

Industry Advocate

Financial report
for the year ended 30
June 2021



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To the Industry Advocate Office of the Industry Advocate

Opinion

I have audited the financial report of the Office of the Industry Advocate for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the Industry Advocate as at 30 June 2021, 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Industry Advocate and the Senior Consultant.

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 Office of the Industry Advocate. 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 Industry Advocate for the financial report

The Industry Advocate 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 the 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Industry Advocate is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Industry Advocate is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 Office of the Industry Advocate for the financial year ended 30 June 2021.

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.

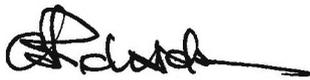
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Office of the Industry Advocate's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Industry Advocate

- conclude on the appropriateness of the Industry Advocate's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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 Industry Advocate 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

24 September 2021

Office of the Industry Advocate

Financial Statements

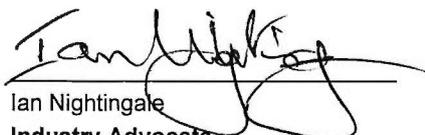
for the year ended 30 June 2021

Office of the Industry Advocate
Certification of the Financial Statements
for the year ended 30 June 2021

We certify that the:

- financial statements of the Office of the Industry Advocate :
 - are in accordance with the accounts and records of the department;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the department at the end of the financial year and the result of its operation and cash flows for the financial year.

- internal controls employed by the Office of the Industry Advocate for the financial year over its financial reporting and its preparation of financial statements have been effective.



Ian Nightingale
Industry Advocate
23 September 2021



Denise Loftus
Senior Consultant
23 September 2021

Office of the Industry Advocate
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Income</u>			
SA Government grant, subsidies and transfers	2.1	1 863	1 566
Other income	2.2	5	22
Total income		1 868	1 588
<u>Expenses</u>			
Employee benefits expense	3.2	1 621	1 074
Supplies and services	4.1	318	617
Grants and subsidies	4.2	-	7
Total expenses		1 939	1 698
Net result		(71)	(110)
Total comprehensive result		(71)	(110)

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

Office of the Industry Advocate
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Current assets</u>			
Cash and cash equivalents	5.1	781	617
Receivables	5.2	6	46
Total current assets		787	663
Total assets		787	663
<u>Current liabilities</u>			
Payables	6.1	90	143
Employee benefits	3.3	218	155
Provisions	6.2	2	1
Total current liabilities		310	299
<u>Non-current liabilities</u>			
Payables	6.1	45	29
Employee benefits	3.3	476	311
Provisions	6.2	5	2
Total non-current liabilities		526	342
Total liabilities		836	641
Net assets		(49)	22
<u>Equity</u>			
Retained earnings		(49)	22
Total equity		(49)	22

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

Office of the Industry Advocate
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019	132	132
Net result for 2019-20	(110)	(110)
Total comprehensive result for 2019-20	<u>(110)</u>	<u>(110)</u>
Balance at 30 June 2020	22	22
Net result for 2020-21	(71)	(71)
Total comprehensive result for 2020-21	<u>(71)</u>	<u>(71)</u>
Balance at 30 June 2021	<u>(49)</u>	<u>(49)</u>

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

Office of the Industry Advocate
Statement of Cash Flows
for the year ended 30 June 2021

	2021	2020
	Inflows (Outflows)	Inflows (Outflows)
Note	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
SA Government grant, subsidies and transfers	1 863	1 566
Other receipts	-	21
Cash generated from operations	<u>1 863</u>	<u>1 587</u>
Cash (outflows)		
Employee benefits payments	(1 366)	(1 088)
Payments for supplies and services	(333)	(729)
Payments for grants and subsidies	-	(7)
Cash (used in) operations	<u>(1 699)</u>	<u>(1 824)</u>
Net cash provided by operating activities	<u>164</u>	<u>(237)</u>
Net increase/(decrease) in cash and cash equivalents	164	(237)
Cash and cash equivalents at the beginning of the period	617	854
Cash and cash equivalents at the end of the period	<u>781</u>	<u>617</u>
5.1		

The accompanying notes form part of these financial statements.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

1.	About the Office of the Industry Advocate	10
1.1.	Basis of preparation	10
1.2.	Objectives and programs	10
1.3.	Impact of COVID-19 pandemic on the Office	10
2.	Income	11
2.1.	SA Government grant, subsidies and transfers	11
2.2.	Other income	11
3.	Board, committees and employees	11
3.1.	Key management personnel	11
3.2.	Employee benefits expenses	12
3.3.	Employee benefits liability	13
4.	Expenses	14
4.1.	Supplies and services	14
4.2.	Grants and subsidies	14
5.	Financial assets	15
5.1.	Cash and cash equivalents	15
5.2.	Receivables	15
6.	Liabilities	16
6.1.	Payables	16
6.2.	Provisions	17
7.	Outlook	17
7.1.	Unrecognised contractual commitments	17
7.2.	Contingent assets and liabilities	17
7.3.	COVID-19 pandemic outlook for the Office	17
7.4.	Events after the reporting period	17
8.	Measurement and risk	18
8.1.	Long service leave liability - measurement	18
8.2.	Financial instruments	18

Office of the Industry Advocate

Notes to and forming part of the financial statements

For the year ended 30 June 2021

1. About the Office of the Industry Advocate

The Office of the Industry Advocate (OIA/the Office) is a statutory authority of the State of South Australia, established pursuant to the *Industry Advocate Act 2017* proclaimed under *Public Sector Notice 2017* (dated 31 October 2017). The *Public Sector Proclamation 2017* (dated 19 December 2017) declared the appointment of Ian Nightingale to the statutory role of the Industry Advocate effective from 1 January 2018.

The Industry Advocate is appointed by the Governor and is an agency of the Crown.

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 purposes of preparing the financial statements, the department is a not-for-profit entity. 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 even have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2. Objectives and programs

The objectives of the Office of the Industry Advocate are to ensure all functions of the *Industry Advocate Act 2017* are exercised, including but not limited to:

- Promote competitive, capable local businesses to government purchasers and private sector companies delivering contracts on behalf of the government.
- Recommend reforms to procurement and contracting practices to ensure local businesses are not disadvantaged.
- Ensure local businesses have a full, fair and reasonable opportunity to win work on major projects under the South Australian Industry Participation Policy.
- To take action to further the objectives of the South Australian Industry Participation Policy.

1.3. Impact of COVID-19 pandemic on the Office

The COVID-19 pandemic has impacted the following operations of the Office of the Industry Advocate:

- A number of Supply to Government workshops were delivered virtually and remain online for businesses to view.
- The Office of the Industry Advocate's website is being rebuilt to maximise service delivery outcomes for the SA Product and Services Register by providing information seamlessly to suppliers and stakeholders.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2. Income

2.1. SA Government grant, subsidies and transfers

	2021	2020
	\$'000	\$'000
SA Government grant, subsidies and transfers	1 863	1 566
Total SA Government grant, subsidies and transfers	1 863	1 566

SA Government grant, subsidies and transfers which is funding from the Department of Treasury and Finance and are recognised as revenues when the Office obtains control over the funding. Control over transfers is normally obtained upon receipt. SA Government grant, subsidies and transfers are recognised as income on receipt.

2.2. Other income

	2021	2020
	\$'000	\$'000
Recoveries	5	22
Total other income	5	22

3. Board, committees and employees

3.1. Key management personnel

Key management personnel

Key management personnel of the Office include the Minister and the Industry Advocate who have responsibility for the strategic direction and management of the Office.

The compensation for key management personnel was \$362 000 (2020 \$361 000).

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

Transaction with Key Management Personnel and other related parties

There were no transactions with key management personnel and other related party identified.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.2. Employee benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	1 021	885
Annual leave	147	62
Long service leave	175	(19)
Employment on-costs - superannuation	127	90
Employment on-costs - other	134	49
Skills and experience retention leave	14	7
Workers compensation	3	-
Total employee benefits expense	1 621	1 074

Employment on-costs - superannuation

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

Employee remuneration

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

	2021	2020
	No	No
\$354 001 to \$374 000	1	1
Total	1	1

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

The total remuneration received by this employee for the year was \$362 000 (2020: \$361 000).

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.3. Employee benefits liability

	2021	2020
	\$'000	\$'000
<u>Current</u>		
Accrued salaries and wages	28	25
Annual leave	173	101
Long service leave	4	-
Skills and experience retention leave	13	29
Total current employee benefits	218	155
<u>Non-current</u>		
Long service leave	476	311
Total non-current employee benefits	476	311
Total employee benefits liability	694	466

Employee benefits accrue for employees 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 and the skills and experience retention leave liability are expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave, as all sick leave is non-vesting and it is assumed that the average sick leave to be taken in future years will be less than the annual entitlement.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 8.1.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4. Expenses

4.1. Supplies and services

	2021	2020
	\$'000	\$'000
Contractors	145	160
Accommodation	91	125
Information technology and communications	34	118
Staff related expenses	16	12
Office administration expenses	12	37
Travel and related expenses	6	24
Marketing	6	33
Infrastructure - corporate costs	2	-
Consultants	1	103
Audit fees	5	5
Total supplies and services	318	617

Accommodation

All of the Office accommodation is provided by the Department of Planning, Transport and Infrastructure under Memorandum 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.

4.2. Grants and subsidies

	2021	2020
	\$'000	\$'000
Sponsorships	-	7
Total grants and subsidies	-	7

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5. Financial assets

5.1. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash at bank	781	617
Total cash and cash equivalents	781	617

5.2. Receivables

	2021	2020
	\$'000	\$'000
<u>Current</u>		
<u>Trade receivables</u>		
Trade receivables	5	-
From non-government entities	1	1
Total trade receivables	6	1
Other receivables	-	45
Total current receivables	6	46
Total receivables	6	46

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 Office did not recognise an allowance for doubtful debts, it is not anticipated that SA Government 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 8.2 for further information on risk management.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6. Liabilities

6.1. Payables

	2021	2020
	\$'000	\$'000
<u>Current</u>		
Accrued expenses	56	119
Employment on-costs	34	24
Total current payables	90	143
<u>Non-current</u>		
Employment on-costs	45	29
Total non-current payables	45	29
Total payables	135	172

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 Office 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 superannuation scheme.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has remained at 42% in both 2020 and 2021. The average factor for the calculation of employer superannuation cost on-costs has increased from 9.8% to 10.1% in 2021. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6.2. Provisions

	2021	2020
	\$'000	\$'000
<i>Movement in provisions</i>		
Carrying amount at the beginning of the period	3	3
Increase in provisions recognised	4	-
Carrying amount at the end of the period	7	3

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 2021 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 Industry Advocate is responsible for the payment of workers compensation claims.

7. Outlook

7.1. Unrecognised contractual commitments

Commitments arise from contractual or statutory sources and are disclosed at their nominal value.

	2021	2020
	\$'000	\$'000
Within one year	-	119
Later than one year but not longer than five years	-	576
Later than five years	-	93
Total expenditure commitments	-	788

The Office's expenditure commitments for 2019-20 relates to accommodation expenses. The Office does not have any commitment for 2020-21 as a new lease commenced on 1 July 2021 in new premises.

7.2. 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 Office is not aware of any contingent assets and liabilities at reporting date.

7.3. COVID-19 pandemic outlook for the Office

The Office does not expect any material impact on its operations in 2021-22.

7.4. Events after the reporting period

There are no known events after balance date that affect the office.

Office of the Industry Advocate
Notes to and forming part of the financial statements
For the year ended 30 June 2021

8. Measurement and risk

8.1. Long service leave liability - measurement

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

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

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds increased from 0.75% in 2020 to 1.25% in 2021.

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

The actuarial assessment performed by DTF has kept the salary inflation rate remain at 2.5% 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 leave liability of \$48 000 and employee benefits expense of \$48 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

8.2. Financial instruments

Classification of financial instruments

The Office of Industry Advocate measures all financial instruments at amortised cost.