

Minister for Primary Industries and
Regional Development –
South Australian Pig Industry Fund

Financial report
for the year ended
30 June 2019



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**To the Minister for Primary Industries and
Regional Development – South Australian Pig Industry Fund**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund (the fund) for the financial year ended 30 June 2019.

Qualified opinion

In my opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion' section of my report, the accompanying financial report gives a true and fair view of the financial position of the Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund as at 30 June 2019, 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 year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive, Department of Primary Industries and Regions (the Chief Executive), signed for and on behalf of the Minister for Primary Industries and Regional Development (the Minister) and the Acting Chief Financial Officer, Department of Primary Industries and Regions.

Basis for qualified opinion

As referred to in note 4.1 to the financial statements, pursuant to regulation 5 of the Primary Industry Funding Schemes (Pig Industry Fund) Regulations 2016, under the *Primary Industry Funding Schemes Act 1998*, contributions are required to be paid into the fund by pig producers or collection agents for each pig sold for \$20 or more during the period. While there are adequate internal controls over contributions actually received, there are no procedures in place to ensure contributions received represent all pigs sold for \$20 or more during the period. Consequently, I am unable to express an opinion on whether income recognised as contributions from industry of \$200 208 (\$209 896) is complete.

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 Minister and the Department of Primary Industries and Regions which administers the fund on the Minister's behalf. 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 qualified opinion.

Responsibilities of the Minister and the Chief Executive 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Minister is responsible for overseeing the entity's financial reporting process.

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, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Minister 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

19 December 2019

**Minister for Primary Industries and Regional
Development**

South Australian Pig Industry Fund

Financial Statements

For the year ended 30 June 2019

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Certification of Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Minister for Primary Industries and Regional Development – South Australian Pig Industry 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 South Australian Pig Industry Fund
- present a true and fair view of the financial position of the South Australian Pig Industry Fund as at 30 June 2019 and the results of its operation and cash flows for the financial year

We certify that the internal controls employed by the Minister for Primary Industries and Regional Development - South Australian Pig Industry 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.



Scott Ashby
Chief Executive
Department of Primary Industries and Regions
For and on behalf of the Minister for Primary
Industries and Regional Development
Per authorisation dated 9 May 2018
18 December 2019



Darren Humphrys
Acting Chief Financial Officer
Department of Primary Industries and Regions
18 December 2019

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Expenses			
Transfers to industry	3.1	221 538	241 174
Projects	3.2	-	38 914
Supplies and services	3.3	5 996	5 858
Auditor's remuneration		7 800	7 600
Total expenses		235 334	293 546
Income			
Contributions from industry	4.1	200 208	209 896
Interest		52 962	53 643
Total income		253 170	263 539
Net result		17 836	(30 007)
Total comprehensive result		17 836	(30 007)

The accompanying notes form part of these financial statements.

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

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	5.1	4 009 348	3 991 325
Receivables	5.2	4 438	4 415
Total current assets		4 013 786	3 995 740
Total assets		4 013 786	3 995 740
Current liabilities			
Payables	6.1	8 340	8 130
Total current liabilities		8 340	8 130
Total liabilities		8 340	8 130
Net assets		4 005 446	3 987 610
Equity			
Retained earnings		4 005 446	3 987 610
Total equity		4 005 446	3 987 610
Contingent liabilities	8.1		

The accompanying notes form part of these financial statements.

Total equity is attributable to the SA Government as owner.

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Statement of Changes in Equity
for the year ended 30 June 2019

	<u>Retained earnings</u>	<u>Total equity</u>
	\$	\$
Balance at 30 June 2017	4 017 617	4 017 617
Net result for 2017-18	<u>(30 007)</u>	<u>(30 007)</u>
Total comprehensive result for 2017-18	(30 007)	(30 007)
Balance at 30 June 2018	3 987 610	3 987 610
Net result for 2018-19	<u>17 836</u>	<u>17 836</u>
Total comprehensive result for 2018-19	17 836	17 836
Balance at 30 June 2019	4 005 446	4 005 446

The accompanying notes form part of these financial statements.

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

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Statement of Cash Flows
for the year ended 30 June 2019

	2019 (Outflows) Inflows \$	2018 (Outflows) Inflows \$
Cash flows from operating activities		
Cash outflows		
Transfers to industry	(221 538)	(241 174)
Payments for projects	-	(38 914)
Payments for supplies and services	(5 986)	(5 848)
Auditor's remuneration	(7 600)	(7 400)
Cash used in operations	<u>(235 124)</u>	<u>(293 336)</u>
Cash inflows		
Contributions from industry	200 208	209 896
Interest received	52 939	53 679
Cash generated from operations	<u>253 147</u>	<u>263 575</u>
Net cash provided by / (used in) operating activities	<u>18 023</u>	<u>(29 761)</u>
Net increase / (decrease) in cash and cash equivalents	<u>18 023</u>	<u>(29 761)</u>
Cash and cash equivalents at the beginning of the reporting period	3 991 325	4 021 086
Cash and cash equivalents at the end of the reporting period	<u><u>4 009 348</u></u>	<u><u>3 991 325</u></u>

The accompanying notes form part of these financial statements.

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. About the South Australian Pig Industry Fund

The South Australian Pig Industry Fund (the Fund) is established pursuant to the *Primary Industry Funding Schemes (Pig Industry Fund) Regulations 2016* (Regulations), administered by the Minister for Primary Industries and Regional Development and is controlled by the Crown. The Department of Primary Industries and Regions (PIRSA) provides administrative support services to the Fund.

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 2018-19 financial statements the Fund adopted AASB 9 – Financial Instruments and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. 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.

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.

The Fund has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Fund is a not-for-profit entity.

The Fund is not subject to Income Tax. The Fund is liable for Goods and Services Tax (GST). GST collections and payments are carried out by PIRSA on behalf of the Fund. GST in relation to the Fund is reported in the PIRSA Controlled Financial Statements.

1.2. Objectives of the Fund

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001. These Regulations were revoked on 1 September 2016. New Regulations, *Primary Industry Funding Schemes (Pig Industry Fund) Regulations 2016* were issued on 1 September 2016 with minimal changes made.

The primary purposes of the Fund are to:

- undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry
- promote the pig industry
- collect and disseminate to pig producers information relevant to the pig industry
- pay the expenses of administering the Fund

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Fund includes the Minister for Primary Industries and Regional Development who has responsibility for the strategic direction and management of the Fund.

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

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties entered into by the Fund.

3. Expenses

3.1. Transfer to industry

	2019	2018
	\$	\$
Pork SA ⁽¹⁾	221 538	241 174
Total transfers to industry	221 538	241 174

⁽¹⁾ Pork SA now directly manages delivery of many approved projects rather than PIRSA. PIRSA makes payment direct to Pork SA for the forecast value of the projects.

Regulations provide that the Fund may be applied for a number of specific purposes. Pork SA performs an advisory role to the Minister on projects that should be sponsored for the benefits that they deliver to the industry. The recommendations are based on industry feedback and form the basis of the industry management plan that is reviewed annually.

3.2. Projects

	2019	2018
	\$	\$
Effect of sex ratio of birth litter project	-	10 864
Control of antibiotic-resistant commensal <i>Escherichia coli</i> in SA pigs	-	20 000
Use of straw filled racks to alleviate aggression and improve welfare of group housed breeding sows	-	4 750
Effect of swing-sided farrowing crates on sow and litter performance, behaviour and welfare	-	3 300
Total projects	-	38 914

Approved industry projects delivered by PIRSA.

For project funding payable, the payments will be recognised as a liability and expense when the Fund has a present obligation to pay the funding and the expense recognition criteria are met.

All project funding paid by the Fund have been projects with conditional stipulations attached.

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

3.3. Supplies and services

	2019	2018
	\$	\$
Administrative and operating costs ⁽¹⁾	5 996	5 858
Total supplies and services	5 996	5 858

(1) Includes fees for administration and preparation of the financial statements.

4. Income

4.1. Contributions from industry

Contributions payable to the Minister for payment into the Fund are made pursuant to Regulation 5.

Contributions are recognised as an asset and income when the Fund obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (that is, the amount can be reliably measured and the flow of resources is probable).

Contributions from industry have been recognised as revenue when received.

5. Financial assets

5.1. Cash and cash equivalents

Cash in the Statement of Financial Position comprises deposits at call with the Department of Treasury and Finance (DTF).

5.2. Receivables

	2019	2018
	\$	\$
Accrued interest - Department of Treasury and Finance	4 438	4 415
Total receivables	4 438	4 415

6. Liabilities

6.1. Payables

	2019	2018
	\$	\$
Audit fee payable to the Auditor-General's Department	7 800	7 600
Other payables	540	530
Total payables	8 340	8 130

Goods and services provided and unpaid at the end of the reporting period are recognised as other payables.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. Changes in accounting policy

7.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. There were no changes that impact on these financial statements.

7.2. AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 did not have a material impact on these financial statements.

Receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

8. Outlook

8.1. Contingent liabilities

Refunds of contributions

Under Regulation 5(5) a pig producer may, by notice in writing to the Minister, within the 12 months following a financial year in respect of which contributions have been paid by or on behalf of the producer, make a claim for a refund in respect of those contributions.

At the reporting date the possible emergence of valid refund requests within the following 12 month period is present. However, as uncertainty exists as to the number of refund requests that will be received, and their timing and amount, these potential obligations cannot be reliably estimated and therefore represent a contingent liability for the Fund.

Once a valid refund request has been received from a past contributor and it is approved by the Minister or delegate, a present obligation to pay the refund arises. The refund amount is then recognised as a liability and expense of the Fund.

8.2. Events after the reporting period

No events have occurred after balance date that would affect the financial statements of the Fund as at 30 June 2019.

Minister for Primary Industries and Regional Development – South Australian Pig Industry Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

9. Measurement and risk

9.1. Financial instruments

Liquidity risk

The Fund's revenue comes from contributions received from industry members at rates prescribed in the Regulations for the Fund. All payments from the Fund are made in accordance with the Fund's Regulations and the management plan developed in consultation with the industry.

The continued existence of the Fund in its present form, and with its present programs, is dependent on State Government policy and the industry's on-going support for the Fund.