

Second-hand Vehicles Compensation Fund

Financial report
for the year ended
30 June 2020



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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 the Second-hand Vehicles Compensation Fund 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 Second-hand Vehicles Compensation Fund as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Commissioner for Consumer Affairs, Executive Director Finance, People and Performance and 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.

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 Vehicle Dealers Act 1995*, I have audited the financial report of Second-hand Vehicles Compensation Fund for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
- 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

05 November 2020

Second Hand Vehicles Compensation Fund

Financial Statements

For the year ended 30 June 2020

Second Hand Vehicles Compensation Fund
Certification of Financial Statements
for the year ended 30 June 2020

We certify that the attached draft general purpose financial statements for the Second Hand Vehicles Compensation Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Second Hand Vehicles Compensation Fund
- present a true and fair view of the financial position of the Second Hand Vehicles Compensation Fund 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 the Second Hand Vehicles Compensation Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Dini Soulio
Commissioner
Consumer and Business Services
2 November 2020



Andrew Swanson FCPA
Executive Director
Finance, People & Performance
Attorney-General's Department
2 November 2020



Eleni Labadas
General Manager, Business Services
Consumer and Business Services
2 November 2020

Second Hand Vehicles Compensation Fund
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Contribution by licensees	2.1	181	169
Investment and interest revenue	2.2	91	181
Other income	2.4	18	16
Gain on revaluation of investments	2.3	-	8
Total income		<u>290</u>	<u>374</u>
Expenses			
Compliance and administration	4.1	148	247
Loss on revaluation of investments	2.3	100	-
Other expenses	4.2	11	9
Total expenses		<u>259</u>	<u>256</u>
Net result		<u>31</u>	<u>118</u>
Total comprehensive result		<u>31</u>	<u>118</u>

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
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	5.1	1 312	1 224
Investments	5.2	2 025	1 928
Receivables	5.3	43	75
Total current assets		3 380	3 227
Non-current assets			
Investments	5.2	3 538	3 604
Total non-current assets		3 538	3 604
Total assets		6 918	6 831
Current liabilities			
Payables	6.1	71	15
Total current liabilities		71	15
Total liabilities		71	15
Net assets		6 847	6 816
Equity			
Retained earnings		6 847	6 816
Total equity		6 847	6 816

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
as at 30 June 2020

	Investments market value reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance at 1 July 2018	175	6 523	6 698
Changes in accounting policy on adoption of AASB 9	(175)	175	-
Restated balance at 1 July 2018	-	6 698	6 698
Net result for 2018-19	-	118	118
Total comprehensive result for 2018-19	-	118	118
Balance at 30 June 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

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 2020

	2020	2019
	\$'000	\$'000
Cash flows from operating activities	Note	
Cash inflows		
Contribution by licensees	181	169
Interest receipts	6	19
Other receipts	2	-
Cash generated from operations	189	188
Cash outflows		
Compliance and administration	(91)	(245)
Other payments	(10)	(11)
Cash used in operations	(101)	(256)
Net cash provided by / (used in) operating activities	88	(68)
Net increase / (decrease) in cash and cash equivalents	88	(68)
Cash and cash equivalents at the beginning of the reporting period	1 224	1 292
Cash and cash equivalents at the end of the reporting period	5.1 1 312	1 224

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 2020

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Second Hand Vehicles Compensation Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1 About the Second Hand Vehicles Compensation Fund

The Second Hand Vehicles Compensation Fund (the Fund) is a not-for-profit entity regulated by the *Second-hand Vehicle Dealers Act 1995* (the Act). The Fund 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 Fund 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.

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

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

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 Fund 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 Fund is regulated by the Act. The Fund 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 Fund.

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

1.3. Impact of COVID-19 pandemic on the Fund

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

- A reduction in investment income and a loss on revaluation of investments compared to the 2018-19 financial year due to the performance of financial markets.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

2.1. Contribution by licensees

	2020	2019
	\$'000	\$'000
Contribution by licensees	181	169
Total contribution by licensees	181	169

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

2.2. Investment and interest revenue

	2020	2019
	\$'000	\$'000
Distributions from investments held with Public Trustee	65	127
Interest from investments held with Public Trustee	20	37
Interest from deposits held with the Treasurer	6	17
Total investment and interest revenue	91	181

2.3. Net gain/loss on revaluation of investments

	2020	2019
	\$'000	\$'000
Net gain/(loss) on revaluation of investments	(100)	8
Total net gain/(loss) on revaluation of investments	(100)	8

2.4. Other income

	2020	2019
	\$'000	\$'000
Management fee recovery	16	15
Sundry recovery	2	1
Total other income	18	16

Second Hand Vehicles Compensation Fund
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 the Fund 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 the Attorney-General's Department at note 3.1.

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

There are no related party transactions.

4. Expenses

4.1. Compliance and administration

	2020	2019
	\$'000	\$'000
Compliance and administration expenses	148	247
Total compliance and administration expenses	148	247

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

4.2. Other expenses

	2020	2019
	\$'000	\$'000
Other	2	-
Audit fees*	9	9
Total other expenses	11	9

* 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 (2019: \$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 2020

5. Financial assets

5.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	1 312	1 224
Total cash and cash equivalents	1 312	1 224

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

	2020	2019
	\$'000	\$'000
Current		
Funds invested with the Public Trustee	2 025	1 928
Total current investments	2 025	1 928
Non-current		
Funds invested with the Public Trustee	3 538	3 604
Total non-current investments	3 538	3 604
Total investments	5 563	5 532

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 2020 the Fund held investments in common funds in the following proportions:

Cash	36.88%
Balanced	33.45%
Capital Stable	29.67%

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 9.1.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5.3. Receivables

	2020	2019
	\$'000	\$'000
Current		
Accrued interest and distributions	43	75
Total current receivables	<u>43</u>	<u>75</u>
Total receivables	<u><u>43</u></u>	<u><u>75</u></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

	2020	2019
	\$'000	\$'000
Current		
Accrued expenses	9	8
Creditors	62	7
Total current payables	<u>71</u>	<u>15</u>
Total payables	<u><u>71</u></u>	<u><u>15</u></u>

All payables are measured at their nominal amount.

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 2020

7. Changes in accounting policy

7.1. AASB 16 Leases

The Fund has no lease contracts and therefore is not required to adopt *AASB16* from 1 July 2019.

7.2. 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.

Impact on retained earnings

There is no impact of *AASB 15 Revenue from Contracts with Customers* on the Fund.

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

7.3. 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

There is no impact of *AASB 1058 Income of Not-for-Profit Entities* on the Fund.

7.4. 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 source of funding for the Fund. 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.

8. Outlook

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

The Fund has no contingent liabilities or assets.

Second Hand Vehicles Compensation Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2020

8.2. COVID-19 pandemic outlook for the Fund

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

- The Fund relies on investment income to offset operational expenses. While market risk is present in every financial year, it is possible that COVID-19 will continue to negatively impact the investment income and asset values of the Fund.

8.3. Events after the reporting period

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

9. Measurement and risk

9.1. Financial instruments

Financial risk management

Fund 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 Fund'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 \$5.6 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 Fund has no significant concentration of credit risk.

The Fund 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.

Impairment of financial assets

The Fund 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

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

9.1. Financial instruments (continued)

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

Category of financial asset and financial liabilities	Note	2020 Carrying amount / fair value \$'000	2020 Contractual maturities	
			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	-

Category of financial asset and financial liabilities	Note	2019 Carrying amount / fair value \$'000	2019 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	5.1	1 224	1 224	-
Fair value through profit and loss				
Investments	5.2	5 532	1 928	3 604
Financial assets at amortised cost				
Receivables	5.3	75	75	-
Total financial assets		6 831	3 227	3 604
Financial liabilities				
Financial liabilities at amortised cost				
Payables	6.1	7	7	-
Total financial liabilities at cost		7	7	-

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2020

9.1. 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; 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.