

Office of the South Australian Productivity Commission

Financial report
for the year ended
30 June 2019



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INDEPENDENT AUDITOR'S REPORT

To the Acting Chief Executive Office of the South Australian Productivity Commission

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 South Australian Productivity Commission for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the South Australian Productivity Commission 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 Acting Chief Executive

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Office of the South Australian Productivity Commission. 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 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Office of the South Australian Productivity Commission'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 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

25 September 2019

Office of the South Australian Productivity Commission
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Office of the South Australian Productivity Commission:

- 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 of the South Australian Productivity Commission; and
- present a true and fair view of the financial position of the Office of the South Australian Productivity Commission as at 30 June 2019 and the results of its operations and cash flows for the financial year.

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



Christine Bierbaum
Acting Chief Executive

24 September 2019

Office of the South Australian Productivity Commission
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000
Expenses		
Employee benefits expenses	2.2	1 195
Supplies and services	3.1	192
Total expenses		<u>1 387</u>
Net cost of providing services		<u>1 387</u>
Revenues from SA Government		
Revenues from SA Government	4.1	1 475
Total revenues from SA Government		<u>1 475</u>
Net result		<u>88</u>
Total comprehensive result		<u>88</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.

Office of the South Australian Productivity Commission
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000
Current assets		
Cash and cash equivalents	5.1	337
Total current assets		337
Total assets		337
Current liabilities		
Payables	6.1	100
Employee benefits	2.3	150
Provisions	6.2	2
Total current liabilities		252
Non-current liabilities		
Payables	6.1	21
Employee benefits	2.3	226
Provisions	6.2	3
Total non-current liabilities		250
Total liabilities		502
Net assets		(165)
Equity		
Retained earnings		(165)
Total equity		(165)

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

Office of the South Australian Productivity Commission
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 1 July 2018	<u>-</u>	<u>-</u>
Net result for 2018-19	88	88
Total comprehensive result for 2018-19	<u>88</u>	<u>88</u>
Net assets transferred as a result of an administrative restructure	(253)	(253)
Balance at 30 June 2019	<u><u>(165)</u></u>	<u><u>(165)</u></u>

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

Office of the South Australian Productivity Commission
Statement of Cash Flows
for the year ended 30 June 2019

	2019
	(Outflows)
	Inflows
	\$'000
Cash flows from operating activities	Note
<i>Cash outflows</i>	
Employee benefits payments	(1011)
Payments for supplies and services	(127)
Cash used in operations	(1 138)
<i>Cash inflows</i>	
Cash flows from SA Government	
Receipts from SA Government	1 475
Cash generated from SA Government	1 475
Net cash provided by operating activities	337
Net increase in cash	337
Cash at the beginning of the period	-
Cash at the end of the period	5.1 337

The accompanying notes form part of these financial statements.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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Office of the South Australian Productivity Commission

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

1. About the Office of the South Australian Productivity Commission

The Office of the South Australian Productivity Commission (OSAPC) is an attached office of the Department of the Premier and Cabinet which came into operation on 22 October 2018, pursuant to the *Public Sector Act 2009*. The OSAPC is an administrative unit acting on behalf of the Crown.

The OSAPC provides independent recommendations to improve the rate of economic growth and productivity of the South Australian economy through extensive inquiry processes.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

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

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

1.2. Objectives

The OSAPC has been established to examine and make recommendations on matters referred to it by government that facilitate productivity growth, unlock new economic opportunities, support job creation and remove existing regulatory barriers within South Australia.

1.3. Establishment and changes to the office

As a result of administrative arrangements outlined in the Public Sector (Office of the South Australian Productivity Commission) Notice 2018, the employees of the business unit known as the Simpler Regulation Unit within the Department of Treasury and Finance transferred to the Office of the South Australian Productivity Commission. The following liabilities were transferred in from 27 October 2018.

	\$'000
Payables	30
Employee benefits	186
Provisions	37
Total liabilities	253
Total net assets (liabilities) transferred	(253)

Office of the South Australian Productivity Commission
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 OSAPC include the Premier, Chief Executive and the Executive team, who have responsibility for the strategic direction and management of the OSAPC.

Total compensation for key management personnel was \$0.403 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Premier and Ministers receive. The Premier's and Ministers' 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*.

	2019
	\$'000
Compensation	368
Salaries and other short term employee benefits	35
Post-employment benefits	<u>403</u>
Total	<u>403</u>

Transactions with key management personnel and other related parties

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

2.2. Employee benefits expenses

	2019
	\$'000
Salaries and wages	765
Long service leave	118
Annual leave	78
Skills and experience retention leave	3
Employment on-costs - superannuation	197
Employment on-costs - other	56
Reduction in workers compensation	(33)
Other employee related expenses	11
Total employee benefits expenses	<u>1 195</u>

Employment on-costs - superannuation

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

Executive remuneration

Due to the commencement of operations of the Office of the SA Productivity Commission on 22 October 2018, no employee received remuneration equal to or greater than the base executive remuneration level during the year.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2.3. Employee benefits liability

	2019
	\$'000
Current	
Accrued salaries and wages	31
Annual leave	93
Long service leave	23
Skills and experience retention leave	3
Total current employee benefits	150
Non-current	
Long service leave	226
Total non-current employee benefits	226
Total employee benefits	376

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

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

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

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

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

Long service leave

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

3. Expenses

Employee benefits expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019
	\$'000
IT and computing charges	32
Accommodation	11
Temporary staff	12
General administration and consumables	17
Promotion and marketing	4
Consultants	20
Intra government transfer	81
Other	15
Total supplies and services	192

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.1. Supplies and services (continued)

Consultants

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

	No.	2019 \$'000
\$10 000 or above	1	20
Total consultants	1	20

4. Income

4.1. Net revenues from SA Government

	2019 \$'000
Revenues from SA Government	
Intra government transfers	1 475
Net revenues from SA Government	1 475

5. Financial assets

5.1. Cash

	2019 \$'000
Deposits with the Treasurer	337
Total cash	337

Deposits with the Treasurer

The Office has a general operating account with the Treasurer. The OSAPC does not earn interest on its deposits with the Treasurer.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

6. Liabilities

6.1. Payables

	2019 \$'000
Current	
Trade payables	2
Accrued expenses	76
Employment on-costs	22
Total current payables	<u>100</u>
Non-current	
Employment on-costs	21
Total non-current payables	<u>21</u>
Total payables	<u><u>121</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has been assessed as 41% and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8%. These rates are used in the employment on-cost calculation.

6.2. Provisions

	2019 \$'000
Current	
Provision for workers compensation	2
Total current provisions	<u>2</u>
Non-current	
Provision for workers compensation	3
Total non-current provisions	<u>3</u>
Total provisions	<u><u>5</u></u>

	2019 \$'000
Provision for workers compensation movement	
Net transfer from administrative restructures	37
(Decrease) in provision recognised	(32)
Carrying amount at the end of the period	<u>5</u>

Provision for workers compensation

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

6.2. Provisions (continued)

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

The office is responsible for the payment of workers compensation claims.

7. Other disclosures

7.1. Cash flow

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

8. Changes in accounting policy

8.1. 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.

9. Outlook

9.1. Unrecognised contractual commitments

Expenditure commitments

	2019
	\$'000
Within one year	30
Total expenditure commitments	30

The Office expenditure commitment relates to inquiry into Local Government Costs and Efficiency.

9.2. Contingent assets and liabilities

The Office is not aware of any contingent assets or liabilities as at 30 June 2019.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

9.3. Events after the reporting period

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

10. Measurement and risk

10.1. Long service leave liability – measurement

AASB 119 Employee Benefits contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds for 2019 was 1.25%.

The actuarial assessment performed by the Department of Treasury and Finance applied a salary inflation rate of 4% for long service leave liability.

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