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To the Chief Executive CTP Regulator

Opinion

I have audited the financial report of the CTP Regulator for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the CTP Regulator as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and CTP Regulator and the Director, Performance.

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 CTP Regulator. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive for the financial report

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

Auditor's responsibilities for the audit of the financial report

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

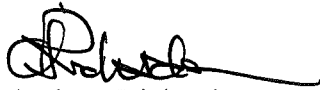
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

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

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

Andrew Richardson

Auditor-General

28 September 2020

CTP Regulator

Financial Statements

For the year ended 30 June 2020

CTP Regulator
Statement of Certification
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the CTP Regulator:

- 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 CTP Regulator; and
- present a true and fair view of the financial position of the CTP Regulator as at 30 June 2020 and the results of its operation and cash flows for the financial year.

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



Kim Birch
Chief Executive & CTP Regulator
25 September 2020



Ivan Lebedev
Director, Performance
25 September 2020

CTP Regulator
Statement of Comprehensive Income
for the year ended 30 June 2020

		2020	2019
	Note	\$'000	\$'000
<u>Income</u>			
Administration premium component collections	2.1	65 175	61 342
Interest	2.2	132	407
Other income	2.3	38	1 124
Resources received free of charge	2.4	11	-
Total income		65 356	62 873
<u>Expenses</u>			
Employee benefits expenses	3.2	3 386	3 896
Supplies and services	4.1	2 163	3 213
Depreciation and amortisation	4.2	320	320
Administration premium component distributions	4.3	52 894	53 790
Other expenses	4.4	193	1 279
Total expenses		58 956	62 498
Net result		6 400	375
Total comprehensive result		6 400	375

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

CTP Regulator
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	34 552	12 832
Receivables	6.2	534	1 088
Total current assets		35 086	13 920
<u>Non-current assets</u>			
Property, plant and equipment	5.1	64	89
Intangible assets	5.3	278	556
Total non-current assets		342	645
Total assets		35 428	14 565
<u>Current liabilities</u>			
Payables	7.1	18 119	3 662
Employee benefits	3.3	328	311
Provisions	7.2	4	4
Total current liabilities		18 451	3 977
<u>Non-current liabilities</u>			
Payables	7.1	43	28
Employee benefits	3.3	459	305
Provisions	7.2	8	5
Total non-current liabilities		510	338
Total liabilities		18 961	4 315
Net assets		16 467	10 250
<u>Equity</u>			
Retained earnings		16 467	10 250
Total equity		16 467	10 250

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

CTP Regulator
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 30 June 2018	9 875	9 875
Net result for 2018-19	375	375
Total comprehensive result for 2018-19	375	375
Balance at 30 June 2019	10 250	10 250
Error correction	(183)	(183)
Adjusted balance at 1 July 2019	10 067	10 067
Net result for 2019-20	6 400	6 400
Total comprehensive result for 2019-20	6 400	6 400
Balance at 30 June 2020	16 467	16 467

CTP Regulator
Statement of Cash Flows
for the year ended 30 June 2020

Statement of Cash Flows

		2020	2019
	Note	\$'000	\$'000
Cash flows from operating activities			
<u>Cash inflows</u>			
Receipts from administration fees		65 460	61 201
Interest received		143	227
Other receipts		144	1 027
Cash generated from operations		65 747	62 455
<u>Cash outflows</u>			
Employee benefit payments		(3 200)	(3 428)
Payments to suppliers and services		(2 181)	(2 903)
Payments for administration fees		(37 735)	(53 193)
Other payments		(894)	(1 483)
Cash used in operations		(44 010)	(61 007)
Net cash provided by / (used in) operating activities		21 737	1 448
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(17)	-
Cash generated from SA Government		(17)	-
Net cash provided by / (used in) investing activities		(17)	-
Net increase / (decrease) in cash and cash equivalents		21 720	1 448
Cash and cash equivalents at the beginning of the reporting period		12 832	11 384
Cash and cash equivalents at the end of the reporting period	6.1	34 552	12 832

The accompanying notes form part of these financial statements.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. About the CTP Regulator

The CTP Regulator (the Regulator) is an instrumentality of the Crown and a not-for-profit statutory authority of the South Australian government.

The financial statements and accompanying notes include all the controlled activities of the Regulator. Transactions and balances relating to administered resources are not recognised as Regulator income, expenses, assets or liabilities.

Administered items are disclosed in the schedule of administered items in Note 10.4. except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Regulator items. The administered activities include the receipt and payment of stamp duty on CTP insurance premiums (premiums). Stamp duty is payable under a specific arrangement between the Regulator and the Commissioner of State Taxation pursuant to the *Taxation Administration Act 1996*. Under its Memorandum of Administrative Arrangement with the Commissioner of State Taxation, the Regulator collects and remits all stamp duty payable on premiums.

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.

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

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

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

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

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

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1.2. Objectives and programs

The CTP Regulator (the Regulator) is an independent Statutory Authority established under the *Compulsory Third Party Insurance Regulation Act 2016*.

The Regulator is responsible for an efficient, competitive, and viable CTP insurance industry in South Australia, and the oversight, monitoring and reporting of CTP Insurer activities.

Four private CTP Insurers (AAMI, Allianz, QBE, and SGIC) were approved to underwrite the insurer premium component of the total premium in South Australia from 1 July 2016. Each CTP Insurer was allocated an initial share of the CTP market during the transition period which ended on 30 June 2019. From 1 July 2019 under the competitive model, motorists actively choose their own CTP Insurer for each registration renewal period.

The total premium is made up of:

- the insurer premium component
- the administration premium component
- GST and stamp duty.

The full stamp duty payable on the premium is disbursed by the Regulator to RevenueSA. This occurs under a specific arrangement with the Commissioner of State Taxation under section 35 of the *Taxation Administration Act 1996* that is detailed in a Memorandum of Administrative Arrangement (MoAA) between the Regulator and Commissioner of State Taxation.

All premiums are collected by the Department of Planning, Transport and Infrastructure (DPTI), through the motor vehicle registration process using the Transport Regulation User Management Processing System.

DPTI disburses the insurer premium component and the associated GST to the relevant CTP Insurer and the stamp duty and administration premium component to the Regulator.

The administrative premium component of the premium is managed by the Regulator and funds various government agencies for:

- health and emergency services provided by SA Public Hospitals, SA Ambulance, and the Attorney-General's Department (State Rescue Helicopter and Forensic Science SA services) as a result of motor vehicle trauma
- road safety services provided by DPTI and SA Police designed to reduce the incidence or impact of road accidents and injuries
- customer support and transaction services provided by DPTI for the collection, recording and processing of premiums
- CTP Scheme regulation and administration services provided by the Regulator, including the operations of the Motor Accident Injury Accreditation Scheme.

These arrangements, with the exception of the services provided by the Regulator, are detailed in MoAAs between the Regulator and the individual government agencies.

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1.2. Objectives and programs (continued)

The Regulator has the following functions under the *Compulsory Third Party Insurance Regulation Act 2016* (CTPIR Act):

- to regulate approved insurers and perform any other function relating to approved insurers conferred on the Regulator under the *Motor Vehicles Act 1959*
- to determine premium amounts payable in respect of CTP insurance policies
- to determine the minimum terms and conditions of CTP insurance policies
- to monitor audit and review the operation and efficiency of the CTP insurance business
- to provide or facilitate the provision of information to consumers about the CTP insurance business and approved insurers
- to make monitor the operation of and review from time to time rules with approved insurers must comply and guidelines for approved insurers relating to:
 - the determination of premiums
 - the management of claims
 - dispute resolution
 - the provision of information to consumers
 - any other relevant matter
- to make recommendations to the Minister in relation to:
 - eligibility criteria for insurers seeking approval under Part 4 of the *Motor Vehicles Act 1959*
 - the terms and conditions of any undertaking agreement or contract entered into between the Minister and an approved insurer relating to the provision of CTP insurance
 - the assessment of an application from an insurer for approval or withdrawal of approved under Part 4 of the *Motor Vehicles Act 1959*
- to approve the novation of CTP insurance policies between approved insurers
- to regulate such other insurance business as may be prescribed by the regulations
- to administer the CTPIR Act
- to exercise any other function conferred on the Regulator by or under the CTPIR Act or any other Act.

Nominal Defendant

A Nominal Defendant claim arises where an at-fault vehicle is either uninsured or unidentified, as described in Part 4 of the *Motor Vehicles Act 1959*.

From 1 July 2016, the Regulator allocated Nominal Defendant claims to CTP Insurers and, assumed full responsibility for these claims from 1 January 2017.

The Motor Accident Injury Assessment Scheme (MAIAS)

On 20 February 2019 the Attorney-General appointed the Regulator as administrator for the MAIAS.

The South Australian MAIAS was established by the Attorney-General under section 76 of the *Civil Liability Act 1936* to accredit health professionals to undertake Injury Scale Value (ISV) medical assessments.

An ISV medical assessment is used to assist in determining an injured person's eligibility for compensation under the CTP Scheme.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

1.3. Impact of COVID-19 pandemic on the CTP Regulator

The COVID-19 pandemic has had no material impact on the operations of the CTP Regulator.

1.4. Significant transactions with government related entities

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

In 2019-2020, these transactions are comprised of the Regulator's administered payments to SA Government agencies.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2. Income

2.1. Administration premium component collections

	2020	2019
	\$'000	\$'000
Hospital and emergency fees	31 515	28 524
Road safety fees	14 390	14 520
Customer support and transaction fees	10 693	11 646
CTP Scheme regulation and administration fees	8 577	6 652
Total administration fees collected	65 175	61 342

Premiums are collected from motorists by DPTI. The stamp duty and administration premium component of the total premiums are paid to the CTP Regulator. These are recognised as earned on the date of receipt in the Transport Regulation User Management Processing System. The stamp duty component of the total premium is shown under note 10.4 Administered Items.

2.2. Interest

	2020	2019
	\$'000	\$'000
Deposit account interest receipts	132	407
Total interest revenues	132	407

2.3. Other income

	2020	2019
	\$'000	\$'000
Recoveries for novated policy cancellations*	-	9
Recoveries from DTF**	-	117
Asset received free of charge***	-	965
Other	38	33
Total other income	38	1 124

*These recoveries only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less.

**These recoveries relate to one-off actuarial services for the Department of Treasury and Finance (DTF) associated with the Social Development Committee's Review of the Operation of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* of \$97 000 and regional media communications associated with the CTP Scheme improvement projects of \$20 000 in 2018-19.

***The book value of the CTP Regulator's Information Technology equipment and software assets at 30 June 2018 was transferred from the DTF to the CTP Regulator effective 1 July 2018. These assets were fully paid by the CTP Scheme.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2.4. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	11	-
Total resources received free of charge	11	-

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the CTP Regulator include the Minister, the Chief Executive and the two members of the Executive team who have responsibility for the strategic direction and management of the Statutory Authority. Total compensation for key management personnel was \$752 000 in 2019-20 and \$781 000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2020	2019
<u>Compensation</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short term employee benefits	690	713
Post-employment benefits	62	68
Total	752	781

Transactions with Key Management Personnel and other related parties

No significant transactions were identified between key management personnel and other related parties.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.2. Employee benefits expense

	2020	2019
	\$'000	\$'000
Salaries and wages	2 567	2 538
Employment on-costs - superannuation	282	304
Employment on-costs - payroll tax	159	178
Long service leave	128	431
Annual leave	241	418
Skills and experience retention leave	(10)	5
Other employee related expenses	19	22
Total employee benefits expenses	3 386	3 896

Executive remuneration

	2020	2019
	Number of employees	Number of employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$174 001 - \$194 000	-	1
\$194 001 - \$214 000	2	1
\$334 001 - \$354 000	1	-
\$354 001 - \$374 000	-	1
Total	3	3

The total remuneration received by those employees for the year was \$758 000 (\$781 000)

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

Targeted voluntary separation packages

No employees received a targeted voluntary separation package during the reporting period.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.3. Employee benefits liability

	2020 \$'000	2019 \$'000
<u>Current</u>		
Accrued salaries and wages	75	49
Annual leave	217	190
Long service leave	25	63
Skills and experience retention leave	11	9
Total current employee benefits	328	311
<u>Non-current</u>		
Long service leave	459	305
Total non-current employee benefits	459	305
Total employee benefits	787	616

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

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

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

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

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

Long service leave

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

Details about the measurement of long service leave liability is provided as note 11.1.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4. Expenses

Employee benefit expenses are disclosed in note 3.2.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Contractors and other outsourced services	605	1 077
Accommodation	259	257
Consultants	567	606
Legal costs	72	617
Service level agreement fees	322	239
Information technology expenses	234	234
General administration and consumables	51	101
Training and development	32	35
Minor works maintenance and equipment	9	9
Other	12	38
Total supplies and services	2 163	3 213

Accommodation

The CTP Regulator's accommodation is provided by the Department of Treasury and Finance (DTF) under a Memorandum of Administrative Arrangement issued in accordance with Government wide accommodation policies between DTF and the Department of Planning Transport and Infrastructure. This arrangement does not meet the definition of lease as set out in AASB 16.

Consultants

The number of consultancies and the dollar amount paid/payable to consultants that fell within the following bands:

	2020	2019	2020	2019
	Number	Number	\$'000	\$'000
\$10 000 or above	2	3	567	606
Total paid or payable to consultants engaged	2	3	567	606

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Intangible assets	278	278
IT equipment	42	42
Total amortisation	320	320

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

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. No adjustments were made during the reporting period.

Useful life

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

Class of asset	Useful life (years)
Office equipment – IT	5
Intangible assets	5

4.3. Administration premium component distributions

	2020	2019
	\$'000	\$'000
Hospital and emergency services	29 274	27 941
Road safety services	13 220	14 349
Customer support and transaction services	10 400	11 500
Total administration fees	52 894	53 790

The administration premium component of the total premium distributions are recognised on an accrual basis and cover the costs of a range of government services associated with the CTP Scheme. These arrangements with the exception of the services provided by the CTP Regulator are detailed in Memorandums of Administrative Arrangement between the CTP Regulator and individual government agencies service providers.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4.4. Other expenses

	2020	2019
	\$'000	\$'000
CTP Scheme improvement projects*	116	1 149
Medical practitioner payments**	77	121
Refunds for novated policy cancellations***	-	9
Total other expenses	193	1 279

***CTP Scheme Improvement Projects (one-off)**

The total expense for 2019-2020 relates to costs associated with the Transport Regulation User Management Processing System technical upgrades carried over from 2018-19.

****Medical Practitioner payments**

The Early Notification Form payment arrangement between the CTP Regulator and medical practitioners ceased 30 June 2020.

*****Refunds for Novated Policy Cancellations.**

These payments only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less, that were subsequently cancelled by motorists.

5. Non-Financial assets

5.1. Property, plant and equipment by asset class

	2020	2019
	\$'000	\$'000
<u>Plant and equipment</u>		
IT equipment	226	209
Accumulated depreciation	(162)	(120)
Total IT equipment	64	89
Total property, plant and equipment	64	89

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.

Impairment

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

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

5.2. Property, plant and equipment

Reconciliation 2019-20

	IT equipment \$'000	Total \$'000
Carrying amount at 1 July 2019	89	89
Additions	17	17
Depreciation	(42)	(42)
Carrying amount at 30 June 2020	64	64

Reconciliation 2018-19

	IT equipment \$'000	Total \$'000
Carrying amount at the beginning of the year	-	-
Additions	131	131
Amortisation expense	(42)	(42)
Carrying amount at 30 June 2019	89	89

5.3. Intangible assets

	2020 \$'000	2019 \$'000
<u>Computer software</u>		
Externally purchased software	1 390	1 390
Accumulated amortisation	(1 112)	(834)
Total computer software	278	556
Total Intangible assets	278	556

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

5.3. Intangible assets continued

Reconciliation 2019-20

	Externally purchased software \$'000	Total \$'000
Carrying amount at 1 July 2019	556	556
Amortisation	(278)	(278)
Carrying amount at 30 June 2020	<u>278</u>	<u>278</u>

Reconciliation 2018-19

	Externally purchased software \$'000	Total \$'000
Carrying amount at the beginning of the year	-	-
Additions	834	834
Amortisation expense	(278)	(278)
Carrying amount at 30 June 2019	<u>556</u>	<u>556</u>

6. Financial assets

6.1. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Deposits with the Treasurer	34 552	12 832
Total cash and cash equivalents	<u>34 552</u>	<u>12 832</u>

Deposits with the Treasurer

The CTP Regulator's cash balance is held within the Department of Treasury and Finance's Operating Bank Account.

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6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade receivables	-	2
Other receivables	-	96
Prepayments	32	1
Accrued revenue	499	792
Accrued interest revenue	3	197
Total current receivables	534	1 088
 Total current receivables	 534	 1 088

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. Prepayments are recognised for amounts paid for services not rendered by 30 June 2020. Accrued revenues are recognised for the administration premium component of the total premium collection up to and including 30 June 2020 but not yet received.

Receivables, prepayments and accrued revenues are non-interest bearing.

Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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.

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7. Liabilities

Employee benefits liabilities are disclosed in note 3.3.

7.1. Payables

	2020 \$'000	2019 \$'000
<u>Current</u>		
Creditors and accrued expenses	18 071	3 618
Employment on-costs	48	44
Total current payables	18 119	3 662
<u>Non-current</u>		
Employment on-costs	43	28
Total non-current payables	43	28
Total payables	18 162	3 690

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

Employment on-costs

Employment on-costs include payroll tax, and superannuation contributions and are settled when the respective employee benefits are discharged.

7.2. Provisions

	2020 \$'000	2019 \$'000
<u>Current</u>		
Provision for workers compensation	4	4
Total current provisions	4	4
<u>Non-current</u>		
Provision for workers compensation	8	5
Total non-current provisions	8	5
Total provisions	12	9

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

The CTP Regulator is responsible for the payment of workers compensation claims.

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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 the operating cash flows.

Reconciliation of net result to cash flows from operating activities

	2020	2019
	\$'000	\$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	34 552	12 832
Balance as per the Statement of Cash Flows	34 552	12 832
<u>Reconciliation of net cash provided by/(used in) operating activities to net result</u>		
Net cash provided by/(used in) operating activities	21 737	1 448
<u>Add/(less) non-cash Items</u>		
Depreciation and amortisation expense	(320)	(320)
Assets transferred in	-	965
<u>Movement in assets and liabilities</u>		
Increase/(decrease) in receivables	(371)	419
(Increase)/decrease in payables	(14 472)	(1 512)
(Increase)/decrease in employee benefits	(171)	(616)
(Increase)/decrease in provisions	(3)	(9)
Net result	6 400	375

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9. Changes in accounting policy

9.1. AASB 15 Revenue from Contracts with Customers

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

Impact on retained earnings

On transition, there was no impact on the CTP Regulators retained earnings.

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

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

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.3. Presentation of Financial Statements

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

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

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include expenditure commitments arising from contractual sources and are disclosed at their nominal value.

As at 30 June 2020, the CTP Regulator has contractual commitments for the provision of CTP Scheme actuarial services and internal audit functions as reported.

Expenditure commitments

	2020	2019
	\$'000	\$'000
No later than one year	495	412
Later than one year but not later than five years	54	81
Total commitments	549	493

10.2. Contingent assets and liabilities

Ministerial Direction

In accordance with the Ministerial Direction on Unearned Premium Payments by the Minister of Finance, dated 27 July 2016, the Motor Accident Commission (MAC) was requested to make payment of the administrative component of the unearned premium to the Department of Treasury and Finance (DTF) Operating Account. The payment was to be made at dates and amounts directed by the DTF Chief Executive to a total of \$21.623 million.

The DTF Chief Executive requested MAC make a payment of \$6.534 million on 4 August 2016. The balance remaining at 30 June 2020 is \$15.089 million. The payment of the remaining balance is subject to the direction of the DTF Chief Executive.

10.3. Impact of standards and statements not yet effective

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

AASB 1059 Service Concession Arrangements: Grantors

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

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10.4. Administered items

	2020	2019
	\$'000	\$'000
Administered income		
Stamp Duty collected	41 353	54 242
Total administered income	41 353	54 242
Administered expenses		
Stamp Duty expenses	41 353	54 242
Total administered expenses	41 353	54 242
Net result	-	-
	2020	2019
	\$'000	\$'000
Administered assets		
Receivables	323	596
Cash and cash equivalents	3 738	4 099
Total administered assets	4 061	4 695
Administered liabilities		
Payables	4 061	4 695
Total administered liabilities	4 061	4 695
Net administered assets	-	-
	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Taxation receipts	41 626	54 214
Cash generated from operating activities	41 626	54 214
Cash outflows		
Taxation payments	(41 987)	(54 366)
Cash used in operations	(41 987)	(54 366)
Net cash provided by / (used in) operating activities	(361)	(152)
Net increase / (decrease) in cash and cash equivalents	(361)	(152)
Cash and cash equivalents at the beginning of the reporting period	4 099	4 251
Cash and cash equivalents at the end of the reporting period	3 738	4 099

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10.5. COVID-19 pandemic outlook for the CTP Regulator

The COVID-19 pandemic is not expected to materially impact the operations of the CTP Regulator in 2020-21.

10.6. Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the CTP Regulator's operations since 30 June 2020.

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 liability and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departure and periods of service.

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$44 000 and employee benefits expense of \$44 000. 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 DTF has reduced the salary inflation rate from 4% to 2.5% for long service leave liability.

11.2. Financial instruments

Financial risk management

The CTP Regulator's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

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

Liquidity risk

The CTP Regulator is funded from the administrative premium component of the total premiums. The CTP Regulator notifies the Department of Treasury and Finance of the cash flows associated with its legislated functions and ensures funding is available to meet the expected cash flows.

Credit risk

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

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

Expected credit loss

The total outstanding debt for the CTP Regulator is immaterial and there is no material credit loss risk.

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11.2. Financial instruments (continued)

Impairment of financial assets

The CTP Regulator has not written off any receivables.

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

Market risk

The CTP Regulator does not trade in foreign currency, nor enter into transactions for speculative purposes.

The CTP Regulator does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in *TI 23 Management of Foreign Currency Exposures*.

Categorisation of financial instruments

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

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11.2. Financial instruments (continued)

Classification of financial instruments

The Regulator measures all financial instruments at amortised cost.

The following table discloses categorisation and the maturity analysis of financial assets and financial liabilities.

			2020 Contractual maturities		
Category of financial asset and financial liability	Note	2020 Carrying amount / fair value \$'000	Within 1 year	1-5 years	More than 5 years
			\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	6.1	34 552	34 552	-	-
Receivables	6.2	-	-	-	-
Total financial assets		34 552	34 552	-	-
Financial liabilities					
Payables	7.1	21	21	-	-
Total financial liabilities		21	21	-	-

			2019 Contractual maturities		
Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	Within 1 year	1-5 years	More than 5 years
			\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	6.1	12 832	12 832	-	-
Receivables	6.2	2	2	-	-
Total financial assets		12 834	12 834	-	-
Financial liabilities					
Payables	7.1	19	19	-	-
Total financial liabilities		19	19	-	-

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost.

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

