29 569	18 066	7 087	9 648	52 435
Acquisitions	-	-	-	-	-
Transfer between classes	-	-	-	-	-
Assets received for nil consideration	-	-	-	-	-
Assets transferred for nil consideration	-	-	-	-	(46 612)
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
Transfers to/(from) capital works in progress	-	-	-	1 146	59 552
Capital WIP - expensed in current period	-	-	-	-	-
Other changes via profit and loss	-	-	-	-	-
Subtotal	-	-	-	1 146	12 940
Gains/(losses) for the period recognised in net result:					
Depreciation	(530)	(940)	(170)	(314)	(1 278)
Subtotal	(530)	(940)	(170)	(314)	(1 278)
Carrying amount at 30 June 2019	29 039	17 126	6 917	10 480	64 097

Department for Environment and Water
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5.1. Property, plant and equipment (continued)

	Plant & equipment \$'000	Leasehold improvements \$'000	Other \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 30 June 2018	15 568	17 585	1 163	65 724	755 554
Error correction	-	-	-	-	(872)
Carrying amount at 1 July 2018	15 568	17 585	1 163	65 724	754 682
Acquisitions	861	-	-	63 724	64 585
Transfer between classes	53	-	-	-	-
Assets received for nil consideration	18	-	-	-	21 616
Assets transferred for nil consideration	(853)	-	-	-	(47 575)
Disposals	(3)	-	-	-	(3)
Write-offs	(12)	-	-	-	(2 218)
Transfers to/(from) capital works in progress	3 661	-	-	(66 055)	(903)
Capital WIP - expensed in current period	-	-	-	(793)	(793)
Other changes via profit and loss	6	-	-	137	693
Subtotal	3 731	-	-	(2 987)	35 402
Gains/(losses) for the period recognised in net result:					
Depreciation	(2 800)	(1 788)	(18)	-	(23 159)
Subtotal	(2 800)	(1 788)	(18)	-	(23 159)
Carrying amount at 30 June 2019	16 499	15 797	1 145	62 737	766 925

	Land \$'000	Buildings & improvements \$'000	Park infrastructure \$'000	Roads, tracks & trails \$'000	Groundwater monitoring wells \$'000	Salinity disposal schemes \$'000
Carrying amount at 30 June 2017	267 195	64 914	25 728	23 323	76 113	29 565
Error correction	35 498	529	1 270	2 373	-	-
Carrying amount at 1 July 2017	302 693	65 443	26 998	25 696	76 113	29 565
Acquisitions	600	-	15	-	-	-
Transfer between classes	-	(27)	(2 263)	(270)	-	-
Assets received for nil consideration	12 490	1 253	267	1 157	-	-
Assets transferred for nil consideration	(600)	(145)	(368)	-	-	-
Disposals	-	-	-	-	-	-
Write-offs	-	(43)	(153)	(19)	-	-
Transfers to/(from) capital works in progress	-	2 057	2 584	10 435	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Subtotal	12 490	3 095	82	11 303	-	-
Gains/(losses) for the period recognised in net result:						
Depreciation	-	(3 341)	(2 379)	(4 368)	(4 288)	(440)
Reversal of impairment loss	-	47	-	-	-	-
Subtotal	-	(3 294)	(2 379)	(4 368)	(4 288)	(440)
Gains/(losses) for the period recognised in other comprehensive income:						
Net revaluation increment/(decrement)	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Carrying amount at 30 June 2018	315 183	65 244	24 701	32 631	71 825	29 125

Department for Environment and Water
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5.1. Property, plant and equipment (continued)

	Patawalonga seawater circulation \$'000	Sand pumping infrastructure \$'000	Surface water monitoring network \$'000	Waste disposal stations \$'000	Regulators and embankments \$'000
Carrying amount at 30 June 2017	30 159	16 101	7 132	6 166	21 246
Error correction	-	-	-	-	-
Carrying amount at 1 July 2017	30 159	16 101	7 132	6 166	21 246
Acquisitions	-	-	-	-	-
Transfer between classes	-	-	-	-	2 560
Assets received for nil consideration	-	-	-	-	-
Assets transferred for nil consideration	-	-	-	-	(118)
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
Transfers to/(from) capital works in progress	-	-	125	-	4 312
Capital WIP - expensed in current period	-	-	-	-	-
Subtotal	-	-	125	-	6 754
Gains/(losses) for the period recognised in net result:					
Depreciation	(590)	(1 006)	(170)	(170)	(1 431)
Reversal of impairment loss	-	-	-	-	-
Subtotal	(590)	(1 006)	(170)	(170)	(1 431)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	-	2 971	-	3 652	25 866
Subtotal	-	2 971	-	3 652	25 866
Carrying amount at 30 June 2018	29 569	18 066	7 087	9 648	52 435

	Plant & equipment \$'000	Leasehold improvements \$'000	Other \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 30 June 2017	14 243	19 373	1 181	33 215	635 654
Error correction	-	-	-	-	39 670
Carrying amount at 1 July 2017	14 243	19 373	1 181	33 215	675 324
Acquisitions	575	-	-	58 117	59 307
Transfer between classes	-	-	-	-	-
Assets received for nil consideration	212	-	-	-	15 379
Assets transferred for nil consideration	(75)	-	-	-	(1 306)
Disposals	(51)	-	-	-	(51)
Write-offs	-	-	-	-	(215)
Transfers to/(from) capital works in progress	3 491	-	-	(24 295)	(1 291)
Capital WIP - expensed in current period	-	-	-	(1 313)	(1 313)
Subtotal	4 152	-	-	32 509	70 510
Gains/(losses) for the period recognised in net result:					
Depreciation	(2 827)	(1 788)	(18)	-	(22 816)
Reversal of impairment loss	-	-	-	-	47
Subtotal	(2 827)	(1 788)	(18)	-	(22 769)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation increment/(decrement)	-	-	-	-	32 489
Subtotal	-	-	-	-	32 489
Carrying amount at 30 June 2018	15 568	17 585	1 163	65 724	755 554

Department for Environment and Water
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for the year ended 30 June 2019

5.2. Intangible assets

	2019	2018
	\$'000	\$'000
Internally developed intangible assets		
Computer software at cost (deemed fair value)	14 011	13 108
Accumulated amortisation	(12 412)	(11 119)
Total internally generated computer software	1 599	1 989
Externally acquired intangible assets		
Computer software	1 059	1 059
Accumulated amortisation	(823)	(677)
Total computer software	236	382
Water licences	2 610	2 610
Total externally acquired intangible assets	2 846	2 992
Other		
Revenue stream (War services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(295)	(273)
Total other	705	727
Total intangible assets	5 150	5 708

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

For the War Services Leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

DEW recognises the following intangible assets:

Computer software

DEW has capitalised the internal development of software for the Tenements and Billing System (TABS), Water Information and Licensing and Management Application system (WILMA) and ARAMIS Solution Software. In addition, certain costs have been capitalised in respect of the Water Connect Portal (Natural Resources Management Information System) and other software specific to DEW's core activities. Some intangibles are currently included in work in progress. Externally acquired computer software relates to ARCGIS software.

Water licenses

An intangible asset for water licences has been recognised. These licences relate to environmental water holdings and are held at cost.

Department for Environment and Water
Notes to and forming part of the financial statements
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5.2. Intangible assets (continued)

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by DEW was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangible asset movement reconciliation schedule

	Internally developed \$'000	Externally acquired \$'000	Revenue stream \$'000	Total \$'000
Carrying amount at 1 July 2018	1 989	2 992	727	5 708
Transfers to/(from) capital works in progress	903	-	-	903
Amortisation	(1 293)	(146)	(22)	(1 461)
Carrying amount at 30 June 2019	1 599	2 846	705	5 150

	Internally developed \$'000	Externally acquired \$'000	Revenue stream \$'000	Total \$'000
Carrying amount at 1 July 2017	1 034	3 188	749	4 971
Transfers to/(from) capital works in progress	1 291	-	-	1 291
Transfers between classes	332	(332)	-	-
Write-offs	(88)	-	-	(88)
Amortisation	(580)	(146)	(22)	(748)
Reversal of impairment loss	-	282	-	282
Carrying amount at 30 June 2018	1 989	2 992	727	5 708

Assets not recognised

Acquisition of Water Licences for Environmental Flows

While DEW recognises certain water licences controlled by the Minister for Environment and Water as intangible assets, the acquisition and/or transfer of water licences for environmental purposes linked to the provisions of Intergovernmental Agreements to which South Australia is party to is generally expensed when such expenditure is incurred.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5.3. Inventories

	2019 \$'000	2018 \$'000
Inventories held for distribution at no or nominal amount		
Inventories held for distribution - at cost	675	665
Total inventories held for distribution at no or nominal amount	<u>675</u>	<u>665</u>
Inventories held for resale - at cost		
Finished goods held for resale - at cost	1 551	1 444
Total inventories held for resale - at cost	<u>1 551</u>	<u>1 444</u>
Total inventories	<u><u>2 226</u></u>	<u><u>2 109</u></u>

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred.

6. Financial assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Deposits with the Treasurer	187 196	183 397
Cash on hand/imprest account	177	172
Total cash and cash equivalents	<u><u>187 373</u></u>	<u><u>183 569</u></u>

Deposits with the Treasurer

DEW has two deposit accounts with the Treasurer, a General Operating Account and an Accrual Appropriation Excess Funds Account. Although DEW controls the money in the Accrual Appropriation Excess Funds Account its use must be approved by the Treasurer.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6.2. Receivables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	9 039	4 179
From non-government entities	3 846	2 656
Less allowance for doubtful debts	(1 418)	(785)
Total trade receivables	11 467	6 050
Accrued revenues	5 512	1 846
GST input tax recoverable	5 001	4 557
Workers compensation recoveries	10	18
Total current receivables	21 990	12 471
<u>Non-current</u>		
Workers compensation recoveries	26	19
Total non-current receivables	26	19
Total receivables	22 016	12 490

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

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

Impairment of receivables

	2019	2018
	\$'000	\$'000
Balance at 30 June under AASB 139	785	738
Adjustments on initial adoption of AASB 9	170	-
Carrying amount at the beginning of the period	955	738
Amounts written off	(179)	-
Increase/(decrease) in the allowance recognised in profit or loss	642	47
Carrying amount at the end of the period	1 418	785

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

Department for Environment and Water
Notes to and forming part of the financial statements
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6.3. Other assets

	2019	2018
	\$'000	\$'000
Current		
Prepaid supplies and services	1 053	1 018
Other	1	1
Total current other assets	<u>1 054</u>	<u>1 019</u>
Total other assets	<u><u>1 054</u></u>	<u><u>1 019</u></u>

6.4. Other financial assets

	2019	2018
	\$'000	\$'000
Non-current		
Equity in unlisted entities	-	3
Total non-current other financial assets	<u>-</u>	<u>3</u>
Total other financial assets	<u><u>-</u></u>	<u><u>3</u></u>

Department of Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. Liabilities

Employee benefits liabilities are disclosed in note 2.5.

7.1. Payables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Trade payables	39 134	34 071
Employment on-costs	3 061	3 076
Accrued expenses	949	943
Paid Parental Leave Scheme payable	18	47
Total current payables	43 162	38 137
<u>Non-current</u>		
Employment on-costs	3 417	3 167
Total non-current payables	3 417	3 167
Total payables	46 579	41 304

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

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

Employment on-costs

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken as leave has remained unchanged from the 2018 rate of 41%. The average factor for the calculation of employer superannuation cost on-costs has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation.

Paid parental leave scheme

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

Department for Environment and Water
Notes to and forming part of the financial statements
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7.2. Provisions

	2019 \$'000	2018 \$'000
<u>Current</u>		
Provision for workers compensation	511	489
Additional provisions	1	-
Total current provisions	512	489
<u>Non-current</u>		
Provision for workers compensation	1 561	725
Additional provisions	74	-
Total non-current provisions	1 635	725
Total provisions	2 147	1 214
<i>Movement in provisions</i>		
Carrying amount at the beginning of the period	1 214	1 810
Reductions arising from payments	(2 801)	(841)
Increases resulting from remeasurement	3 659	245
Carrying amount at the end of the period	2 072	1 214
<i>Movement in additional provision</i>		
Carrying amount at the beginning of the period	-	-
Additional provisions recognised	75	-
Carrying amount at the end of the period	75	-

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 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

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

Following changes to relevant Public Sector Enterprise Agreements and Awards, DEW has recognised an Additional Compensation provision as at 30 June 2019.

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

The Additional Compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged by the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported (IBNR) applications. No risk margin is included in the estimate.

Key assumptions in the estimate include:

- application frequency
- the probability of applications becoming successful claims
- projections of annual claim payments

Department for Environment and Water
Notes to and forming part of the financial statements
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7.2. Provisions (continued)

- rates of benefit continuance
- retirement age and mortality rates.

There is a significant 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 the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

Given these uncertainties, the actual cost of Additional Compensation claims may differ materially from the estimate. The assumptions used will continue to be refined to reflect emerging experience.

7.3. Other liabilities

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Lease incentive	1 416	1 403
Unearned revenue	439	350
Other	210	202
Total current other liabilities	2 065	1 955
<u>Non-current</u>		
Lease incentive	15 976	17 311
Deposits held	465	465
Unearned revenue	2 272	-
Total non-current other liabilities	18 713	17 776
Total other liabilities	20 778	19 731

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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8. Other disclosures

8.1. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Cash flow reconciliation

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	187 373	183 569
Balance as per the Statement of Cash Flows	187 373	183 569
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	65 446	93 579
Add payments to SA Government	4 432	94
Less revenues from SA Government	(164 702)	(156 903)
Add / (less) non-cash items		
Depreciation and amortisation	(24 620)	(23 564)
Capital work-in-progress and asset write-offs	(2 318)	(1 616)
Impairment of non-current assets	-	329
Gain/(loss) on disposal of non-current assets	27	(35)
Assets transferred for nil consideration	(47 575)	(1 306)
Supplies and services not requiring cash	(4 627)	(4 381)
Assumption of liabilities	(2 300)	-
Resources received free of charge	26 242	19 760
Movement in assets and liabilities		
Increase/(decrease) in receivables	11 102	(1 888)
Increase in inventories	117	6
Increase/(decrease) in other assets	35	(76)
(Decrease) in other financial assets	(3)	-
Decrease/(increase) in payables	(2 396)	1 109
(Increase) in employee benefits	(5 273)	(427)
(Increase)/decrease in provisions	(933)	596
(Increase)/decrease in other liabilities	1 254	1 095
Net cost of providing services	(146 092)	(73 628)

Department for Environment and Water
Notes to and forming part of the financial statements
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8.2. South Australian Heritage Fund

The South Australian Heritage Fund (formerly the "State Heritage Fund") was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income
for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Expenses		
Supplies and services	1	-
Total expenses	<u>1</u>	<u>-</u>
Net cost of providing services	<u>1</u>	<u>-</u>
Revenues from/(payments to) SA Government	-	-
Net result	<u><u>(1)</u></u>	<u><u>-</u></u>

Statement of Financial Position
as at 30 June 2019

	2019	2018
	\$'000	\$'000
Current assets		
Cash and cash equivalents	348	349
Total current assets	<u>348</u>	<u>349</u>
Total assets	<u>348</u>	<u>349</u>
Net assets	<u><u>348</u></u>	<u><u>349</u></u>
Equity		
Retained earnings	348	349
Total equity	<u><u>348</u></u>	<u><u>349</u></u>

Department for Environment and Water
Notes to and forming part of the financial statements
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8.2. South Australian Heritage Fund (continued)

Statement of Changes in Equity for the year ended 30 June 2019	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017	349	349
Net result for 2017-18	-	-
Balance at 30 June 2018	<u>349</u>	<u>349</u>
Net result for 2018-19	(1)	(1)
Balance at 30 June 2019	<u>348</u>	<u>348</u>

Statement of Cash Flows for the year ended 30 June 2019	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Cash outflows		
Payments for supplies and services	(1)	-
Cash used in operations	<u>(1)</u>	<u>-</u>
Net cash provided by / (used in) operating activities	<u>(1)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>(1)</u>	<u>-</u>
Cash and cash equivalents at the beginning of the reporting period	<u>349</u>	<u>349</u>
Cash and cash equivalents at the end of the reporting period	<u>348</u>	<u>349</u>

Department for Environment and Water
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for the year ended 30 June 2019

8.3. General Reserves Fund

The General Reserves Fund (the Fund) was established under section 45 of the *National Parks and Wildlife Act 1972* (the Act) to perform duties in relation to the development and management of reserves. Reserves include any national park, conservation park, game reserve, recreation park or regional reserve constituted under the Act. The functions of the Fund are to undertake programs that are directed to achieving the objectives prescribed in section 37 of the Act, through the operation of a Fund account. The Fund provisions are used as the mechanism to provide expanded visitor facilities and services to the park. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income
for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Expenses		
Supplies and services	8	13
Grants and subsidies	15 412	15 726
Total expenses	<u>15 420</u>	<u>15 739</u>
Income		
Fees and charges	15 389	15 158
Interest	25	15
Other income	6	566
Total income	<u>15 420</u>	<u>15 739</u>
Net cost of providing services	<u>-</u>	<u>-</u>
Net result	<u>-</u>	<u>-</u>

Statement of Financial Position
as at 30 June 2019

	2019	2018
	\$'000	\$'000
Current assets		
Cash and cash equivalents	1 333	568
Receivables	1 316	1 697
Total assets	<u>2 649</u>	<u>2 265</u>
Current liabilities		
Unearned revenue	384	-
Total current liabilities	<u>384</u>	<u>-</u>
Total liabilities	<u>384</u>	<u>-</u>
Net assets	<u>2 265</u>	<u>2 265</u>
Equity		
Retained earnings	2 265	2 265
Total equity	<u>2 265</u>	<u>2 265</u>

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8.3. General Reserves Fund (continued)

Statement of Changes in Equity for the year ended 30 June 2019	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017	2 265	2 265
Net result for 2017-18	-	-
Balance at 30 June 2018	<u>2 265</u>	<u>2 265</u>
Net result for 2018-19	-	-
Balance at 30 June 2019	<u><u>2 265</u></u>	<u><u>2 265</u></u>

Statement of Cash Flows for the year ended 30 June 2019	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	16 156	14 200
Interest received	23	16
Other receipts	6	565
Cash generated from operations	<u>16 185</u>	<u>14 781</u>
Cash outflows		
Payments for supplies and services	(8)	(13)
Payments of grants and subsidies	(15 412)	(15 726)
Cash used in operations	<u>(15 420)</u>	<u>(15 739)</u>
Net cash provided by / (used in) operating activities	<u>765</u>	<u>(958)</u>
Net increase / (decrease) in cash and cash equivalents	<u>765</u>	<u>(958)</u>
Cash and cash equivalents at the beginning of the reporting period	568	1 526
Cash and cash equivalents at the end of the reporting period	<u><u>1 333</u></u>	<u><u>568</u></u>

Department for Environment and Water
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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- removal of the additional requirement to report a statement of equity for administered items
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the department adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Department for Environment and Water
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9.2. AASB 9 Financial instruments (continued)

The total impact on the department's retained earnings as at 1 July 2018 is as follows:

	2018
	\$'000
Closing retained earnings 30 June 2018 – AASB 139	391 097
Adjustment to retained earnings from adoption of AASB 9	(170)
Opening retained earnings 1 July 2018 – AASB 9	390 927

On 1 July 2018, the department has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, the department's financial instruments were as follows, with any reclassifications noted.

	Measurement category		AASB 139	Carrying	AASB 9 at 1
	AASB 139	AASB 9	at 30 June 2018 \$'000	amount re- measurement \$'000	July 2018 \$'000
<u>Current financial assets</u>					
Receivables	Loans and receivables	Amortised cost	7 896	(170)	7 726
<u>Current financial liabilities</u>					
Payables	Amortised cost	Amortised cost	34 569	-	34 569

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

This model generally results in earlier recognition of credit losses than the previous one.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department has adopted the combined approach under *AASB 9 Financial Instruments*, where separately considered receivables were impaired (\$730 000) and then applied a provision matrix approach as a practical expedient to measure lifetime expected credit losses on the remaining receivables which resulted in a decrease of loss of \$88 000 for receivables external to government. The application of the expected credit loss model resulted in an increase in the loss allowance on 1 July 2018 of \$170 000 for trade receivables external to government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

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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.

Operating lease commitments

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

	2019	2018
	\$'000	\$'000
Within one year	8 756	7 233
Later than one year but not longer than five years	31 344	26 048
Later than five years	26 804	31 121
Total operating lease commitments	66 904	64 402

The operating leases held by DEW are non-cancellable property leases. The leases are payable one month in advance and DEW has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

	2019	2018
	\$'000	\$'000
Within one year	1 408	2 042
Later than one year but not longer than five years	-	113
Total capital commitments	1 408	2 155

DEW's capital commitments comprised construction works for the Waterfall Gully/Mt Lofty summit trail, Coorong, Lower Lakes and Murray Mouth, Riverine Recovery and South Australian Riverland Flood Plains Integrated Infrastructure Program.

Expenditure commitments

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

	2019	2018
	\$'000	\$'000
Within one year	22 325	24 684
Later than one year but not longer than five years	73 059	69 395
Total expenditure commitments	95 384	94 079

DEW's expenditure commitments are for contributions to the Murray-Darling Basin Authority.

Department for Environment and Water
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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.

DEW is not aware of the existence of any contingent assets.

At the time of this report the outcomes of any pending legal cases are not known and the effects are not quantifiable.

10.3. Impact of standards and statements not yet effective

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

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The department will adopt *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is expected to have a material impact on the timing of recognition of revenue by the department, however further analysis of all material funding agreements is still needed to be able to quantify the full impact of revenue recognition.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition to *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*. These requirements include that the department will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

Department for Environment and Water
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10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15 000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

The department will adopt *AASB 16 – Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. *AASB 16 Leases* replaces *AASB 117 Leases* and *Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives and Interpretation*, and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

Department for Environment and Water
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10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

	as at 1 July 2019 \$'000
	<hr/>
<u>Assets</u>	
Increase in right-of-use assets	45 937
<u>Liabilities</u>	
Increase in lease liabilities	61 293
Decrease in other liabilities (lease incentive liabilities)	<u>(17 031)</u>
Net impact on equity	<u>1 675</u>

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
	<hr/>
Increase in depreciation and amortisation	7 271
Decrease in supplies and services	(8 245)
Increase in borrowing costs	<u>1 102</u>
Net impact on net cost of providing services	<u>128</u>

The amounts disclosed are current estimates only. DEW is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that the department will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the department has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

Department for Environment and Water
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10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- not apply AASB 16 to leases of intangible assets
- adopt \$15 000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets
- apply the short-term leases recognition exemption for all classes of underlying asset
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after the reporting period

DEW is not aware of any event occurring after balance date that would materially affect the financial statements.

Department for Environment and Water
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11. Measurement and risk

11.1. Long service leave liability – measurement

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds decreased from 2018 (2.5%) to 2019 (1.25%).

The net financial effect of changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$3.362 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. The salary inflation rate for annual leave and skills, experience and retention leave liability decreased from 2018 (3%) to 2019 (2.2%).

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

11.2. Fair value

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

Initial recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at 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 (that is the amount recorded by the transferor public authority immediately prior to the restructure).

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of Groundwater Monitoring Wells due to the significant number and long useful lives of the assets contained within this class. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Classes of property, plant and equipment are valued as follows:

(i) Independent valuation

Assets in the Buildings and Improvements and Park Infrastructure asset classes are assessed on a case by case basis and those determined as unique are independently valued. The remaining assets in the class are revalued using the Data Dictionary model.

Unique assets are items which cannot be categorised within the standard Data Dictionary groups. An asset deemed unique will have a cost that varies significantly from the Data Dictionary value. Unique assets may have cultural significance that adds to its value; may have been constructed using different or special materials; an asset that has been previously independently valued.

Assets in the Road, Tracks and Trails class are all valued using the Data Dictionary model following their initial recognition at cost. Refer to 'Asset revaluations' section below for further details.

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11.2 Fair value (continued)

Initial recognition (continued)

(ii) *At cost (acquisition cost)*

This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation.

(iii) *At cost (deemed fair value)*

These assets have an acquisition cost below \$1.5 million or have an estimated useful life of less than three years, and have not been revalued in accordance with APS 116.D and are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Revaluation

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

The revaluation process is reviewed by the Chief Finance Officer and audit committee 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.

DEW revalues its land, buildings and improvements, and other infrastructure assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

For all property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis.

The following table lists details of asset classes subject to independent revaluations:

Class of asset	Date of last independent revaluation	Name of Valuer	Fair Value Input level	Fair Value Approach
Land	1 July 2015	State Valuation Office	3	Market
Buildings and improvements (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Buildings and improvements (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services	3	Cost
Park infrastructure (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Park infrastructure (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services	3	Cost
Roads, tracks and trails	1 July 2016	Valcorp Aust. Pty Ltd	3	Cost
Groundwater monitoring wells	30 June 2017	Jacobs Australia Ltd	3	Cost
Salinity disposal schemes	1 July 2014	Valcorp Aust. Pty Ltd	3	Cost
Patawalonga seawater circulation and Barcoo outlet	1 July 2014	Valcorp Aust. Pty Ltd	3	Cost
Sand pumping infrastructure	30 June 2018	Jones Lang LaSalle Inc.	3	Cost
Surface water monitoring network	30 June 2017	Valcorp Aust. Pty Ltd	3	Cost
Waste disposal stations	30 June 2018	Valcorp Aust. Pty Ltd	3	Cost
Regulators and embankments	30 June 2018	Public Private Property Pty Ltd	3	Cost

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11.2. Fair value (continued)

Fair value hierarchy

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

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

During 2019 and 2018, DEW had no valuations categorised into level 1 or level 2; and there were no changes in valuation techniques.

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

	Level 3
	\$'000
Recurring fair value measurements	
Land	330 370
Buildings and improvements	68 222
Park infrastructure	25 451
Roads, tracks and trails	22 823
Groundwater monitoring wells	67 537
Salinity disposal schemes	28 685
Patawalonga seawater circulation and Barcoo outlet	29 039
Surface water monitoring network	6 917
Waste disposal stations	10 480
Regulators and embankments	64 097
Sand pumping infrastructure	17 126
Plant and equipment	16 499
Leasehold improvements	15 797
Other	1 145
Total recurring fair value measurements	704 188
Total fair value measurements	704 188

Department for Environment and Water
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11.2. Fair value

Fair value hierarchy (continued)

Fair value classification – non-financial assets at 30 June 2018

	Level 3
	\$'000
Recurring fair value measurements	
Land	315 183
Buildings and improvements	65 244
Park infrastructure	24 701
Roads, tracks and trails	32 631
Groundwater monitoring wells	71 825
Salinity disposal schemes	29 125
Patawalonga seawater circulation and Barcoo outlet	29 569
Surface water monitoring network	7 087
Waste disposal stations	9 648
Regulators and embankments	52 435
Sand pumping infrastructure	18 066
Plant and equipment	15 568
Leasehold improvements	17 585
Other	1 163
Total recurring fair value measurements	689 830
Total fair value measurements	689 830

Heritage assets

In accordance with APS 101.H, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

DEW is also custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and land held by the Minister, either as freehold or reverted land is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

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11.3. Financial instruments

Financial risk management

Risk management is managed by DEW's corporate services section. Departmental 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*.

DEW's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

DEW is funded principally from appropriations by the SA Government. DEW works with DTF to determine the cash flows associated with its government-approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 for further information.

Credit risk

DEW has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by DEW.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the department is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

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

	Debtor gross carrying amount	Loss %	Lifetime expected losses \$'000
	\$'000		\$'000
Current (not past due)	2 040	0%	3
1 - 30 days past due	113	1%	1
31 - 60 days past due	17	11%	1
61 - 90 days past due	57	4%	2
More than 90 days past due	141	53%	75
Loss allowance			82

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11.3. Financial instruments

Impairment of financial assets (continued)

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and DEW's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with DEW and a failure to make contractual payments for a period of greater than 90 days past due.

DEW considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of DEW'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. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Market risk

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

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

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

Categorisation of financial instruments

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

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- receivables
- financial liabilities measured at cost.

DEW does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 6.2 and 7.1).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer note 6.4).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset which is a debt instrument is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset which is an equity instrument is classified as measured at fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The department measures all financial instruments at amortised cost.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

Categorisation of financial instruments (continued)

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents		187 373	187 373	-	-
Financial assets at amortised cost					
Receivables	(1), (2)	16 979	16 979	-	-
Total financial assets		204 352	204 352	-	-
Financial liabilities					
Financial liabilities at amortised cost					
Payables	(1)	39 562	39 562	-	-
Total financial liabilities		39 562	39 562	-	-

Category of financial asset and financial liability	Note	2018 Carrying amount / fair value \$'000	2018 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents		183 569	183 569	-	-
Loans and receivables					
Receivables	(1), (2)	7 896	7 896	-	-
Held-to-maturity investments					
Financial assets		3	3	-	-
Total financial assets		191 468	191 468	-	-
Financial liabilities					
Financial liabilities at cost					
Payables	(1)	34 569	34 569	-	-
Total financial liabilities		34 569	34 569	-	-

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost).
- (2) Receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.3.

**Department for Environment and Water
(DEW)**

Administered Financial Statements

For the year ended 30 June 2019

Department for Environment and Water
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Department for Environment and Water:

- 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 department
- present a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2019 and the results of its operations and cash flows for the financial year.

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

John Schutz
Chief Executive
September 2019

Shaun O'Brien
Chief Financial Officer
September 2019

Department for Environment and Water
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Administered expenses			
Employee benefits		359	354
Supplies and services		825	670
Grants and subsidies	A2.1	37 610	54 091
Expenses associated with joint operation	A5.2	10 563	10 663
Donated assets	A2.2	3 170	15 558
Other expenses		608	1 631
Total administered expenses		53 135	82 967
Administered income			
Fees and charges	A3.2	18 308	17 279
Grants	A3.3	-	13 827
Income associated with joint operation	A5.2	10 681	5 421
Interest		61	66
Assets received free of charge	A3.4	335	11 700
Net gain from the disposal of non-current assets	A3.5	187	49
Other income		80	-
Total administered income		29 652	48 342
Net cost of providing services		23 483	34 625
Revenues from / (payments to) SA Government			
Revenues from SA Government	A3.1	21 054	23 271
Payments to SA Government	A3.1	(10 641)	(6 735)
Total net revenues from SA Government		10 413	16 536
Net result		(13 070)	(18 089)
Other comprehensive income			
<i>Items that will not be reclassified to net result:</i>			
Changes in property, plant and equipment asset revaluation surplus	A4.1	13 902	3 265
Total other comprehensive income		13 902	3 265
Total comprehensive result		832	(14 824)

The accompanying notes form part of these financial statements.

Department for Environment and Water
Statement of Administered Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Administered current assets			
Cash and cash equivalents	A7.1	13 974	12 699
Receivables	A5.1	2 587	3 092
Total current assets		16 561	15 791
Administered non-current assets			
Property, plant and equipment	A4.1	1 274 621	1 333 009
Intangibles	A5.2	161 454	154 016
Total non-current assets		1 436 075	1 487 025
Total assets		1 452 636	1 502 816
Administered current liabilities			
Payables	A6.1	6 032	6 648
Total current liabilities		6 032	6 648
Total liabilities		6 032	6 648
Net assets		1 446 604	1 496 168
Administered equity			
Asset revaluation surplus		191 781	199 057
Retained earnings		1 254 823	1 297 111
Total equity		1 446 604	1 496 168

The accompanying notes form part of these financial statements.

Department for Environment and Water
Statement of Administered Cash Flows
for the year ending 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefits payments		(359)	(354)
Payments for supplies and services		(827)	(668)
Payments of grants and subsidies		(37 729)	(53 981)
Cash used in operating activities		(38 915)	(55 003)
Cash inflows			
Fees and charges		18 205	17 564
Receipts from grants		-	13 829
Interest received		61	66
Other receipts		80	-
Cash generated from operating activities		18 346	31 459
Cash flows from SA government			
Receipts from SA government		21 054	23 271
Payments to SA government		(11 136)	(4 606)
Cash generated from SA government		9 918	18 665
Net cash provided by / (used in) operating activities	A7.1	(10 651)	(4 879)
Cash flows from investing activities			
Cash inflows			
Proceeds from the sale of property, plant and equipment		12 053	7 218
Cash generated from investing activities		12 053	7 218
Net cash provided by / (used in) investing activities		12 053	7 218
Cash flows from financing activities			
Cash outflows			
Cash transferred as a result of restructuring activities		(127)	-
Cash used in financing activities		(127)	-
Net cash provided by / (used in) financing activities		(127)	-
Net increase / (decrease) in cash and cash equivalents		1 275	2 339
Cash and cash equivalents at the beginning of the reporting period		12 699	10 360
Cash and cash equivalents at the end of the reporting period	A7.1	13 974	12 699

The accompanying notes form part of these financial statements.

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2019

Activities - refer note A1	Crown Lands		Minister's Other Payments		Special Acts Allocation	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses						
Employee benefits	-	-	-	-	359	354
Supplies and services	825	669	-	-	-	-
Grants and subsidies	-	-	16 965	18 271	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	3 170	15 558	-	-	-	-
Other expenses	2	99	-	-	-	-
Total administered expenses	3 997	16 326	16 965	18 271	359	354
Administered income						
Fees and charges	19	-	-	-	-	-
Grants	-	107	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assets received free of charge	335	11 700	-	-	-	-
Net gain from disposal of non-current assets	187	49	-	-	-	-
Other income	-	-	-	-	-	-
Total administered income	541	11 856	-	-	-	-
Net cost of providing services	3 456	4 470	16 965	18 271	359	354
Revenues from / (payments to) SA Government						
Revenues from SA Government	-	-	16 982	18 346	360	353
Payments to SA Government	(10 641)	(6 735)	-	-	-	-
Total net revenues from SA Government	(10 641)	(6 735)	16 982	18 346	360	353
Net result	(14 097)	(11 205)	17	75	1	(1)

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2019

Activities - refer note A1	National Landcare					
	Program		Natural Heritage Trust		NRM Fund	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Administered expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	13 820	-	14	20 565	21 986
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-
Other expenses	-	-	-	-	606	1 532
Total administered expenses	-	13 820	-	14	21 171	23 518
Administered income						
Fees and charges	-	-	-	-	18 306	17 293
Grants	-	13 720	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	4	5	-	-	59	61
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total administered income	4	13 725	-	-	18 365	17 354
Net cost of providing services	(4)	95	-	14	2 806	6 164
Revenues from / (payments to) SA Government						
Revenues from SA Government	-	-	-	-	3 618	4 558
Payments to SA Government	-	-	-	-	-	-
Total net revenues from SA Government	-	-	-	-	3 618	4 558
Net result	4	(95)	-	(14)	812	(1 606)

Department of Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2019

	Pastoral Board		Qualco Sunlands		Adelaide Dolphin Sanctuary	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Administered expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	1	-	-
Grants and subsidies	-	-	80	-	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total administered expenses	-	-	80	1	-	-
Administered income						
Fees and charges	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Other income	-	-	80	-	-	-
Total administered income	-	-	80	-	-	-
Net cost of providing services	-	-	-	1	-	-
Revenues from / (payments to) SA Government						
Revenues from SA Government	14	14	80	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total net revenues from SA Government	14	14	80	-	-	-
Net result	14	14	80	(1)	-	-

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2019

Activities - refer note A1	DEW Corporate		Total	
	Admin Items			
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Administered expenses				
Employee benefits	-	-	359	354
Supplies and services	-	-	825	670
Grants and subsidies	-	-	37 610	54 091
Expenses associated with joint operation	10 563	10 663	10 563	10 663
Donated assets	-	-	3 170	15 558
Other expenses	-	-	608	1 631
Total administered expenses	10 563	10 663	53 135	82 967
Administered income				
Fees and charges	(17)	(14)	18 308	17 279
Grants	-	-	-	13 827
Income associated with joint operation	10 681	5 421	10 681	5 421
Interest	(2)	-	61	66
Assets received free of charge	-	-	335	11 700
Net gain from disposal of non-current assets	-	-	187	49
Other income	-	-	80	-
Total administered income	10 662	5 407	29 652	48 342
Net cost of providing services	(99)	5 256	23 483	34 625
Revenues from / (payments to) SA Government				
Revenues from SA Government	-	-	21 054	23 271
Payments to SA Government	-	-	(10 641)	(6 735)
Total net revenues from SA Government	-	-	10 413	16 536
Net result	99	(5 256)	(13 070)	(18 089)

The above statement should be read in conjunction with the accompanying notes.

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Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1. About the Department for Environment and Water

The activities of the administered items are:

Crown Lands

Crown Lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus South Australian government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance's (DTF) Consolidated Account.

Minister's Other Payments

Grants and subsidies payments of \$16.965 million (2018: \$18.271 million) approved by the Minister for Environment and Water were made to community organisations, associations and local government. This includes grants made to Zoo SA \$5.815 million (2018: \$5.707 million); Adelaide City Council \$1.565 million (2018: \$1.540 million); Stormwater Management Authority \$5.379 million (2018: \$5.248 million); South Eastern Water Conservation and Drainage Board \$2.500 million (2018: \$2.261 million); Native Vegetation Fund \$1.167 million (2018: \$1.138 million); and Coast Protection Fund \$0.539 million (2018: \$2.377 million).

Special Acts Allocation

This item comprises salary and allowance payments for the Minister for Environment and Water.

National Landcare Program

The National Landcare Program is administered by the Commonwealth and South Australia Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

The program is fully Commonwealth funded and disbursed based on Commonwealth approval.

Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the *Natural Resources Management Act 2004* (NRM Act). The Minister for Environment and Water administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRM Act. This may also include making any payment required, or authorised by or under the NRM Act or any other law. The balance of the NRM Fund at 30 June 2019 was \$3.590 million (2018: \$2.410 million).

Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRM Act. DEW administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRM Act require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRM Act:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1. About the Department for Environment and Water (continued)

(i) *Government appropriations*

DEW receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRM Act.

	2019 \$'000	2018 \$'000
Regional NRM Board		
Alinyjara Wilurara NRM Board	1 143	1 113
Kangaroo Island NRM Board	1 143	1 113
South Australian Arid Lands NRM Board	332	332
	2 618	2 558

(ii) *Water Levies*

Water levies are collected for prescribed water resources under section 101 of the NRM Act. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRM Act.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRM Act.

(iv) *Expiation fees and other penalties*

Expiation fees and penalties are recovered in respect of offences against the NRM Act (that is for unlawful possession of animals or plants).

Pastoral Board

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Board provides advice to the Minister for Environment and Water on the policies that should govern the administration of pastoral land. Due to an administrative arrangement, the Pastoral Board was transferred to Department of Primary Industries and Regions, South Australia effective 1 January 2019. Refer note A1.3.

National Action Plan for Salinity and Water Quality

The National Action Plan (NAP) was a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009. DEW is currently seeking Commonwealth approval to transfer the remaining funds to existing State agency and Natural Resources Management Board competitive projects in accordance with clause 13.2c and 20.4 of the *'Transitional Arrangement and Financial Agreement between the Australian Government and state of South Australia for implementation of Caring for our Country'*.

Qualco Sunlands

The *Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. Upon request from the Trust, DEW provides a temporary grant, sourced from the DTF, to carry out the specified works. The Trust facilitates the required work, and recharges irrigators for the work undertaken. Once fully collected, the Trust returns the temporary funds to DEW for on-passing back to the Department of Treasury and Finance.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1. About the Department for Environment and Water (continued)

Adelaide Dolphin Sanctuary Fund

The Adelaide Dolphin Sanctuary Fund was established under the *Adelaide Dolphin Sanctuary Act 2005* to:

- protect the dolphin population of the Port Adelaide River Estuary and Barker Inlet
- protect the natural habitat of the Dolphin population.

Natural Heritage Trust

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997*. Funding for NHT ceased on 30 June 2008 and all projects were completed by 31 December 2009. DEW is currently seeking Commonwealth approval to transfer the remaining funds to existing State agency and Natural Resources Management Board competitive projects in accordance with clause 13.2c and 20.4 of the *'Transitional Arrangement and Financial Agreement between the Australian Government and state of South Australia for implementation of Caring for our Country'*.

A1.1. Administered item's financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the *Public Finance and Audit Act 1987*.

DEW conducts a large number of activities directed towards meeting the administered items objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within DEW, who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered financial statements.

A1.2. Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.3. DEW applies the same accounting policies to the administered financial statements as set out in the notes to DEW's financial statements. Deviations from these policies are as follows:

Property, plant and equipment

Property, plant and equipment includes land. DEW is the custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and held by the Minister, either as freehold or reverted land, is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Employee benefits

In general, administered items utilise the services of contractors or DEW employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DEW employees are provided free of charge. If, however, the services provided by DEW employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee for service (cost recovery) basis. The liability for employee benefits arising from services rendered by DEW employees is not recognised in the administered financial statements as DEW is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DEW's financial statements. Employee benefits disclosed in the schedule of expenses and income relate to the Minister's salary.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.3. Change to the department

2018-19 Transferred out

As a result of administrative arrangements outlined in The South Australian Government Gazette (the Government Gazette) on 13 December 2018, the department relinquished responsibility for the Pastoral Board. Assets relating to the Pastoral Board were transferred to the Department of Primary Industries and Regions, South Australia effective 1 January 2019.

	Pastoral	
	Unit	Total
	\$'000	\$'000
Current assets:		
Cash and cash equivalents	127	127
Property, plant and equipment	54 116	54 116
Total Assets	54 243	54 243
Net Loss on Transfer Out	54 243	54 243

A1.4. Budget performance

The budget performance table compares DEW's outcomes against budget information presented to Parliament (2018-19 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	Actual	Variance
		2019	2019	\$'000
		\$'000	\$'000	\$'000
Statement of Administered Comprehensive Income	Note			
Expenses				
Employee benefits		358	359	1
Supplies and services		620	825	205
Grants and subsidies		36 404	37 610	1 206
Expenses associated with joint operation	a	-	10 563	10 563
Donated assets	b	-	3 170	3 170
Other expenses		871	608	(263)
Total expenses		38 253	53 135	14 882
Income				
Fees and charges		17 054	18 308	1 254
Grants		-	-	-
Income associated with joint operation	a	-	10 681	10 681
Interest		-	61	61
Assets received free of charge		-	335	335
Net gain from the disposal of non-current assets		-	187	187
Other income		250	80	(170)
Total income		17 304	29 652	12 348
Net cost of providing services		20 949	23 483	2 534
Revenues from / (payments to) SA Government				
Revenues from SA government	c	28 515	21 054	(7 461)
Payments to SA government	d	(17 640)	(10 641)	6 999
Total net revenues from SA Government		10 875	10 413	(462)
Net result		(10 074)	(13 070)	(2 996)

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.4. Budget performance (continued)

The following are brief explanations of variances between original budget and actual amounts. Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

- a. South Australia's share of income and expenses associated with the joint operation was not included in the original budget
- b. Crown land donated free of charge to the DEW Controlled reporting entity in 2018-19 was not included in the original budget
- c. Revenue from SA Government in respect to receipt of the working capital provision for the Natural Resources Management Boards was included in the original budget but not required during 2018-19
- d. Payments to SA Government in respect to repayment of the working capital provision for the Natural Resources Management Boards was included in the original budget but not required during 2018-19.

	Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Investing expenditure summary			
Total new projects	-	-	-
Total annual program	297	-	(297)
Total investing expenditure	297	-	(297)

A2. Expenses

A2.1. Grants and subsidies

	2019 \$'000	2018 \$'000
Payments to Natural Resource Management Boards	20 565	21 986
Minister's other payments	16 965	18 271
Qualco Sunlands	80	-
National Landcare Program	-	13 820
Natural Heritage Trust	-	14
Total grants and subsidies	37 610	54 091

From 1 July 2018, the Australian Government commenced the Regional Land Partnerships program (National Landcare Program Phase 2). Funding agreements under the National Landcare Program Phase 2 are now directly between the Australian Government and Natural Resource Management Boards.

A2.2. Donated assets

	2019 \$'000	2018 \$'000
Donated assets	3 170	15 558
Total Donated Assets	3 170	15 558

Donated assets expense in 2018-19 comprised of Crown land donated free of charge to the DEW Controlled reporting entity for land gazetted to a mix of either National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves pursuant to the *National Parks and Wildlife Act 1972* \$3.170 million (2018: \$12.490 million). The prior year amount included land transferred to the National Trust (\$2.961 million) and to other entities (\$0.107 million).

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A3. Income

A3.1. Revenues from / (payments to) SA Government

	2019	2018
	\$'000	\$'000
Recurrent appropriations	21 054	23 271
Payments to Consolidated Account	(10 641)	(6 735)
Total revenues from SA Government	10 413	16 536
Net revenues from SA Government	10 413	16 536

A3.2. Revenues from fees and charges

	2019	2018
	\$'000	\$'000
Water Levies received from licence holders	16 850	16 374
Penalties	1 456	919
Crown Lands	19	-
DEW Corporate Administered Items	(17)	(14)
Total revenues from fees and charges	18 308	17 279

A3.3. Grants revenues

	2019	2018
	\$'000	\$'000
National Landcare Program	-	13 720
Crown Lands	-	107
Total grant revenues	-	13 827

From 1 July 2018, the Australian Government commenced the Regional Land Partnerships program (National Landcare Program Phase 2). Funding agreements under the National Landcare Program Phase 2 are now directly between the Australian Government and Natural Resource Management Boards.

A3.4. Assets received free of charge

	2019	2018
	\$'000	\$'000
Land	335	11 700
Total Assets received free of charge	335	11 700

Assets received free of charge in 2018-19 comprised of land previously dedicated by the Minister for Environment and Water, pursuant to legislative powers vested to the Minister under the *Crown Lands Management Act 2009*, to entities external to the DEW Administered Items. Upon the revocation of dedication, the land has reverted to the Minister, and accounted for in the DEW Administered Items reporting entity.

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A3.5. Net gain from the disposal of non-current assets

	2019	2018
	\$'000	\$'000
Crown land		
Proceeds from disposal	12 053	7 218
Less net book value of assets disposed	(11 866)	(7 169)
Net gain from disposal of Crown land	<u>187</u>	<u>49</u>
Total assets		
Proceeds from disposal	12 053	7 218
Less net book value of assets disposed	(11 866)	(7 169)
Total net gain from disposal of non-current assets	<u><u>187</u></u>	<u><u>49</u></u>

A4. Non-financial assets

A4.1. Property, plant and equipment

	2019	2018
	\$'000	\$'000
Crown land		
Crown land at fair value	547 567	558 421
Total Crown land	<u>547 567</u>	<u>558 421</u>
Pastoral land		
Pastoral land at fair value	-	54 116
Total Pastoral land	<u>-</u>	<u>54 116</u>
Joint operation property, plant and equipment		
Joint operation property, plant and equipment	727 054	720 472
Total joint operation property, plant and equipment	<u>727 054</u>	<u>720 472</u>
Total property, plant and equipment	<u><u>1 274 621</u></u>	<u><u>1 333 009</u></u>

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A4.1. Property, plant and equipment (continued)

Movement reconciliation of property, plant and equipment

2019	Crown land	Pastoral land	Joint operation	Total
			PP&E	
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	558 421	54 116	720 472	1 333 009
Adjustment for Crown Lands not previously recognised	3 847	-	-	3 847
Restated opening balance at 1 July 2018	562 268	54 116	720 472	1 336 856
Assets received for nil consideration	335	-	-	335
Donated assets	(3 170)	-	-	(3 170)
Disposals	(11 866)	-	-	(11 866)
Disposal through administrative restructuring	-	(54 116)	-	(54 116)
Joint operations net additions, disposal, other movements	-	-	(7 320)	(7 320)
Subtotal	(14 701)	(54 116)	(7 320)	(76 137)
Gains/(losses) for the period recognised in other comprehensive income:				
Revaluation increments/(decrements)			13 902	13 902
Subtotal	-	-	13 902	13 902
Carrying amount at 30 June 2019	547 567	-	727 054	1 274 621

2018	Crown land	Pastoral land	Joint operation	Total
			PP&E	
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2017	590 555	54 116	724 493	1 369 164
Adjustment for Crown Lands not previously recognised	14 490	-	-	14 490
Adjustment for Crown Lands transferred to DEW Controlled	(35 498)	-	-	(35 498)
Restated opening balance at 1 July 2017	569 547	54 116	724 493	1 348 156
Assets received for nil consideration	11 700	-	-	11 700
Donated assets	(15 558)	-	-	(15 558)
Other changes	(99)	-	-	(99)
Disposals	(7 169)	-	-	(7 169)
Joint operations net additions, disposal, other movements	-	-	(7 286)	(7 286)
Subtotal	(11 126)	-	(7 286)	(18 412)
Gains/(losses) for the period recognised in other comprehensive income:				
Revaluation increments/(decrements)	-	-	3 265	3 265
Subtotal	-	-	3 265	3 265
Carrying amount at 30 June 2018	558 421	54 116	720 472	1 333 009

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A4.1. Property, plant and equipment (continued)

Error correction

Error corrections of \$3.847 million adjusted against retained earnings at 1 July 2018 and \$14.490 million adjusted against retained earnings at 1 July 2017 have been disclosed in the movement reconciliation of property, plant and equipment for the periods 2018-19 and 2017-18. The error correction adjustments are in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and resulted in a net increase in the carrying value of Crown Land assets.

The error corrections comprises an increasing adjustment of \$3.847 million (2018: \$14.490 million) to recognise Crown Land that had previously been under the dedication and control of other entities, including other government agencies and holders of leases, including Pastoral leases.

In addition, the error correction recognised in 2017-18 comprises a decreasing adjustment of (\$35.498 million) to the carrying value of Crown Land held as at 1 July 2017. The adjustment was required to reflect Crown Land that had transferred to DEW Controlled prior to 2016-17 following the gazettal and or ministerial approval of various land parcels as conservation parks during the period.

A5. Financial assets

A5.1. Receivables

	2019	2018
	\$'000	\$'000
Current		
Water levies	732	941
Penalties	4 462	4 126
Accrued interest	4	4
Other	124	149
Less allowance for doubtful debts	(2 735)	(2 128)
Total current receivables	2 587	3 092
Total receivables	2 587	3 092

A5.2. Interest in joint operation

The Minister, on behalf of the state of South Australia, has an interest in a joint operation, the Murray-Darling Basin Authority (MDBA) represented by the River Murray Operations and the Living Murray Initiative.

On 3 July 2008, the Commonwealth Government and the Government of New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (the participants) entered into the Intergovernmental agreement for the *Murray-Darling Basin Reform* (the Reform IGA). The Reform involved the government participants entering into a new *Murray-Darling Basin Agreement* (MDB Agreement) and the Intergovernmental Agreement on *Murray-Darling Basin Reform - referral* (the Referral IGA).

The MDB Agreement essentially dissolved the Murray-Darling Basin Commission (MDBC) and established the Murray-Darling Basin Authority (MDBA), Ministerial Council, Basin Officials Committee and the Basin Community Committee. Under the revised arrangement, the participants have a joint interest in the infrastructure assets and water rights. The state of South Australia's interest in the arrangement is 26.67 percent.

The MDBA was established under the Commonwealth *Water Act 2007* as an independent, expertise based statutory agency and are responsible for developing, implementing and monitoring the Basin Plans. The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that meets the social, economic and environmental needs of the Basin and its communities.

Two unincorporated joint arrangements were established under the MDBA to hold assets on behalf of the participants through separate agreements called the "Asset Agreement for River Murray Operations Assets" (RMO) and the "Further Agreement on Addressing Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin - Control and Management of Living Murray Assets" (LMI). The principal place of the operation is in Australia. The participants are obliged to provide funding to the MDBA for the management of the RMO and LMI assets and operations.

The agreements in relation to the Murray Darling Basin Agreement joint arrangement require unanimous consent from all parties for all relevant activities. The participants own the infrastructure assets and water rights of the joint arrangements, which are being managed through the RMO and LMI and there are no liabilities held for either RMO and LMI. The arrangement is therefore classified as a joint operation and DEW recognises, on behalf of the state, its direct right to the jointly held assets, revenues and expenses based on the percentage interest as described in the table below.

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A5.2. Interest in joint operation (continued)

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2019 (%)	2018 (%)
Murray Darling Basin Authority	To undertake activities that support the sustainable and integrated management of water resources of the Murray-Darling Basin	Australia	26.67%	26.67%

Joint operation assets, income and expenses accounted for using the proportionate consolidation method are detailed below:

Murray Darling Basin Authority	2019 \$'000	2018 \$'000
Non-current assets		
<i>Property, plant and equipment</i>		
Infrastructure Assets	700 572	694 817
Work in Progress	20 899	20 232
Other property, plant and equipment assets	5 583	5 424
<i>Intangibles - Water entitlements</i>	161 454	154 016
Total non-current assets	888 508	874 489
Total assets	888 508	874 489
Income	10 681	5 421
Expenses	10 563	10 663

Refer note 3.2 of the DEW Controlled financial statements for details of the State's grant payment made to the MDBA.

The 2019 and 2018 figures were based on the audited RMO and LMI financial statements.

Contingencies and commitments

There are no contingencies or commitments arising from DEW's interest in the joint operation.

A6. Liabilities

A6.1. Payables

	2019 \$'000	2018 \$'000
Current		
Creditors	5 726	6 246
Accrued expenses	9	11
Other	297	391
Total current payables	6 032	6 648
Total payables	6 032	6 648

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A7. Other disclosures

A7.1. Administered cash flow reconciliation

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
National Landcare Program	341	337
Crown Lands	7 528	7 489
Natural Resource Management Fund	3 590	2 410
Pastoral Board	-	113
Qualco Sunlands	71	-
National Action Plan for Salinity and Water Quality	37	37
Adelaide Dolphin Sanctuary	1	1
The Department's Corporate Administrative Items	2 406	2 312
	<hr/>	<hr/>
Cash and cash equivalents disclosed in the Statement of Financial Position	13 974	12 699
Balance as per the Statement of Administered Cash Flows	<hr/>	<hr/>
	<hr/>	<hr/>
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	(10 651)	(4 879)
Add payments to SA Government	10 641	6 735
Less revenues from SA Government	(21 054)	(23 271)
Add / (less) non-cash Items		
Expenses associated with joint operation	(10 563)	(10 663)
Income associated with joint operation	10 681	5 421
Assets received free of charge	335	11 700
Donated assets	(3 170)	(15 558)
Net gain on disposal of non-current assets	187	49
Property, plant and equipment - other changes	-	(99)
Movement in assets and liabilities		
(Decrease) in receivables	(505)	(1 819)
Decrease/(increase) in payables	616	(2 241)
Net cost of providing services	<hr/>	<hr/>
	(23 483)	(34 625)

A8. Outlook

A8.1. Contingent assets and liabilities

A contingent asset is acknowledged whereby the Minister for Environment and Water has an exclusive right to access 40ML per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. DEW is not aware of the existence of any other contingent liabilities.