

Second-hand Vehicles Compensation Fund

Financial report
for the year ended
30 June 2021



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**To the Commissioner for Consumer Affairs
Consumer and Business Services, Attorney-General's Department**

Opinion

I have audited the financial report of Second-hand Vehicles Compensation Fund 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 Second-hand Vehicles Compensation Fund as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with the 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 Commissioner for Consumer Affairs, the Executive Director Finance, People and Performance and the General Manager, Corporate Services.

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 Second-hand Vehicles Compensation Fund. 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 Commissioner for Consumer Affairs for the financial report

The Commissioner for Consumer Affairs 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 Commissioner for Consumer Affairs 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 Commissioner for Consumer Affairs 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* and Schedule 3 section 6(2) of the *Second-hand Vehicles Dealers Act 1995*, I have audited the financial report of the Second-hand Vehicles Compensation Fund 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:

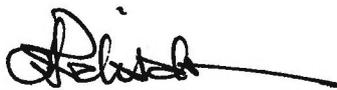
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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 Second-hand Vehicles Compensation Fund's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner for Consumer Affairs
- conclude on the appropriateness of the Commissioner for Consumer Affairs' 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 Commissioner for Consumer Affairs 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
29 October 2021

Second Hand Vehicles Compensation Fund

Financial Statements

For the year ended 30 June 2021

**Second Hand Vehicles Compensation Fund
Certification of the Financial Statements
for the year ended 30 June 2021**

We certify that the:

- financial statements of the Department for the Second Hand Vehicles Compensation Fund:
 - 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 Second Hand Vehicles Compensation Fund for the financial year over its financial reporting and its preparation of financial statements have been effective.



Dini Soulio
Commissioner
Consumer and Business Services

28 October 2021



Andrew Swanson FCPA
Executive Director
Finance, People & Performance
Attorney-General's Department

28 October 2021



Eleni Labadas
General Manager, Corporate Services
Consumer and Business Services

28 October 2021

Second Hand Vehicles Compensation Fund
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Contribution by licensees	2.1	202	181
Investment and interest revenue	2.2	180	91
Net gain on revaluation of investments	2.3	157	-
Other income	2.4	17	18
Total income		556	290
Expenses			
Compliance and Administration	4.1	244	148
Net loss on revaluation of investments	2.3	-	100
Other expenses	4.2	10	11
Total expenses		254	259
Net result		302	31
Total comprehensive result		302	31

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

Second Hand Vehicles Compensation Fund
Statement of Financial Position
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	5.1	1 252	1 312
Investments	5.2	2 035	2 025
Receivables	5.3	125	43
Total current assets		3 412	3 380
Non-current assets			
Investments	5.2	3 804	3 538
Total non-current assets		3 804	3 538
Total assets		7 216	6 918
Current liabilities			
Payables	6.1	67	71
Total current liabilities		67	71
Total liabilities		67	71
Net assets		7 149	6 847
Equity			
Retained earnings		7 149	6 847
Total equity		7 149	6 847

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

Second Hand Vehicles Compensation Fund
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019	6 816	6 816
Net result for 2019-20	31	31
Total comprehensive result for 2019-20	31	31
Balance at 30 June 2020	6 847	6 847
Net result for 2020-21	302	302
Total comprehensive result for 2020-21	302	302
Balance at 30 June 2021	7 149	7 149

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

Second Hand Vehicles Compensation Fund
Statement of Cash Flows
as at 30 June 2021

	2021	2020
	Inflows (Outflows)	Inflows (Outflows)
Note	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Contribution by licensees	202	181
Interest receipts	-	6
Other receipts	2	2
Cash generated from operating activities	204	189
Cash outflows		
Compliance and administration	(254)	(91)
Other payments	(10)	(10)
Cash used in operating activities	(264)	(101)
Net cash provided by / (used in) operating activities	(60)	88
Net increase / (decrease) in cash and cash equivalents	(60)	88
Cash and cash equivalents at the beginning of the reporting period	1 312	1 224
Cash and cash equivalents at the end of the reporting period	5.1 1 252	1 312

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

1	About the Second Hand Vehicles Compensation Fund.....	5
1.1.	Basis of preparation	5
1.2.	Objectives of the Second Hand Vehicles Compensation Fund	5
1.3.	Impact of COVID-19 pandemic on the Fund.....	5
2.	Income.....	6
2.1.	Contribution by licensees	6
2.2.	Investment and interest revenue.....	6
2.3.	Net gain/loss on revaluation of investments	6
2.4.	Other income.....	6
3.	Board, committees and employees.....	7
3.1.	Key management personnel	7
4.	Expenses.....	7
4.1.	Compliance and administration.....	7
4.2.	Other expenses	7
5.	Financial assets	8
5.1.	Cash and cash equivalents	8
5.2.	Investments	8
5.3.	Receivables.....	9
6.	Liabilities.....	9
6.1.	Payables.....	9
7.	Outlook.....	10
7.1.	Unrecognised contractual commitments and contingent assets and liabilities.....	10
7.2.	COVID-19 pandemic outlook for the Fund.....	10
7.3.	Events after the reporting period.....	10
8.	Measurement and risk	10
8.1.	Financial instruments	10

Second Hand Vehicles Compensation Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2021

1 About the Second Hand Vehicles Compensation Fund

The Second Hand Vehicles Compensation Fund (the SHVCF) is a not-for-profit entity regulated by the *Second-hand Vehicle Dealers Act 1995* (the Act). The SHVCF is administered by the Commissioner for Consumer Affairs (the Commissioner). The financial statements are required by Schedule 3 of the Act and include income, expenses, assets and liabilities which the Commissioner administers on behalf of the SA Government. The SHVCF does not control any other entity and has no interest in unconsolidated structured entities.

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.

The Commissioner for Consumer Affairs is liable for goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the SHVCF is reported in the AGD Controlled Financial Statements.

Income, expenses, assets, receivables and payables are recognised net of the amount of GST.

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 of the Second Hand Vehicles Compensation Fund

The SHVCF is regulated by the Act. The SHVCF is kept and administered by the Commissioner for Consumer Affairs. It exists to provide compensation for persons who have a valid unsatisfied claim against a second hand motor vehicle dealer in relation to the purchase, sale or consignment of a second hand vehicle. The claim is heard by the Magistrates Court and an order for compensation will only be made if there is no reasonable prospect of recovering the amount of the claim other than from the SHVCF.

The SHVCF's main source of income is contributions received from second hand vehicle dealers in accordance with Schedule 3 of the Act. The SHVCF also receives income derived from the investment of SHVCF assets.

1.3. Impact of COVID-19 pandemic on the Fund

There has been no material impact on the operations of the SHVCF due to the COVID-19 pandemic.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

2. Income

2.1. Contribution by licensees

	2021	2020
	\$'000	\$'000
Contribution by licensees	202	181
Total contribution by licensees	202	181

Contribution by licensees' income is recognised when received from second hand vehicle dealers.

2.2. Investment and interest revenue

	2021	2020
	\$'000	\$'000
Distributions from investments held with Public Trustee	177	65
Interest from investments held with Public Trustee	3	20
Interest from deposits held with the Treasurer	-	6
Total investment and interest revenue	180	91

2.3. Net gain/(loss) on revaluation of investments

	2021	2020
	\$'000	\$'000
Net gain/(loss) on revaluation of investments	157	(100)
Total net gain/(loss) on revaluation of investments	157	(100)

2.4. Other income

	2021	2020
	\$'000	\$'000
Management fee recovery	15	16
Sundry recoveries	2	2
Total other income	17	18

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the SHVCF include the Minister and the Commissioner for Consumer Affairs who have responsibility for the strategic direction and management of the fund. The compensation received by the Commissioner is included in the controlled financial statements of AGD.

The Minister's remuneration and allowances are set by *the Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

The SHVCF did not enter into any transactions with key management personnel or their close family during the reporting period.

4. Expenses

4.1. Compliance and administration

	2021	2020
	\$'000	\$'000
Compliance and administration expenses	244	148
Total administration	244	148

Compliance and administration expenses of the SHVCF include payments made to the AGD under section 3(2)(b) of the *Second-hand Vehicle Dealers Act 1995* as reimbursement for administering the SHVCF. The estimated annual costs of these resources are paid as compliance and administration expenses.

4.2. Other expenses

	2021	2020
	\$'000	\$'000
Audit fees*	9	9
Other	1	2
Total other expenses	10	11

* Audit fees paid/payable to the Auditor-General's Department related to work performed under the *Public Finance and Audit Act 1987* were \$9 000 (2020: \$9 000). No other services were provided by the Auditor-General's Department.

Second Hand Vehicles Compensation Fund
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
Deposits with the Treasurer	1 252	1 312
Total cash	1 252	1 312

Cash is measured at nominal value. Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents fair value.

5.2. Investments

	2021	2020
	\$'000	\$'000
Current		
Funds invested with the Public Trustee	2 035	2 025
Total current investments	2 035	2 025
Non-current		
Funds invested with the Public Trustee	3 804	3 538
Total non-current investments	3 804	3 538
Total investments	5 839	5 563

Investments represent funds deposited with the Public Trustee. These investments have been classified as financial assets held at fair value through profit and loss as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet claim repayments. Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2021 the SHVC held investments in common funds in the following proportions:

Cash	34.16%
Net Liabilities/Receivables	1.99%
Balanced	34.59%
Capital Stable	29.26%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the Public Trustee.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced and Capital Stable Investments Strategy.

Revaluation increments and decrements are recognised at fair value through profit or loss. The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

For further information on risk management refer to Note 8.1.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

5.3. Receivables

	2021	2020
	\$'000	\$'000
Current		
Accrued interest and distributions	119	43
Other receivables	6	-
Total current receivables	<u>125</u>	<u>43</u>
Total receivables	<u>125</u>	<u>43</u>

Receivables related to accrued interest on investments and distributions with the Department of Treasury and Finance and Public Trustee. They are non-interest bearing and are held with the objective of collecting the contractual cash flows and measured at amortised costs.

6. Liabilities**6.1. Payables**

	2021	2020
	\$'000	\$'000
Current		
Accrued expenses	9	9
Creditors	58	62
Total current payables	<u>67</u>	<u>71</u>
Total payables	<u>67</u>	<u>71</u>

Accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

7. Outlook

7.1. Unrecognised contractual commitments and contingent assets and liabilities

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

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 SHVCF has no commitments contracted for at the reporting date but not recognised as liabilities.

The SHVCF has no contingent liabilities or assets.

7.2. COVID-19 pandemic outlook for the Fund

The COVID-19 pandemic is not expected to have a material impact on the operations of the SHVCF in 2021-22.

7.3. Events after the reporting period

There are no known events after balance date that affect these financial statements.

8. Measurement and risk

8.1. Financial instruments

Financial risk management

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

Market and credit risk

All cash balances and cash common funds held with the Public Trustee are available at call. Investments held with the Public Trustee are classified as 'fair value through profit and loss' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised through the profit and loss.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$5.8 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the SHVCF has no significant concentration of credit risk.

The SHVCF is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

There have been no changes in risk exposure since the last reporting period.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

Impairment of financial assets

The SHVCF 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.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Categorisation of financial instruments

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

Classification of financial instruments

	Note	Carrying amount / fair value \$'000	2021 Contractual	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	5.1	1 252	1 252	-
Fair value through profit and loss				
Investments	5.2	5 839	2 035	3 804
Financial assets at amortised cost				
Receivables	5.3	125	125	-
Total financial assets		7 216	3 412	3 804
Financial liabilities				
Financial liabilities at amortised cost				
Payables	6.1	58	58	-
Total financial liabilities at cost		58	58	-

	Note	Carrying amount / fair value \$'000	2020 Contractual	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	5.1	1 312	1 312	-
Fair value through profit and loss				
Investments	5.2	5 563	2 025	3 538
Financial assets at amortised cost				
Receivables	5.3	43	43	-
Total financial assets		6 918	3 380	3 538
Financial liabilities				
Financial liabilities at amortised cost				
Payables	6.1	62	62	-
Total financial liabilities at cost		62	62	-

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

8.1. Financial instruments (continued)

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges and the 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.