

Minister for Primary Industries
and Regional Development -
Clare Valley Wine Industry Fund

Financial report
for the year ended
30 June 2020



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund

Qualified opinion

I have audited the financial report of the Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund (the fund) for the financial year ended 30 June 2020.

In my opinion, except for the effects of the possible matter described in the 'Basis for qualified opinion' section of my report, the accompanying financial report gives a true and fair view of the financial position of the Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund 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, Department of Primary Industries and Regions (the Chief Executive), signed for and on behalf of the Minister for Primary Industries and Regional Development (the Minister) and the Acting Chief Financial Officer, Department of Primary Industries and Regions.

Basis for qualified opinion

As referred to in note 2.1 to the financial statements, pursuant to regulation 5 of the Primary Industry Funding Schemes (Clare Valley Wine Industry Fund) Regulations 2008, under the *Primary Industry Funding Schemes Act 1998*, contributions are required to be paid into the fund for each tonne of Clare Valley grapes delivered to a Clare Valley winemaker. While there are adequate internal controls over contributions actually received, there are no

procedures in place to ensure the contributions received represent the actual tonnage delivered. Consequently, I am unable to express an opinion on whether income recognised as contributions from industry of \$197 262 (\$303 560) is complete.

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 Minister and the Department of Primary Industries and Regions which administers the fund on the Minister's behalf. 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 qualified opinion.

Responsibilities of the Minister and 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 the Chief Executive 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.

The Minister is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund 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 entity'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 and the Minister 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

18 January 2021

**Minister for Primary Industries and Regional
Development**

Clare Valley Wine Industry Fund

Financial Statements

For the year ended 30 June 2020

**Minister for Primary Industries and Regional Development –
Clare Valley Wine Industry Fund
Certification of Financial Statements
for the year ended 30 June 2020**

We certify that the attached general purpose financial statements for the Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund:

- 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 Clare Valley Wine Industry Fund
- present a true and fair view of the financial position of the Clare Valley Wine Industry Fund 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 Minister for Primary Industries and Regional Development – Clare Valley Wine Industry Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Michelle Edge
Chief Executive
Department of Primary Industries and Regions
For and on behalf of the Minister for Primary
Industries and Regional Development
Per authorisation dated 17 November 2020
13 January 2021



Mark Williams
Acting Chief Financial Officer
Department of Primary Industries and Regions
13 January 2021

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Contributions from industry	2.1	197 262	303 560
Resources received free of charge	2.2	4 856	-
Interest		807	2 651
Total income		202 925	306 211
Expenses			
Transfers to industry	4.1	232 000	300 000
Refund of contributions		500	1 087
Supplies and services	4.2	4 856	5 288
Auditor's remuneration		6 600	6 500
Total expenses		243 956	312 875
Net result		(41 031)	(6 664)
Total comprehensive result		(41 031)	(6 664)

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	5.1	152 478	159 638
Receivables	5.2	54 983	143
Total current assets		207 461	159 781
Total assets		207 461	159 781
Current liabilities			
Payables	6.1	6 600	7 040
Total current liabilities		6 600	7 040
Total liabilities		6 600	7 040
Net assets		200 861	152 741
Equity			
Retained earnings		200 861	152 741
Total equity		200 861	152 741
Contingent liabilities	8.1		

The accompanying notes form part of these financial statements.

The total equity is attributable to the SA Government as owner.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings	Total equity
	\$	\$
Balance at 30 June 2018	159 405	159 405
Net result for 2018-19	(6 664)	(6 664)
Total comprehensive result for 2018-19	(6 664)	(6 664)
Balance at 30 June 2019	152 741	152 741
Changes in accounting policy on adoption of AASB1058	89 151	89 151
Adjusted balance at 1 July 2019	241 892	241 892
Net result for 2019-20	(41 031)	(41 031)
Total comprehensive result for 2019-20	(41 031)	(41 031)
Balance at 30 June 2020	200 861	200 861

The accompanying notes form part of these financial statements.

All changes in equity are attributable to the SA Government as owner.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Statement of Cash Flows
for the year ended 30 June 2020

	2020	2019
	Inflows (Outflows)	Inflows (Outflows)
	\$	\$
Cash flows from operating activities		
Cash inflows		
Contributions from industry	231 434	303 560
Interest received	947	2 615
Cash generated from operations	232 381	306 175
Cash outflows		
Transfers to industry	(232 000)	(300 000)
Refund of contributions	(500)	(1 087)
Payments for supplies and services	(541)	(5 279)
Auditor's remuneration	(6 500)	(6 300)
Cash used in operations	(239 541)	(312 666)
Net cash provided by / (used in) operating activities	(7 160)	(6 491)
Net increase / (decrease) in cash and cash equivalents	(7 160)	(6 491)
Cash and cash equivalents at the beginning of the reporting period	159 638	166 129
Cash and cash equivalents at the end of the reporting period	152 478	159 638

The accompanying notes form part of these financial statements.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. About the Clare Valley Wine Industry Fund

The Clare Valley Wine Industry Fund (the Fund) is established pursuant to the *Primary Industry Funding Schemes (Clare Valley Wine Industry Fund) Regulations 2008* (Regulations), administered by the Minister for Primary Industries and Regional Development and is controlled by the Crown. The Department of Primary Industries and Regions (PIRSA) provides administrative support services to the Fund.

1.1. Basis of preparation

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

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

For the 2019-20 financial statements the fund adopted AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in note 7.

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.

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.

The Fund has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Fund is a not-for-profit entity.

The Fund is not subject to Income Tax. The Fund is liable for Goods and Services Tax (GST). GST collections and payments are carried out by PIRSA on behalf of the Fund. GST in relation to the Fund is reported in the PIRSA Controlled Financial Statements.

1.2. Objectives of the Fund

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008.

The primary purposes of the Fund are to:

- promote the Clare Valley wine industry
- undertake research and development
- encourage communication and cooperation between participants in the Clare Valley wine industry.

1.3. Impact of COVID-19 pandemic on the Fund

The COVID-19 pandemic has not had a material impact on the operations of the Fund in 2019-20, except the Fund received support as disclosed in note 2.2.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

2.1. Contributions from industry

Contributions payable to the Minister for payment into the Fund are made pursuant to Regulation 5.

Contributions are recognised as an asset and income when the Fund 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).

2.2. Resources received free of charge

	2020	2019
	\$	\$
Resources received free of charge	4 856	-
Total resources received free of charge	4 856	-

The cost of PIRSA's administration services were not charged to the Fund in 2019-20 to reflect government support for the financial hardship being experienced by the wine sector mainly in relation to drought and bushfire impacts as well as COVID-19 restrictions. Resources received free of charge are recorded at their fair value.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Fund includes the Minister for Primary Industries and Regional Development who has responsibility for the strategic direction and management of the Fund.

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 Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties entered into by the Fund.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

4. Expenses

4.1. Transfers to industry

	2020	2019
	\$	\$
Clare Region Wine Grape Growers Association	232 000	300 000
Total transfers to industry	232 000	300 000

Regulations provide that the Fund may be applied for a number of specific purposes and that payments from the Fund may be made to an industry body established to represent its membership. The amounts transferred enable projects and activities to be delivered by the industry to meet its management plan.

For transfers payable, the payments will be recognised as a liability and expense when the Fund has a present obligation to pay the transfer and the expense recognition criteria are met.

All payments from the Fund are made in accordance with the Fund's Regulations and the management plan developed in consultation with the industry.

4.2. Supplies and services

	2020	2019
	\$	\$
Administrative and operating costs ⁽¹⁾	4 856	5 288
Total supplies and services	4 856	5 288

⁽¹⁾ Includes fees for administration and preparation of the financial statements.

5. Financial assets

5.1. Cash and cash equivalents

Cash in the Statement of Financial Position comprises deposits at call with the Department of Treasury and Finance.

5.2. Receivables

	2020	2019
	\$	\$
Accrued interest - Department of Treasury and Finance	4	143
Receivables – Contributions from Industry	54 979	-
Total receivables	54 983	143

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

6. Liabilities

6.1. Payables

	2020	2019
	\$	\$
Audit fee payable to the Auditor-General's Department	6 600	6 500
Other payables	-	540
Total payables	6 600	7 040

Goods and services provided and unpaid at the end of the reporting period are recognised as other payables.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

7. Changes in accounting policy

7.1. 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.

AASB 15 *Revenue from Contracts with Customers* requirements are effective for annual reporting periods beginning on or after 1 January 2019.

Impact on retained earnings

The Fund does not have any contract with customers to be recognised under AASB 15, therefore there is no impact on retained earnings.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

7.2. 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

By adopting AASB 1058, the Fund recognises contributions as revenue when information becomes available to the Fund regarding contributions due for the prescribed period. The corresponding asset is a statutory receivable under AASB 9.

Previously the fund recognised revenue when contributions were received.

Impact on retained earnings

The total impact on the Fund's retained earnings as at 1 July 2019 is as follows

	<u>\$</u>
Closing retained earnings 30 June 2019	152 741
<u>Assets</u>	
Receivables – Contributions from Industry	<u>89 151</u>
Opening retained earnings 1 July 2019	<u>241 892</u>

Accounting policies on transition

The Fund has adopted AASB 1058 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The Fund has on transition recognised the cumulative effect of initially applying AASB 1058 as an adjustment to the opening balance of retained earnings as at 1 July 2019. As a result, comparative information has not been restated.

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

7.3. Effects on financial statements from AASB 15 and AASB 1058

The following tables show the effects of adopting AASB 15 and AASB 1058 on the Fund's financial statements for the year ending 30 June 2020.

Statement of Comprehensive Income

For the year ended 30 June 2020

		As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	Note	\$	\$	\$	\$
Contributions from Industry	2.1	197 262	-	(34 172)	231 434
Total income		197 262	-	(34 172)	231 434

Statement of Financial Position

As at 30 June 2020

		As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	Note	\$	\$	\$	\$
Receivables – Contributions from Industry	5.2	54 979	-	54 979	-
Total assets		54 979	-	54 979	-

Minister for Primary Industries and Regional Development - Clare Valley Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

8. Outlook

8.1. Contingent liabilities

Refunds of contributions

Under Regulation 6(1) refunds of contributions paid in respect of Clare Valley grapes delivered during a prescribed period may be claimed by notice in writing to the Minister within the 12 months following that prescribed period.

At the reporting date the possible emergence of valid refund requests within the 12 months following the prescribed period is present. However, as uncertainty exists as to the number of refund requests that will be received, and their timing and amount, these potential obligations cannot be reliably estimated and therefore represent a contingent liability for the Fund.

Once a valid refund request has been received from a past contributor and it is approved by the Minister or delegate, a present obligation to pay the refund arises. The refund amount is then recognised as a liability and expense of the Fund.

8.2. COVID-19 pandemic outlook for the Fund

The COVID-19 pandemic is not expected to have a material impact on the operations of the Fund in 2020-21.

8.3. Events after the reporting period

No events have occurred after balance date that would affect the financial statements of the Fund as at 30 June 2020.

9. Measurement and risk

9.1. Financial instruments

Liquidity risk

The Fund's revenue comes from contributions received from industry members at rates prescribed in the Regulations for the Fund. All payments from the Fund are made in accordance with the Fund's Regulations and the management plan developed in consultation with the industry.

The continued existence of the Fund in its present form, and with its present programs, is dependent on State Government policy and the industry's on-going support for the Fund.