

# Department for Trade and Investment

Financial report  
for the year ended  
30 June 2020

# INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

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## To the Chief Executive Department for Trade and Investment

### Opinion

I have audited the financial report of the Department for Trade and Investment 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 Department for Trade and Investment as at 30 June 2020, its financial performance and its cash flows for 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 the Director, Strategic Operations.

### 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 Trade and Investment. 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 Department for Trade and Investment for the financial year ended 30 June 2020.

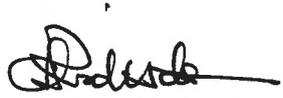
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an 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 Department for Trade and Investment'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 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

28 September 2020

**Department for Trade and Investment  
(DTI)**

**Financial Statements  
for the year ended  
30 June 2020**

**Department for Trade and Investment**  
*for the year ended 30 June 2020*

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**Certification of the Financial Statements**

We certify that the attached general purpose financial statements for the Department for Trade and Investment:

- 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 for Trade and Investment; and
- present a true and fair view of the financial position of the Department for Trade and Investment 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 Department for Trade and Investment for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Leonie Muldoon  
Chief Executive  
28 September 2020



Sophie Adlaf  
Director, Strategic Operations  
28 September 2020

**Department for Trade and Investment**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

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	Note	2020 \$'000	2019 \$'000
<b><u>Income</u></b>			
Appropriations	2.1	48 340	57 261
Immigration fees and charges	2.2	-	1 158
Commonwealth-sourced grants and funding	2.3	595	404
Interest and investment	2.4	-	100
Resources received free of charge	2.5	149	141
Intra-government transfers	2.6	13 287	2 857
Other income	2.7	570	105
<b>Total income</b>		<b>62 941</b>	<b>62 026</b>
<b><u>Expenses</u></b>			
Employee benefits expenses	3.3	19 739	21 339
Supplies and services	4.1	13 369	11 863
Depreciation and amortisation	4.2	465	738
Grants and subsidies	4.3	9 077	17 635
Borrowing costs	4.4	35	-
Cash returned to the Department of Treasury and Finance	4.5	9 094	3 717
Other expenses	4.6	1	8
<b>Total expenses</b>		<b>51 780</b>	<b>55 300</b>
<b>Net result</b>		<b>11 161</b>	<b>6 726</b>

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

**Department for Trade and Investment**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b><u>Current assets</u></b>			
Cash and cash equivalents	6.1	34 027	33 438
Receivables	6.2	435	922
Other current assets	6.3	4 836	-
<b>Total current assets</b>		<b>39 298</b>	<b>34 360</b>
<b><u>Non-current assets</u></b>			
Property, plant and equipment	5.1	2 571	705
<b>Total non-current assets</b>		<b>2 571</b>	<b>705</b>
<b>Total assets</b>		<b>41 869</b>	<b>35 065</b>
<b><u>Current liabilities</u></b>			
Payables	7.1	6 021	10 536
Financial liabilities	7.2	314	-
Employee benefits	3.4	2 047	2 261
Provisions	7.3	461	25
Other current liabilities	7.4	13	221
<b>Total current liabilities</b>		<b>8 856</b>	<b>13 043</b>
<b><u>Non-current liabilities</u></b>			
Payables	7.1	320	425
Financial liabilities	7.2	1 563	-
Employee benefits	3.4	3 467	4 654
Provisions	7.3	39	480
<b>Total non-current liabilities</b>		<b>5 389</b>	<b>5 559</b>
<b>Total liabilities</b>		<b>14 245</b>	<b>18 602</b>
<b>Net assets</b>		<b>27 624</b>	<b>16 463</b>
<b><u>Equity</u></b>			
Retained earnings		27 624	16 463
<b>Total equity</b>		<b>27 624</b>	<b>16 463</b>

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

**Department for Trade and Investment**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

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	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	6 726	6 726
<b><u>Net result for 2018-19</u></b>		
Net assets received from an administrative restructure	15 963	15 963
Net assets transferred as a result of an administrative restructure	(6 226)	(6 226)
<b>Balance at 30 June 2019</b>	<b>16 463</b>	<b>16 463</b>
<b><u>Net result for 2019-20</u></b>	<b>11 161</b>	<b>11 161</b>
<b>Balance at 30 June 2020</b>	<b>27 624</b>	<b>27 624</b>

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

**Department for Trade and Investment**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b><u>Cash flows from operating activities</u></b>			
<i>Cash inflows</i>			
Appropriations		48 340	57 261
Immigration fees and charges		-	1 117
Receipts from Commonwealth-sourced grants		877	399
Intra-government transfers		13 636	2 259
Interest and dividends received		-	100
GST recovered from ATO		1 532	642
Other receipts		964	146
<b>Cash generated from operations</b>		<b>65 349</b>	<b>61 924</b>
<i>Cash outflows</i>			
Employee benefits payments		(21 261)	(20 999)
Payments for supplies and services		(17 797)	(6 253)
Payments of grants and subsidies		(11 208)	(17 773)
Borrowing costs		(35)	-
Other payments		(1)	-
Cash returned to the Department of Treasury and Finance		(9 094)	(3 717)
<b>Cash used in operations</b>		<b>(59 396)</b>	<b>(48 742)</b>
<b>Net cash provided by operating activities</b>		<b>5 953</b>	<b>13 182</b>
<b><u>Cash flows from investing activities</u></b>			
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(101)	(232)
Purchase of industry assistance assets		(4 836)	-
<b>Cash used in investing activities</b>		<b>(4 937)</b>	<b>(232)</b>
<b>Net cash used in investing activities</b>		<b>(4 937)</b>	<b>(232)</b>
<b><u>Cash flows from financing activities</u></b>			
<i>Cash inflows</i>			
Cash received from restructuring activities		-	20 488
<b>Cash generated from financing activities</b>		<b>-</b>	<b>20 488</b>
<i>Cash outflows</i>			
Repayment of leases		(427)	-
<b>Cash used in financing activities</b>		<b>(427)</b>	<b>-</b>
<b>Net cash (used) / provided by financing activities</b>		<b>(427)</b>	<b>20 488</b>
<b>Net increase in cash and cash equivalents</b>		<b>589</b>	<b>33 438</b>
Cash and cash equivalents at the beginning of the period		33 438	-
<b>Cash and cash equivalents at the end of the period</b>	6.1	<b>34 027</b>	<b>33 438</b>

The accompanying notes form part of these financial statements.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1. About the Department for Trade and Investment**

The *Public Sector (Administrative Units) Proclamation 2018* (dated 17 May 2018) proclaimed a department is established and assigned the title Department for Trade, Tourism and Investment effective from 1 July 2018.

In January 2020 the Ministerial responsibility for Tourism transferred to the Premier and the name of the Department for Trade, Tourism and Investment was altered to the Department for Trade and Investment.

The Department for Trade and Investment (the department) is a not-for-profit government department of the State of South Australia. The department is established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the department.

Administered items are disclosed separately at the end of this report.

**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.

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

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

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

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

Assets and liabilities that are 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 department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**1.2. Objectives and programs**

**Objectives**

The objective of the department is to build the economic future of South Australia by partnering with industry to drive economic growth through trade, tourism and investment. The department also functions as a primary agency supporting the state government's economic Growth Agenda, as well as promoting the state to the world.

The program of the department is Trade and Investment.

The functions of Immigration SA were transferred to the Department for Innovation and Skills effective from 1 April 2019 and no overheads have been allocated to this activity. The table below reflects financial data to 31 March 2019.

The tables on the following pages present expenses, income, assets and liabilities attributable to each activity.

**Expenses and income by program**

*For the year ended 30 June 2020*

	Trade and Investment		Immigration SA		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b><u>Income</u></b>						
Appropriations	48 340	57 261	-	-	48 340	57 261
Immigration fees and charges	-	-	-	1 158	-	1 158
Commonwealth-sourced grants and funding	595	404	-	-	595	404
Interest and investment	-	100	-	-	-	100
Resources received free of charge	149	141	-	-	149	141
Intra-government transfers	13 287	2 857	-	-	13 287	2 857
Other income	570	100	-	5	570	105
<b>Total income</b>	<b>62 941</b>	<b>60 863</b>	<b>-</b>	<b>1 163</b>	<b>62 941</b>	<b>62 026</b>
<b><u>Expenses</u></b>						
Employee benefits expenses	19 739	19 745	-	1 594	19 739	21 339
Supplies and services	13 369	11 475	-	388	13 369	11 863
Depreciation and amortisation	465	738	-	-	465	738
Grants and subsidies	9 077	17 635	-	-	9 077	17 635
Borrowing costs	35	-	-	-	35	-
Cash returned to the Department of Treasury and Finance	9 094	3 717	-	-	9 094	3 717
Other expenses	1	8	-	-	1	8
<b>Total expenses</b>	<b>51 780</b>	<b>53 318</b>	<b>-</b>	<b>1 982</b>	<b>51 780</b>	<b>55 300</b>
<b>Net result</b>	<b>11 161</b>	<b>7 545</b>	<b>-</b>	<b>(819)</b>	<b>11 161</b>	<b>6 726</b>

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**1.2. Objectives and programs (cont.)**

	Trade and Investment		Immigration SA		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Assets</b>						
Cash and cash equivalents	34 027	33 438	-	-	34 027	33 438
Receivables	435	761	-	161	435	922
Property, plant and equipment	2 571	705	-	-	2 571	705
Other current assets	4 836	-	-	-	4 836	-
<b>Total assets</b>	<b>41 869</b>	<b>34 904</b>	<b>-</b>	<b>161</b>	<b>41 869</b>	<b>35 065</b>
<b>Liabilities</b>						
Payables	6 341	10 961	-	-	6 341	10 961
Financial liabilities	1 877	-	-	-	1 877	-
Employee benefits	5 514	6 915	-	-	5 514	6 915
Provisions	500	505	-	-	500	505
Other liabilities	13	221	-	-	13	221
<b>Total liabilities</b>	<b>14 245</b>	<b>18 602</b>	<b>-</b>	<b>-</b>	<b>14 245</b>	<b>18 602</b>

**1.3. Impact of COVID-19 pandemic on the department**

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

- Departmental activities were postponed or cancelled directly attributable to COVID-19, largely related to planned overseas business missions, international and domestic travel, events and conferences.
- The department refocussed some programs and activities to be delivered through digital platforms.
- The department implemented working from home arrangements for staff.

**1.4. Changes to the department**

***Transferred out***

*Administrative Arrangements (Committal of Acts) Proclamation 2020* published in The South Australia Government Gazette on 13 January 2020 altered the title of the Department for Trade, Tourism and Investment to the Department for Trade and Investment under section 8 of the *Administrative Arrangements Act 1994*. Responsibility for tourism in South Australia was transferred to the Premier. No net assets were transferred as part of this alteration.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**1.5. Budget performance**

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

			Original DTI budget <sup>(1)</sup> 2020 \$'000	Actual 2020 \$'000	Variance \$'000
<b>Statement of Comprehensive Income</b>					
<b><u>Income</u></b>					
Appropriations	2.1		49 464	48 340	(1 124)
Commonwealth-sourced grants and funding	2.3		562	595	33
Resources received free of charge	2.5		-	149	149
Intra-government transfers	2.6	a)	1 183	13 287	12 104
Other income	2.7		424	570	146
<b>Total income</b>			<b>51 633</b>	<b>62 941</b>	<b>11 308</b>
<b><u>Expenses</u></b>					
Employee benefits expenses	3.3		20 148	19 739	(409)
Supplies and services	4.1		15 699	13 369	(2 330)
Depreciation and amortisation	4.2		74	465	391
Grants and subsidies	4.3	b)	15 843	9 077	(6 766)
Borrowing costs	4.4		13	35	22
Cash returned to the Department of Treasury and Finance	4.5	c)	-	9 094	9 094
Other expenses	4.6		-	1	1
<b>Total expenses</b>			<b>51 777</b>	<b>51 780</b>	<b>3</b>
<b>Net result</b>			<b>(144)</b>	<b>11 161</b>	<b>11 305</b>

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.

			Original DTI budget <sup>(1)</sup> 2020 \$'000	Actual 2020 \$'000	Variance \$'000
<b>Investing Expenditure Summary</b>					
Total new projects		d)	-	120	120
<b>Total investing expenditure</b>			<b>-</b>	<b>120</b>	<b>120</b>

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.5. Budget performance (cont.)**

(1) These budgeted amounts have not been subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2019-20 Budget Papers, Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes.

The following are brief explanations of variances between original budget and actual amounts:

**Statement of Comprehensive Income**

(a) Intra-government transfers is \$12.1 million favourable compared to original budget primarily due to:

- contributions from other South Australian Government entities for specific time-limited projects led by the department (\$11.2 million)
- reimbursements received for employee separations (\$1.1 million)
- recoveries received for salary secondments and office accommodation (\$0.7 million); partially offset by
- South Australian Landing Pad revenue that will not be received until 2020-21 onwards (\$1.0 million).

(b) Grants and subsidies is \$6.8 million favourable compared to original budget primarily due to:

- changes in commitments for Economic Investment Fund (\$4.9 million), South Australian Landing Pad (\$1.0 million) and SA Export Accelerator Program (\$0.1 million)
- Convention Bid Fund including carryover from 2018-19 (\$1.3 million); partially offset by
- payments for Thomas Foods International project (\$0.3 million) approved during 2019-20.

(c) Cash returned to the Department of Treasury and Finance is \$9.1 million unfavourable compared to original budget primarily due to:

- payment of surplus cash to the Department of Treasury and Finance as part of the cash alignment policy.

**Investing expenditure**

(d) Total new investing projects is \$0.1 million unfavourable compared to original budget primarily due to:

- fitout work for the relocation of the department to SA Water House on Victoria Square.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.6. Significant transactions with government related entities**

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

- approximately 32% of grant payments were paid to SA government entities, primarily for international education programs
- accrued expenses liability includes \$3.1 million relating to reimbursements to other government departments primarily related to Service Level Agreements
- short term lease expenditure of \$2.2 million is related to office accommodation supplied by the Department of Planning, Transport and Infrastructure.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Appropriations**

	2020	2019
	\$'000	\$'000
<b><u>Revenues from appropriations</u></b>		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	48 340	53 868
Accrual appropriations	-	3 393
<b>Total revenues from appropriations</b>	<b>48 340</b>	<b>57 261</b>

***Appropriations***

Appropriations are recognised on receipt.

**2.2. Immigration fees and charges**

	2020	2019
	\$'000	\$'000
Immigration application fees	-	1 158
<b>Total fees and charges</b>	<b>-</b>	<b>1 158</b>

The functions of Immigration SA were transferred to the Department for Innovation and Skills effective from 1 April 2019.

**2.3. Commonwealth-sourced grants and funding**

	2020	2019
	\$'000	\$'000
<b>Grants</b>		
TradeStart	358	363
Employment Facilitator Services for Regional Employment Trials Program	237	41
<b>Total Commonwealth-sourced grants and funding</b>	<b>595</b>	<b>404</b>

Commonwealth-sourced grants and funding are recognised as income on receipt.

The department was selected by the Australian Trade and Investment Commission (Austrade) as the successful tenderer to deliver TradeStart services in South Australia for 2019-23. The contract term for the Employment Facilitator Services to Regional Employment Trials Program was from 1 October 2018 to 30 June 2020.

**Department for Trade and Investment**  
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**2.4. Interest and investment**

	2020	2019
	\$'000	\$'000
Dividends received	-	100
<b>Total interest and investment</b>	<b>-</b>	<b>100</b>

The dividend received related to Scope Global Pty Ltd which was transferred to the Department of Treasury and Finance effective from 1 April 2019.

**2.5. Resources received free of charge**

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	149	141
<b>Total resources received free of charge</b>	<b>149</b>	<b>141</b>

On 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2018, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

**2.6. Intra-government transfers**

	2020	2019
	\$'000	\$'000
<b>Intra-government transfers</b>		
Project funding	11 679	331
Employee separation package reimbursements	1 092	2 055
Other recoveries	516	471
<b>Total intra-government transfers</b>	<b>13 287</b>	<b>2 857</b>

Intra-government transfers are recognised as income on receipt.

Project funding relates to contributions from other South Australian Government entities for specific time-limited projects led by the department.

Recoveries include funding from other government agencies for reimbursement of accommodation and salaries and contribution to department led projects including scholarships and grant programs.

**2.7. Other income**

	2020	2019
	\$'000	\$'000
Recoveries	141	10
Other income	429	95
<b>Total other income</b>	<b>570</b>	<b>105</b>

Recoveries and other income are recognised as income on receipt.

**Department for Trade and Investment**  
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**3. Board, committees and employees**

**3.1. Key management personnel**

Key management personnel of the department include the Minister, the Chief Executive and other members of the executive team who have responsibility for the strategic direction and management of the department.

Total compensation for key management personnel was \$1.2 million in 2019-20 and \$1.0 million in 2018-19.

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

The total compensation in 2020 includes the Chief Executive (from 19 August 2019), Deputy Chief Executive, Director Strategic Operations, Director International Markets and Director State Promotions (from 18 November 2019). The total compensation in 2019 includes the Chief Executive (up to 31 March 2019), Deputy Chief Executive and Director Strategic Operations. From April 2019, the Director International Markets was included in the key management personnel following an internal departmental restructure. The acting Chief Executive remuneration from 1 April to 30 June 2019 is not included below and has been included in the Department of the Premier and Cabinet financial statements. The post-employment benefits relate to superannuation.

	2020	2019
	\$'000	\$'000
<b><u>Compensation</u></b>		
Salaries and other short term employee benefits	1 110	746
Post-employment benefits	105	81
Termination benefits	-	135
<b>Total</b>	<b>1 215</b>	<b>962</b>

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

The department had no transactions with key management personnel and other related parties.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
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**3.2. Board and committee members**

**Risk and Performance Committee**

C Dunsford (Chair)  
 J Hill  
 S Adlaf\*  
 N Chandler\* (term expired July 2019)  
 J Cirson\*  
 N Morris\* (appointed July 2019)

The Risk and Performance Committee is shared with the Department for Energy and Mining and the Department for Innovation and Skills. The committee is remunerated by the Department for Innovation and Skills and costs are recovered from DTI through a service level agreement with the Department for Innovation and Skills (refer note 4.1).

\* In accordance with the Department of the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

**3.3. Employee benefits expenses**

**Employee benefits expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	15 307	15 446
Targeted voluntary separation packages	938	1 179
Long service leave	(219)	829
Annual leave	1 212	1 303
Skills and experience retention leave	66	49
Employment on-costs - superannuation	1 584	1 596
Employment on-costs - other	853	966
Workers compensation	(2)	(29)
<b>Total employee benefits expenses</b>	<b>19 739</b>	<b>21 339</b>

***Employment on-costs - superannuation***

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

**Department for Trade and Investment**  
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**3.3. Employee benefits expenses (cont.)**

***Executive remuneration***

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

	2020	2019
	No	No
\$154 001 to \$174 000 <sup>ΔΔ</sup>	5	4
\$174 001 to \$194 000 <sup>Δ</sup>	1	4
\$194 001 to \$214 000	3	-
\$214 001 to \$234 000 <sup>Δ</sup>	1	-
\$234 001 to \$254 000 <sup>Δ</sup>	-	3
\$254 001 to \$274 000 <sup>ΔΔ</sup>	2	3
\$274 001 to \$294 000 <sup>Δ</sup>	-	1
\$294 001 to \$314 000 <sup>ΔΔ</sup>	3	-
\$314 001 to \$334 000	1	-
\$354 001 to \$374 000 <sup>Δ</sup>	1	-
\$434 001 to \$454 000 <sup>Δ</sup>	-	1
\$454 001 to \$474 000 <sup>Δ</sup>	-	1
\$534 001 to \$554 000 <sup>Δ</sup>	-	1
\$574 001 to \$594 000 <sup>Δ</sup>	-	1
\$674 001 to \$694 000 <sup>Δ</sup>	1	-
<b>Total</b>	<b>18</b>	<b>19</b>

<sup>Δ</sup> This band includes employees that have received payments for TVSP, contract termination or leave payouts including retirement in 2019-20.

<sup>Δ</sup> This band includes employees that have received payments for TVSP, contract termination or leave payouts including retirement in 2018-19.

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, TVSPs / early terminations, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$4.6 million (2019: \$5.3 million)

The above table does not include any employees that transferred into the department on 1 April 2019 as the remuneration received for the period 1 April 2019 to 30 June 2019 did not reach the \$151 000 total. If they had been employed by the department for the whole year, the number of employees included in the table would have increased by an additional 3 to 22 employees for 2019.

***Targeted voluntary separation packages***

The number of employees who received a TVSP during the reporting period was 9 (2019:15).

	2020	2019
	\$'000	\$'000
Amount paid to separated employees:		
Targeted voluntary separation packages	938	1 179
Leave paid to separated employees	353	352
Recovery from the Department of Treasury and Finance	(938)	(1 179)
<b>Net cost to the department</b>	<b>353</b>	<b>352</b>

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
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**3.4. Employee benefits liability**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Accrued salaries and wages	425	436
Annual leave	1 410	1 502
Long service leave	109	223
Skills and experience retention leave	103	100
<b>Total current employee benefits</b>	<b>2 047</b>	<b>2 261</b>
<b><u>Non-current</u></b>		
Long service leave	3 467	4 654
<b>Total non-current employee benefits</b>	<b>3 467</b>	<b>4 654</b>
<b>Total employee benefits</b>	<b>5 514</b>	<b>6 915</b>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at their 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 in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Where skills and experience retention leave liability is expected to be payable later than 12 months, the liability is measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement 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 are provided at note 11.1

**Department for Trade and Investment**  
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**4. Expenses**

Employee benefits expenses are disclosed in note 3.3.

**4.1 Supplies and services**

	2020	2019
	\$'000	\$'000
Service level agreements <sup>(1)</sup>	2 652	2 665
Short term leases	2 238	2 263
Contractors	2 143	1 769
Overseas trade representation	1 718	1 090
Office administration expenses	1 596	1 202
Information technology and communication charges	636	973
Marketing	586	359
Travel and related expenses	562	1 040
Accommodation	487	427
Staff related expenses	331	205
Consultants	291	33
Transfer of industry assistance assets to other agencies	148	-
Accounting and audit fees	81	77
Accommodation incentive amortisation	(100)	(240)
<b>Total supplies and services</b>	<b>13 369</b>	<b>11 863</b>

(1) Represents payments to the Department for Innovation and Skills and Shared Services SA for the provision of corporate, ICT, financial and payroll support.

**Accommodation**

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

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

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
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**4.1. Supplies and services (cont.)**

*Accounting and 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 \$79 900 (2019: \$77 400). No other services were provided by the Auditor-General's Department.

*Consultants*

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

	No	2020 \$'000	No	2019 \$'000
Below \$10 000	3	18	2	9
\$10 000 or above	4	273	1	24
<b>Total</b>	<b>7</b>	<b>291</b>	<b>3</b>	<b>33</b>

**4.2. Depreciation and amortisation**

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.

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.

*Review of accounting estimates*

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Works of art controlled by the department have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no depreciation has been recognised.

*Useful life*

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

Class of asset	Useful life (years)
Plant and equipment	3-5
Leasehold improvements	Life of lease

	2020 \$'000	2019 \$'000
Right-of-use buildings	276	-
Buildings and leasehold improvements	93	734
Right-of-use vehicles	79	-
Plant and equipment	17	4
<b>Total depreciation and amortisation</b>	<b>465</b>	<b>738</b>

**Department for Trade and Investment**  
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**4.3. Grants and subsidies**

	2020	2019
	\$'000	\$'000
<b>Class of assistance:</b>		
International Education	2 900	3 301
Tourism	2 176	38
Trade	2 139	1 326
Investment Attraction	1 812	11 344
Other	50	18
Business Growth and Competitiveness	-	1 608
<b>Total grants and subsidies</b>	<b>9 077</b>	<b>17 635</b>

The timing of payments for Investment Attraction grants vary between financial years as per Economic Investment Fund commitments.

**4.4. Borrowing costs**

	2020	2019
	\$'000	\$'000
<b>Borrowing costs</b>		
Borrowing costs	35	-
<b>Total borrowing costs</b>	<b>35</b>	<b>-</b>

**4.5. Cash returned to the Department of Treasury and Finance**

	2020	2019
	\$'000	\$'000
Return of surplus cash pursuant to cash alignment policy	9 094	3 717
<b>Total cash alignment transfer</b>	<b>9 094</b>	<b>3 717</b>

**4.6. Other expenses**

	2020	2019
	\$'000	\$'000
Allowances for doubtful debts	-	8
Other	1	-
<b>Total other expenses</b>	<b>1</b>	<b>8</b>

**Department for Trade and Investment**  
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**4.7. Overseas representative offices**

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

The costs relating to overseas representation provided through Austrade are not included in the table below. These costs are shown in note 4.1 (refer Overseas trade representation).

	China	United Kingdom	2020
	\$'000	\$'000	\$'000
Operating expenses	276	1 882	2 158
Operating revenues	3	575	578
Funds advanced to overseas offices towards operating expenses	240	1 443	1 683

The financial year ended 30 June 2020 includes full year costs for operating the Agent-General's London office and the Jinan office.

	China	United Kingdom	2019
	\$'000	\$'000	\$'000
Operating expenses	365	473	838
Operating revenues	5	46	51
Funds advanced to overseas offices towards operating expenses	390	-	390

The financial year ended 30 June 2019 includes full year costs for operating the Jinan office. Effective from 1 April 2019, the Agent-General's London office was transferred from the Department of the Premier and Cabinet. The department's financial statements reflect three months of costs in 2019. Funding for the Agent-General's London office in 2018-19 is reflected in the Department of the Premier and Cabinet's financial statements.

**Department for Trade and Investment**  
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**5. Non-financial assets**

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

	2020	2019
	\$'000	\$'000
<b>Plant and equipment</b>		
Plant and equipment at cost (deemed fair value)	113	103
Accumulated depreciation at the end of the period	(94)	(67)
<b>Total plant and equipment</b>	<u>19</u>	<u>36</u>
<b>Buildings and leasehold improvements</b>		
Buildings and leasehold improvements at fair value	4 567	4 568
Accumulated depreciation at the end of the period	(4 044)	(3 952)
<b>Total buildings and leasehold improvements</b>	<u>523</u>	<u>616</u>
<b>Works of art</b>		
Works of art at fair value	53	53
<b>Total works of art</b>	<u>53</u>	<u>53</u>
<b>Right-of-use buildings</b>		
Right-of-use buildings at cost	2 078	-
Accumulated depreciation at the end of the period	(276)	-
<b>Total right-of-use buildings</b>	<u>1 802</u>	<u>-</u>
<b>Right-of-use vehicles</b>		
Right-of-use vehicles at cost	123	-
Accumulated depreciation at the end of the period	(69)	-
<b>Total right-of-use vehicles</b>	<u>54</u>	<u>-</u>
<b>Capital works in progress</b>		
Works in progress at cost	120	-
<b>Total capital works in progress</b>	<u>120</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<u>2 571</u>	<u>705</u>

Property, plant and equipment owned by the department with a value equal to or in excess of \$10 000 is capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in note 11.2.

Property, plant and equipment include \$3.1 million of fully depreciated plant and equipment still in use.

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**5.2. Property, plant and equipment owned by the department**

*Reconciliation 2019-20*

	Plant and equipment	Buildings and leasehold improvements	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	36	616	53	-	705
Additions	-	-	-	120	120
Depreciation and amortisation	(17)	(93)	-	-	(110)
<b>Carrying amount at 30 June 2020</b>	<b>19</b>	<b>523</b>	<b>53</b>	<b>120</b>	<b>715</b>

*Reconciliation 2018-19*

	Plant and equipment	Buildings and leasehold improvements	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018					
Additions	-	232	-	-	232
Other movements	-	441	-	(29)	412
Depreciation and amortisation	(4)	(734)	-	-	(738)
Net assets transferred as a result of an administrative restructure	40	677	53	29	799
<b>Carrying amount at 30 June 2019</b>	<b>36</b>	<b>616</b>	<b>53</b>	<b>-</b>	<b>705</b>

**Department for Trade and Investment**  
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**5.3. Property, plant and equipment leased by the department**

Property, plant and equipment leased by the department is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$159 000.

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

The department has a limited number of leases:

- Right-of-use buildings leases relate to overseas representative offices disclosed in note 4.7.
- 21 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

**Department for Trade and Investment**  
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**6. Financial assets**

**6.1. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer – Operating Account	31 236	30 237
Deposits with the Treasurer – Accrual Appropriation	2 286	2 857
Deposits at call - overseas offices	505	344
<b>Total cash and cash equivalents</b>	<b>34 027</b>	<b>33 438</b>

**Deposits with the Treasurer**

The department has two deposit accounts with the Treasurer:

- a general operating account;
- an Accrual Appropriation Excess Funds Account.

Although the department controls the money in the Accrual Appropriation Excess Funds Account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

The office has two overseas deposit accounts in China and the United Kingdom. The carrying amount of cash and cash equivalents represents nominal value in Australian dollars.

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**6.2. Receivables**

	2020	2019
	\$'000	\$'000
<u>Current</u>		
<u>Trade receivables</u>		
From government entities	25	262
From non-government entities	33	43
Less allowance for doubtful debts	(7)	(8)
<b>Total trade receivables</b>	<b>51</b>	<b>297</b>
Prepayments	141	129
GST input tax recoverable	145	130
Accrued revenue	94	352
Other receivables	4	14
<b>Total current receivables</b>	<b>435</b>	<b>922</b>
<b>Total receivables</b>	<b>435</b>	<b>922</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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

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***

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	8	-
Decrease in allowance	(1)	8
Carrying amount at the end of the period	7	8

Refer to note 9.2 for details regarding credit risk and the methodology for determining impairment.

**6.3. Other current assets**

	2020	2019
	\$'000	\$'000
<b>Other current assets</b>		
Industry assistance assets to be transferred to other agencies	4 836	-
<b>Total other current assets</b>	<b>4 836</b>	<b>-</b>

**Department for Trade and Investment**  
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**7. Liabilities**

Employee benefits liabilities are disclosed in note 3.4.

**7.1. Payables**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Trade payables	12	281
Accrued expenses	5 458	9 785
Employment on-costs	551	470
<b>Total current payables</b>	<b>6 021</b>	<b>10 536</b>
<b><u>Non-current</u></b>		
Employment on-costs	320	425
<b>Total non-current payables</b>	<b>320</b>	<b>425</b>
<b>Total payables</b>	<b>6 341</b>	<b>10 961</b>

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, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The department 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 external schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave was 42% in 2020 (2019: 41%). The average factor for the calculation of employer superannuation cost on-cost was 9.8% in 2020 (2019: 9.8%). These rates are used in the employment on-cost calculation.

**7.2. Financial liabilities**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Lease liability	314	-
<b>Total current financial liabilities</b>	<b>314</b>	<b>-</b>
<b><u>Non-current</u></b>		
Lease liability	1 563	-
<b>Total non-current financial liabilities</b>	<b>1 563</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1 877</b>	<b>-</b>

The department measures financial liabilities at amortised cost.

**Department for Trade and Investment**  
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**7.3. Provisions**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Provision for workers compensation	20	25
Accommodation make good provision	441	-
<b>Total current provisions</b>	<b>461</b>	<b>25</b>
<b><u>Non-current</u></b>		
Provision for workers compensation	39	39
Accommodation make good provision	-	441
<b>Total non-current provisions</b>	<b>39</b>	<b>480</b>
<b>Total provisions</b>	<b>500</b>	<b>505</b>
<b>Carrying amount at the beginning of the period</b>	<b>505</b>	<b>-</b>
Additional provisions recognised	-	505
Reductions arising from payments / other sacrifice of future economic benefits	(5)	-
<b>Carrying amount at the end of the period</b>	<b>500</b>	<b>505</b>

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

The department is responsible for the payment of workers compensation claims.

**7.4. Other liabilities**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Accommodation incentive	-	100
Unearned revenue	13	121
<b>Total current other liabilities</b>	<b>13</b>	<b>221</b>
<b>Total other liabilities</b>	<b>13</b>	<b>221</b>

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
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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.

	2020 \$'000	2019 \$'000
<b>Leases</b>		
Buildings	(347)	-
Vehicles	(80)	-
<b>Total cash outflow for leases</b>	<u>(427)</u>	<u>-</u>

**Cash flow reconciliation**

	2020 \$'000	2019 \$'000
<b><u>Reconciliation of cash and cash equivalents at the end of the reporting period</u></b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	34 027	33 438
<b>Balance as per the Statement of Cash Flows</b>	<u>34 027</u>	<u>33 438</u>

**Reconciliation of net cash provided in operating activities to net cost of providing services**

Net cash provided in operating activities	5 953	13 182
<b><u>Add / (less) non-cash items</u></b>		
Depreciation and amortisation expense of non-current assets	(465)	(738)
Amortisation of lease incentive	(100)	240
Bad and doubtful debts expense	-	(8)
Resources received free of charge	149	141
Other asset movements	-	(29)
Resources provided free of charge	(149)	(141)
Transfer in for administrative restructure	-	12 223
Transfer out for administrative restructure	-	(675)

**Movement in assets and liabilities**

Increase / (decrease) in receivables	(487)	930
(Increase) / decrease in payables	4 646	(10 960)
(Increase) / decrease in other liabilities	208	(460)
(Increase) / decrease in provisions	5	(64)
(Increase) / decrease in employee benefits	1 401	(6 915)
<b>Net Result</b>	<u>11 161</u>	<u>6 726</u>

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## 9. Changes in accounting policy

### 9.1. AASB 16 Leases

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

The adoption of AASB 16 *Leases* from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

#### Impact on retained earnings

There was no impact on the department's retained earnings as at 1 July 2019 following adoption of AASB 16 *Leases*.

The department disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$6.7 million under AASB 117.

	\$'000
Lease liability as at 1 July 2019	
Operating lease commitments disclosed as at 30 June 2019	6 738
Adjustment in commitment – accommodation	263
Adjustment in commitment – motor vehicles	(50)
<b>Adjusted operating lease commitments</b>	<b>6 951</b>
Less: short-term leases for which no lease liability is recognised	(4 821)
<b>Lease liability as at 1 July 2019</b>	<b>2 130</b>

#### Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 2.19%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.

**Department for Trade and Investment**  
**Notes to and forming part of the financial statements**  
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**9.1 AASB 16 Leases (cont.)**

- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

**Ongoing accounting policies**

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases being those with a lease term of 12 months or less.
- the department, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

**9.2 AASB 15 Revenue from Contracts with Customers**

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

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

On transition there was no impact on retained earnings.

**Ongoing accounting policies**

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in the department's accounting policies as follows:

- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the department would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the department's performance completed to date.
- there is no disclosure of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with para. B16.

Significant accounting policies relate to the application of AASB 15 are disclosed under relevant notes.

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**9.3 AASB 1058 Income of Not-for-Profit Entities**

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

***Accounting policies on transition***

On transition, there was no impact on retained earnings.

**9.4 Presentation of financial statements**

*Treasurer's Instructions (Accounting Policy Statements)* issued on 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 sources 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.

**Department for Trade and Investment**  
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**10. Outlook**

**10.1. Unrecognised contractual commitments**

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

***Capital commitments***

The department has a Memorandum of Administrative Arrangement (MoAA) with SA Water for the reimbursement of costs for the fitout of premises on Level 8, 250 Victoria Square. As the costs are dependent on the final design, architectural and building works a commitment amount cannot be confirmed but is estimated to be approximately \$0.4 million which will be paid within one year.

***Expenditure commitments***

	2020	2019
	\$'000	\$'000
Within one year	27 655	15 985
Later than one year but not later than five years	12 220	10 615
<b>Total expenditure commitments</b>	<b>39 875</b>	<b>26 600</b>

The department's expenditure commitments are for agreements for:

- memoranda of administrative arrangements with the Department of Planning, Transport and Infrastructure for accommodation
- memoranda of administrative arrangement with SA Water for lease of office accommodation commencing in 2020-21
- contractors, service contracts and grant recipients
- The department has a Memorandum of Administrative Arrangements with the Department of Planning, Transport and Infrastructure to extend the lease of Adelaide CBD office accommodation until 31 January 2021. The agreement was not signed until after 30 June 2020 and has not been included in the expenditure commitments amounts.

**Department for Trade and Investment**  
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**10.1. Unrecognised contractual commitments (cont.)**

*Operating lease commitments*

	2020	2019
	\$'000	\$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	-	1 345
Later than one year but not later than five years	-	4 937
Later than five years	-	456
<b>Total operating lease commitments</b>	<b>-</b>	<b>6 738</b>
<b>Representing:</b>		
Cancellable operating leases	-	170
Non-cancellable operating leases	-	6 568
<b>Total operating lease commitments</b>	<b>-</b>	<b>6 738</b>

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

The department's operating leases in 2019 relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure – Building Management Accommodation and Property Services, TAFE SA and two private companies for the overseas offices. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Motor vehicles are leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia, with lease periods of up to three years.

**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.

The department is not aware of any contingent liabilities.

***Contingent assets***

Where specific conditions relating to a financial assistance grant are not met, the department may request the amount granted be repaid by the grantee.

There are no known contingent assets arising from these present obligations as at 30 June 2020.

**Department for Trade and Investment**  
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**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.

**AASB 1059 Service Concession Arrangements: Grantors**

The department is not expecting there to be any significant impact following the adoption of AASB 1059 *Service Concession Arrangements: Grantors*.

**10.4. COVID-19 pandemic outlook for the department**

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

- The relocation of the Adelaide office has been delayed from 2019-20 to 2020-21.
- The delivery of departmental programs and activities will continue to be refocussed to largely be through digital engagement.

The department is not expecting there to be any significant credit losses, impairment of assets, grant agreements that cannot be satisfied, contingent assets/liabilities or any significant increase of risks in the internal control environment due to the impact COVID-19.

**10.5. Events after the reporting period**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2020 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2020.

Note disclosure is made about events between 30 June 2020 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2020 and which may have a material impact on the results of subsequent years as set out below.

There are no known events after the reporting period.

**Department of Trade and Investment**  
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**11. Measurement and risk**

**11.1. Long service leave liability – measurement**

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

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

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

The actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate to 2.5% (2019: 4%) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$0.4 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.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

**11.2. Fair value**

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

***Initial recognition***

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

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

***Revaluation***

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

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

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

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

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**11.2. Fair value (cont.)**

*Fair value hierarchy*

The department 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 are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly), and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

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

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

All assets are classified at level 3 and movement schedules are in note 5.2.

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**11.3. Financial instruments**

***Financial risk management***

Risk management is managed by the department'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*.

The department'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 department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance 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 notes 7.1 for further information.

***Credit risk***

The department 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 department.

***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.

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	4	0.58%	-
1 - 30 days past due	-	1.95%	-
31 - 60 days past due	-	5.95%	-
61 - 90 days past due	-	8.38%	-
More than 90 days past due	7	100.00%	7
<b>Loss allowance</b>	<b>11</b>		<b>7</b>

**Department for Trade and Investment**  
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**11.3. Financial Instruments (cont.)**

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 the department'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 the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables with a contractual amount of \$1 000 were transferred out of the provision of doubtful debt during the year are still subject to enforcement activity.

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

Exposure to interest rate risk may arise through its interest bearing liabilities. The department has minor exposure to foreign currency gain / loss due to overseas transactions including the department's overseas representation offices. The net loss in 2020 was \$74 000 (2019: \$10 000).

***Categorisation of financial instruments***

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

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**11.3. Financial Instruments (cont.)**

The department measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying amount / fair value \$'000	2020 Contractual maturities	
			Current \$'000	
<b>Financial assets</b>				
Cash and cash equivalents	6.1	34 027	34 027	
<b>Financial assets at amortised cost</b>				
Receivables	6.2	124	124	
<b>Total financial assets</b>		<b>34 151</b>	<b>34 151</b>	
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Payables	7.1	5 393	5 393	
Financial liabilities	7.2	1 877	1 877	
<b>Total financial liabilities</b>		<b>7 270</b>	<b>7 270</b>	

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	2019 Contractual maturities	
			Current \$'000	
<b>Financial assets</b>				
Cash and cash equivalents	6.1	33 438	33 438	
<b>Financial assets at amortised cost</b>				
Receivables	6.2	401	401	
<b>Total financial assets</b>		<b>33 839</b>	<b>33 839</b>	
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Payables	7.1	9 989	9 989	
<b>Total financial liabilities</b>		<b>9 989</b>	<b>9 989</b>	

**Receivables and payables**

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

The receivable amounts disclosed here exclude prepayments as they are not financial assets. Prepayments are presented in note 6.2.

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**12. Disclosure of Administered Items**

**12.1. Disclosure of administered items as at 30 June 2020**

The department disburses salaries and allowances pursuant to the *Agent-General Act 1901* and the *Parliamentary Remuneration Act 1990* on behalf of the State Government.

	2020	2019
	\$'000	\$'000
<b><u>Administered Income</u></b>		
Appropriations	374	352
Intra-government transfers	185	47
<b>Total administered income</b>	<b>559</b>	<b>399</b>
<b><u>Administered Expenses</u></b>		
Employee benefits expenses	548	412
<b>Total administered expenses</b>	<b>548</b>	<b>412</b>
<b>Net result</b>	<b>11</b>	<b>(13)</b>
<b><u>Administered Current Assets</u></b>		
Cash and cash equivalents	(18)	(60)
Receivables	16	47
<b>Total current assets</b>	<b>(2)</b>	<b>(13)</b>
<b><u>Administered Equity</u></b>		
Accumulated surplus	(2)	-
<b>Total equity</b>	<b>(2)</b>	<b>-</b>

***Budget performance***

	Note	Original DTI Administered Budget <sup>(1)</sup>	Actual	Variance
		2020 \$'000	2020 \$'000	\$'000
<b>Statement of Administered Comprehensive Income</b>				
<b>Administered Income</b>				
Appropriations		369	374	5
Intra-government transfers	a)	382	185	(197)
<b>Total administered income</b>		<b>751</b>	<b>559</b>	<b>(192)</b>
<b>Administered Expenses</b>				
Employee benefit expenses	b)	751	548	(203)
<b>Total administered expenses</b>		<b>751</b>	<b>548</b>	<b>(203)</b>
<b>Net result</b>		<b>-</b>	<b>11</b>	<b>11</b>

**Department for Trade and Investment**  
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**12.1. Disclosure of administered items as at 30 June 2020 (cont.)**

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.

<sup>(1)</sup> These budgeted amounts have not been subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2019-20 Budget Papers, Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes.

The following are brief explanations of variances between original budget and actual amounts:

- (a) Intra-government transfers are \$197 000 unfavourable compared to original budget due to:
- lower than budgeted revenue arising from the Agent-General working part time as 0.4 FTE, but budgeted as full time
- (b) Employee benefit expenses is \$203 000 favourable compared to original budget primarily due to:
- lower than budgeted expenditure arising from the Agent-General working part time as 0.4 FTE, but budgeted as full time (\$208 000).