

Industry Advocate

Financial report
for the year ended
30 June 2018



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To the Industry Advocate Office of the Industry Advocate

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 2018.

Opinion

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 2018, its financial performance and its cash flows for the year then ended in accordance with the 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 period 1 January 2018 to 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the period 1 January 2018 to 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Industry Advocate and the Industry Engagement Manager.

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 have been met.

I believe that the audit evidence 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 the 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

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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Industry Advocate
- 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.

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

Andrew Richardson

Auditor-General

26 September 2018

Office of the Industry Advocate
Certification of the Financial Statements
for the period 1 January 2018 to 30 June 2018

We certify that the attached general purpose financial statements for the Office of the Industry Advocate:

- 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 office
- present a true and fair view of the financial position of the Office of the Industry Advocate as at 30 June 2018 and the results of its operation and cash flows for the financial year.

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



Ian Nightingale
Industry Advocate

25 September 2018



Denise Loftus
Industry Engagement Manager

25 September 2018

**Office of the Industry Advocate
(OIA)**

Financial Statements

For the Year Ended 30 June 2018

Office of the Industry Advocate
Statement of Comprehensive Income
for the period 1 January 2018 to 30 June 2018

	Note	2018 \$'000
<u>Expenses</u>		
Employee benefits expenses	4	636
Supplies and services	5	197
Grants and subsidies		38
Total expenses		871
<u>Income</u>		
Resources received free of charge	6	11
Other income		4
Total income		15
Net cost of providing services		(856)
<u>Revenues from SA Government</u>		
Revenues from SA Government	7	853
Net result		(3)
Total comprehensive result		(3)

The net result and comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Office of the Industry Advocate
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$'000
<u>Current assets</u>		
Cash	8	137
Total current assets		137
Total assets		
		137
<u>Current liabilities</u>		
Payables	9	72
Employee benefits	10	134
Total current liabilities		206
<u>Non-current liabilities</u>		
Payables	9	19
Employee benefits	10	209
Total non-current liabilities		228
Total liabilities		
		434
Net assets		
		(297)
<u>Equity</u>		
Retained earnings		(297)
Total equity		(297)

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	11
Contingent assets and liabilities	12

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Office of the Industry Advocate
Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Retained earnings \$'000
Balance at 1 January 2018		<u>-</u>
Net assets received as a result of an administrative restructure	3	(294)
Net result for 2017-18		<u>(3)</u>
Total comprehensive result 2017-18		<u>(297)</u>
Balance at 30 June 2018		<u><u>(297)</u></u>

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Office of the Industry Advocate
Statement of Cash Flows
for the period 1 January 2018 to 30 June 2018

	2018 (Outflows) Inflows		\$'000
<u>Cash flows from operating activities</u>		Note	
Cash outflows			
Employee benefits payments	(547)		
Payments for supplies and services	(135)		
Payments of grants and subsidies	(38)		
Cash used in operations	(720)		
Cash inflows			
Other receipts	4		
Cash generated from operations	4		
Cash flows from SA Government			
Receipts from SA Government	853		
Cash generated from SA Government	853		
Net cash provided by operating activities	137		
Net increase in cash	137		
Cash at the beginning of the period	-		
Cash at the end of the period	137	8	

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

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

1. Basis of Financial Statements

1.1. Reporting entity

The Office of the Industry Advocate (OIA) 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 staff transferred to the Office of the Industry Advocate were existing resources of the Department of State Development, pursuant to section 11 of the *Industry Advocate Act 2017*.

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

1.2. Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Office of the Industry Advocate has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the office is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the office for the period ending 30 June 2018.

1.3. Basis of preparation

The financial statements have been prepared based on a 6 month period from 1 January to 30 June 2018 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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.

Significant accounting policies are set out in the notes.

1.4. Taxation

OIA is not subject to Income Tax. OIA is liable for Payroll Tax, Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and Emergency Services Levy (ESL). Income, expense and assets are recognised net of the amount of GST. GST collections and payments are carried out by the Department of State Development on behalf of the office.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

2. Objectives of the Office of the Industry Advocate

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.

3. Administrative Restructure – Transferred In

The Office of the Industry Advocate 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 Act provides for the appointment of the Industry Advocate and provides for the powers and functions of the Industry Advocate (Section 5 and Section 6 of the Act). *The Public Sector Proclamation 2017* (dated 19 December 2017) declared the appointment of Ian Nightingale to the statutory role of Industry Advocate, for a term of three years commencing on 1 January 2018. The employees in the Office of the Industry Advocate were existing resources of the Department of State Development assigned to assist the Industry Advocate effective from 1 January 2018, pursuant to Section 11 of the *Industry Advocate Act 2017*.

	2018 \$'000
Liabilities	
Employee benefits	(294)
Total liabilities	(294)
Total liabilities transferred	(294)

4. Employee benefits

Employee benefits expenses

	2018 \$'000
Salaries and wages	428
Annual leave	64
Long service leave	55
Employment on-costs - superannuation *	51
Employment on-costs - other	35
Skills and experience retention leave	3
Total employee benefits expense	636

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

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4. Employee benefits (continued)

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 detailed below excludes salaries and other benefits for the Minister. Aggregate compensation for the Minister will be disclosed in the Whole of Government Consolidated Financial Report.

	2018 \$'000
<u>Compensation</u>	
Salaries and other short term employee benefits	159
Post-employment benefits	15
Total	174

The post-employment benefits relate to superannuation.

Remuneration of Employees

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

	2018 Number of Employees
\$169 001 to \$179 000	1
Total number of employees	1

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, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by this employee for the year was \$0.2 million.

5. Supplies and services

	2018 \$'000
Accommodation and service costs	59
Office administration expenses	61
Communications and information technology	34
Contractors	12
Travel and related expenses	10
Consultants	5
Audit fees	6
Services recoveries	6
Marketing	3
Staff related expenses	1
Total supplies and services	197

The total supplies and services amount disclosed includes GST amounts not recoverable from the Australian Taxation Office due to the office not holding a tax invoice or payments related to third party arrangements.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

5. Supplies and services (continued)

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:

	2018 Number	2018 \$'000
Below \$10,000	1	5
Total paid / payable to the consultants engaged	1	5

6. Resources received free of charge

	2018 \$'000
Services received free of charge - Shared Services SA	11
Total resources received free of charge	11

On the 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2017-18, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies. Under AASB 1004, *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements (see Note 4).

7. Revenues from SA Government

	2018 \$'000
Revenues from SA Government	
Intra government transfers	853
Total revenues from SA Government	853

Relates to transfers for operational funding received via the Department of State Development.

8. Cash

	2018 \$'000
Cash at bank	137
Total cash	137

Cash is measured at nominal amounts.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

9. Payables

	2018 \$'000
<u>Current</u>	
Creditors and accrued expenses	51
Employment on-costs ^	21
Total current payables	72
<u>Non current</u>	
Employment on-costs ^	19
Total non-current payables	19
Total payables	91

^ Employment on-costs include payroll tax and superannuation contributions. 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 South Australian Superannuation Board and externally managed 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 is 41% in 2018 and the average factor for the calculation of employer superannuation cost on-cost is 9.9% in 2018.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

10. Employee benefits

	2018 \$'000
<u>Current</u>	
Accrued salaries and wages	13
Annual leave	87
Long service leave	15
Skills and experience retention leave	19
Total current employee benefits	134
<u>Non-current</u>	
Long service leave	209
Total non-current employee benefits	209
Total employee benefits	343

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

10. Employee benefits (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 their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave 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 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.

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 period of service.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of long service leave liability. The yield on long-term Commonwealth Government bonds for 2018 is 2.5%.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and the salary inflation rate at 3% for annual leave and skills and experience retention leave liability.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

11. Unrecognised contractual commitments

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

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

Operating lease commitments

Office as lessee:

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2018 \$'000
Within one year	239
Later than one year but not later than five years	399
Total operating lease commitments	638
Representing:	
Cancellable operating leases	13
Non-cancellable operating leases	625
Total operating lease commitments	638

The office's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure. A motor vehicle is leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia, with lease periods of up to three years. This is cancellable without notice.

12. 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.

13. Related party transactions

The Office of the Industry Advocate has been established as an administrative unit pursuant to section 27 of the *Public Sector Act 2009 (the Act)*.

Related parties of the office include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The office has received \$0.9 million of transfers for operational funding from the Department of State Development. Quantitative information about the transaction and balance are disclosed at note 7.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

13. Related party transactions (continued)

Transactions with Key Management Personnel and other related parties

Compensation of Key Management Personnel is disclosed as note 4.

14. Financial risk management / financial instruments

Financial risk management

Risk management is managed by the office. The office's risk management policy and procedures are drafted in accordance with the *Risk Management Policy Statement* issued by the Premier and the Treasurer, relevant Treasurer's Instructions and the *Australian Risk Management Principles and Guidelines*.

OIA's exposure to financial risk - liquidity risk, credit risk and market risk. OIA's exposure is insignificant based on past experience and current assessment of risk.

Liquidity risk

Liquidity risk arises where the office is unable to meet its financial obligations as they fall due. OIA is funded principally from transfers by the SA Government. OIA works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. OIA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. OIA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table below represent OIA's maximum exposure to financial liabilities.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2018

14. Financial risk management / financial instruments (continued)

Categorisation of financial instruments

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

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Financial liabilities measured at cost.

Refer to the table below for the carrying amounts of each of the following categories of financial assets and liabilities: financial liabilities measured at cost.

The following table discloses the categorisation and maturity analysis of financial assets and financial liabilities.

Category of financial asset and financial liability	Note	2018 Carrying amount / fair value \$'000
Financial assets		
Cash	8	137
Total financial assets at cost		137
Financial liabilities		
Financial liabilities at cost ⁽¹⁾	9	51
Total financial liabilities at cost		51

⁽¹⁾ The payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges: Auditor-General's Department audit fees). In government, certain rights to 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.

15. Events after the reporting period

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