

Infrastructure SA

Financial report
for the year ended
30 June 2020



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To the Chair Infrastructure SA

Opinion

I have audited the financial report of Infrastructure SA 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 Infrastructure SA as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

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 Infrastructure SA. 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 and the Board 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 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.

The Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 18(2) of the *Infrastructure SA Act 2018*, I have audited the financial report of Infrastructure SA 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 Infrastructure SA's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

Auditor-General

29 September 2020

Infrastructure SA

Financial Statements

For the year ended 30 June 2020

Infrastructure SA
Certification of the Financial Statements
for the year ended 30 June 2020

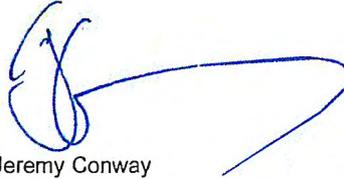
We certify that the attached general purpose financial statements for Infrastructure SA:

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

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



Anthony Shepherd AO
Chair
28 September 2020



Jeremy Conway
Chief Executive
28 September 2020

Infrastructure SA
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriations	2.1	3 198	-
Resources received free of charge	2.2	5	2
Other income	2.3	341	1 991
Total income		3 544	1 993
Expenses			
Employee benefit expenses	3.3	1 864	1 053
Supplies and services	4.1	1 297	674
Total expenses		3 161	1 727
Net result		383	266
Total comprehensive result		383	266

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

Infrastructure SA
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash	6.1	1 148	824
Receivables	6.2	27	46
Total current assets		1 175	870
Non-current assets			
Intangible assets	5.1	-	18
Total non-current assets		-	18
Total assets		1 175	888
Current liabilities			
Payables	7.1	134	298
Employee benefits	3.4	188	144
Provisions	7.2	1	1
Total current liabilities		323	443
Non-current liabilities			
Payables	7.1	17	15
Employee benefits	3.4	183	163
Provisions	7.2	3	1
Total non-current liabilities		203	179
Total liabilities		526	622
Net assets		649	266
Equity			
Retained earnings		649	266
Total equity		649	266

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

Infrastructure SA
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2018	-	-
Net result for 2018-19	266	266
Total comprehensive result for 2018-19	<u>266</u>	<u>266</u>
Balance at 30 June 2019	<u>266</u>	<u>266</u>
Net result for 2019-20	383	383
Total comprehensive result for 2019-20	<u>383</u>	<u>383</u>
Balance at 30 June 2020	<u>649</u>	<u>649</u>

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

Infrastructure SA
Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 Inflows (Outflows) \$'000	2019 Inflows (Outflows) \$'000
Cash flows from operating activities			
<i>Cash inflows</i>			
Appropriations		3 198	-
Other receipts		361	1 970
Cash generated from operations		3 559	1 970
<i>Cash outflows</i>			
Employee benefit payments		(1 784)	(686)
Payments for supplies and services		(1 451)	(460)
Cash used in operations		(3 235)	(1 146)
Net cash provided by operating activities		324	824
Net increase in cash		324	824
Cash at the beginning of the period		824	-
Cash at the end of the period	6.1	1 148	824

The accompanying notes form part of these financial statements.

Infrastructure SA

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1 About Infrastructure SA

Infrastructure SA (ISA) is a statutory authority of the state of South Australia, established pursuant to the *Infrastructure SA Act 2018*. ISA is an administrative unit acting on behalf of the Crown.

Infrastructure SA was established on 26 November 2018 under the *Infrastructure SA Act 2018* to provide advice on the State's requirements for significant infrastructure with respect to economic growth and delivery of public services.

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.

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

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

1.2. Objectives

Infrastructure SA's mission is to provide independent advice to government to enable informed and evidence-based decisions on infrastructure planning, investment, delivery and optimisation.

Its role is to ensure better planning and more transparent decision-making for critical public infrastructure projects for the State.

1.3. Impact of COVID-19 pandemic on ISA

The COVID-19 has had no material impact on the operations of ISA during 2019-20.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2. Income

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	3 198	-
Total appropriations	3 198	-

Appropriations are recognised on receipt.

2.2. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	5	2
Total resources received free of charge	5	2

2.3. Other income

	2020	2019
	\$'000	\$'000
General recoveries	339	21
Transfers from contingencies	2	-
Intra-government transfer	-	1 970
Total other income	341	1 991

Intra-government transfers are recognised on receipt.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of ISA include the Premier, Chief Executive, General Manager, the Chair and the Board members who have responsibility for the strategic direction and management of ISA.

Total compensation for key management personnel was \$797 000 (2019: \$297 000).

Transaction with Key Management Personnel and other related parties

There were no significant related party transactions based on initial assessment.

3.2. Board and committee members

Members during the 2020 financial year were:

Infrastructure SA Board

Anthony Shepherd (Chair)
Tony Braxton-Smith*
Carolyn Hewson
Jim McDowell*
Amanda Price-McGregor
David Reynolds*
Robert Rust

Infrastructure SA Risk and Performance Committee

Yvonne Sneddon (Chair)
Robert Rust
Tony Braxton-Smith*
Catherine Jamieson*
David Lovell* (appointed April 2020)

*In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board duties during the financial year.

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:	2020 Number	2019 Number
\$0 - \$19 999	6	8
\$20 000 - \$39 999	3	-
\$80 000 - \$99 999	-	1
\$160 000 - \$179 999	1	-
Total number of members	10	9

The total remuneration received or receivable by members was \$282 000 (2019: \$127 000). Remuneration of members includes sitting fees, superannuation contributions and salary sacrifice benefits.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.3. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	1 291	473
Annual leave	102	134
Long service leave	22	188
Board and committee fees	258	127
Employment on-costs - superannuation	148	73
Employment on-costs - other	30	45
Skills and experience retention leave	2	10
Workers compensation	2	2
Other employee related expenses	9	1
Total employee benefit expenses	1 864	1 053

Employment on-costs - superannuation

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

Executive remuneration

	2020	2019
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$174 001 - \$194 000	1	1
\$314 001 - \$334 000	1	-
Total	2	1

The total remuneration received by those employees for the year was \$520 000 (\$171 000).

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

3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries and wages	39	29
Annual leave	129	95
Long service leave	19	17
Skills and experience retention leave	1	3
Total current employee benefits	188	144
Non-current		
Long service leave	183	163
Total non-current employee benefits	183	163
Total employee benefits	371	307

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.4 Employee benefits liability (continued)

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

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

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

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 10.1.

4. Expenses

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Consultants	115	82
Intra government transfers	254	150
Contractors	427	205
Temporary Staff	238	93
Administrative costs	92	49
Information technology	69	31
Legal services	-	8
Other	102	56
Total supplies and services	1 297	674

Consultants

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

	2020		2019	
	No.	\$'000	No.	\$'000
\$10 000 or above	1	115	1	82
Total	1	115	1	82

Other

Resources provided free of charge were \$5 000 (2019: \$2 000) and were expensed at fair value.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

5. Non-financial assets

5.1. Intangible assets

	2020 \$'000	2019 \$'000
Computer software		
Work in progress at cost	-	18
Total intangible assets	<u>-</u>	<u>18</u>

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

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

Reconciliation 2019-20

	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2019	18	18
Derecognition of asset	(18)	(18)
Carrying amount at 30 June 2020	<u>-</u>	<u>-</u>

Reconciliation 2018-19

	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2018	-	-
Acquisitions	18	18
Carrying amount at 30 June 2019	<u>18</u>	<u>18</u>

6. Financial assets

6.1. Cash

	2020 \$'000	2019 \$'000
Deposits with the Treasurer	1 148	824
Total cash	<u>1 148</u>	<u>824</u>

The agency does not earn interest on its deposits with the Treasurer.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Trade receivables	1	21
Prepayments	26	25
Total receivables	<u>27</u>	<u>46</u>

Trade receivables for the year are salary and wages on-charged to other government departments. Receivables are normally settled within 30 days after the issue of an invoice. Receivables and prepayments are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

7. Liabilities

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Trade payables	1	1
Accrued expenses	105	276
Employment on-costs	28	21
Total current payables	<u>134</u>	<u>298</u>
Non-current		
Employment on-costs	17	15
Total non-current payables	<u>17</u>	<u>15</u>
Total payables	<u>151</u>	<u>313</u>

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

ISA 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 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 has been assessed as 42% (2019: 41%) and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8% (2019: 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$2 000 and employee benefit expense of \$2 000.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

7.2. Provisions

	2020	2019
	\$'000	\$'000
Current		
Provision for workers compensation	1	1
Total current provisions	<u>1</u>	<u>1</u>
Non-current		
Provision for workers compensation	3	1
Total non-current provisions	<u>3</u>	<u>1</u>
Total provisions	<u><u>4</u></u>	<u><u>2</u></u>
	2020	
	\$'000	
Carrying amount at the beginning of the period	2	-
Additional provisions recognised	2	2
Carrying amount at the end of the period	<u>4</u>	<u>2</u>

Provision for workers compensation

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 Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

ISA is responsible for the payment of workers compensation claims.

8. Other disclosures

8.1. Cash flow

Cash flows are included in the Statement of Cash Flows are exclusive of GST. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows of the Department of the Premier and Cabinet, not ISA.

9. Outlook

9.1. Unrecognised contractual commitments

Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	365	168
Total expenditure commitments	<u>365</u>	<u>168</u>

Expenditure commitments relate to the development of an across government assurance framework for evaluation capital infrastructure projects that are \$50 million and over or are considered high risk.

Infrastructure SA
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

9.2. Contingent assets and liabilities

The agency is not aware of any contingent assets or liabilities as at 30 June 2020.

9.3. COVID-19 pandemic outlook for ISA

ISA does not expect any material impacts as a result of the COVID-19 pandemic in 2020-21.

9.4. Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

10. Measurement and risk

10.1. 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 the long service leave liability. The yield on long-term Commonwealth Government bonds for 2020 is 0.75% (2019: 1.25%).

The net financial effect of the changes to the actuarial assumption in the current financial year is a decrease in the long services liability of \$19 000 and employee benefits expense of \$19 000.

The actuarial assessment performed by the Department of Treasury and Finance applied a salary inflation rate of 2.5% (2019: 4%) for the long service leave liability. As a result, there is a decrease resulting from changes in the salary inflation rate.

The non-current portion of long service leave reflects the estimate of leave to be taken in greater than 12 months.