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To the Chief Executive Office of the South Australian Productivity Commission

Opinion

I have audited the financial report of the Office of the South Australian Productivity Commission for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with the relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director of the Office of the South Australian Productivity Commission .

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

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Office of the South Australian Productivity Commission for the financial year ended 30 June 2023.

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
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the 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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

27 September 2023

**Office of the South Australian Productivity
Commission**

Financial Statements

For the year ended 30 June 2023

Office of the South Australian Productivity Commission
Certification of the Financial Statements
for the year ended 30 June 2023

We certify that the:

- financial statements of the Office of the South Australian Productivity Commission:
 - are in accordance with the accounts and records of the office;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the office at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by the Office of the South Australian Productivity Commission for the financial year over its financial reporting and its preparation of financial statements have been effective.



Steve Whetton
Chief Executive
Office of the SA Productivity Commission
27 September 2023



Dr Philip Chang
Director
Office of the SA Productivity Commission
27 September 2023

Office of the South Australian Productivity Commission
Statement of Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Appropriation	2.1	2 277	3 000
SA Government grants, subsidies and transfers	2.2	242	-
Other income		-	12
Total income		<u>2 519</u>	<u>3 012</u>
Expenses			
Employee benefits expenses	3.2	1 630	1 736
Supplies and services	4.1	439	687
Depreciation	5.1	3	3
Total expenses		<u>2 072</u>	<u>2 426</u>
Net result		<u>447</u>	<u>586</u>
Total comprehensive result		<u><u>447</u></u>	<u><u>586</u></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 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash	6.1	1 425	1 016
Receivables		4	5
Total current assets		1 429	1 021
Non-current assets			
Property, plant and equipment	5.1	7	10
Receivables		3	-
Total non-current assets		10	10
Total assets		1 439	1 031
Current liabilities			
Payables	7.1	79	51
Employee benefits	3.3	103	133
Provisions	7.2	2	2
Total current liabilities		184	186
Non-current liabilities			
Payables	7.1	10	13
Employee benefits	3.3	99	133
Provisions	7.2	6	6
Total non-current liabilities		115	152
Total liabilities		299	338
Net assets		1 140	693
Equity			
Retained earnings		1 140	693
Total equity		1 140	693

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 2023

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021	107	107
Net result for 2021-22	586	586
Total comprehensive result for 2021-22	<u>586</u>	<u>586</u>
Balance at 30 June 2022	<u>693</u>	<u>693</u>
Net result for 2022-23	447	447
Total comprehensive result for 2022-23	<u>447</u>	<u>447</u>
Balance at 30 June 2023	<u><u>1 140</u></u>	<u><u>1 140</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 2023

	2023	2022
	Inflows (Outflows)	Inflows (Outflows)
Note	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Appropriation	2 277	3 000
SA Government grants, subsidies and transfers	242	-
Other receipts	-	12
Cash generated from operating activities	2 519	3 012
Cash outflows		
Employee benefits payments	(1 700)	(2 174)
Payments for supplies and services	(410)	(750)
Cash used in operating activities	(2 110)	(2 924)
Net cash provided by operating activities	409	88
Net increase in cash	409	88
Cash at the beginning of the reporting period	1 016	928
Cash at the end of the reporting period	1 425	1 016
6.1		

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 2023

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 (DPC) which came into operation on 22 October 2018, pursuant to the *Public Sector Act 2009*. OSAPC is an administrative unit acting on behalf of the Crown.

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

These financial statements are general purpose financial statements prepared in accordance 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 applying simplified disclosures.

The financial statements have been prepared based on a 12-month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). 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.

Significant accounting policies are set out throughout the notes.

Cash flows are exclusive of Goods and Services Tax (GST). The GST component of cash flows which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows of DPC, not OSAPC.

1.2 Objectives

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.

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

2. Income

2.1 Appropriation

Appropriations of \$2.3 million (2022: \$3 million) include \$16 000 (2022: \$3 000) received from the Governor's Appropriation Fund.

Appropriations are recognised on receipt.

2.2 SA Government grants, subsidies and transfers

SA Government grants, subsidies and transfers are recognised on receipt and comprise recoveries from the Department of Treasury and Finance (DTF) for targeted voluntary separation packages.

3. Employees

3.1 Key management personnel

Key management personnel of OSAPC include the Premier, Chief Executive and the two members of the Executive team, who have responsibility for the strategic direction and management of OSAPC.

Total compensation for key management personnel was \$571 000 (2022: \$616 000).

The compensation disclosed in this note excludes salaries and other benefits the Premier receives. The Premier'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 DTF under section 6 of the *Parliamentary Remuneration Act 1990*.

See DPC's Financial Statements for disclosures of the Premier's remuneration paid and recovered from the Consolidated Account.

Transactions with key management personnel and other related parties

There were no significant related party transactions.

3.2 Employee benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	969	1 299
Long service leave	(37)	(159)
Annual leave	63	62
Skills and experience retention leave	1	7
Employment on-costs - superannuation	321	442
Employment on-costs - other	75	84
Targeted voluntary separation payments	237	-
Workers compensation revaluation	(1)	-
Other employee related expenses	2	1
Total employee benefits expenses	1 630	1 736

Employment expenses

OSAPC employees are employed under Part 7 of the *Public Sector Act*.

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

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

3.2. Employee benefits expenses (continued)

Employee remuneration

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

	2023	2022
	No	No
\$180 001 – \$200 000	-	1
\$200 001 – \$220 000	-	1
\$220 001 – \$240 000	-	1
\$240 001 – \$260 000	1	-
\$320 001 – \$340 000	1	-
Total	2	3

The table includes all employees whose normal remuneration was 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, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits as well as any termination benefits for employees who have left OSAPC.

The total remuneration received by employees for the year, listed above, was \$571 000 (2022: \$637 000).

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 3.

	2023	2022
	\$'000	\$'000
Amounts paid to separated employees:		
Targeted Voluntary Separation Packages	237	-
Leave paid to separated employees	89	-
Recovery from the Department of Treasury and Finance	(242)	-
Net cost to OSAPC	84	-

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

3.3 Employee benefits liability

	2023 \$'000	2022 \$'000
Current		
Annual leave	87	112
Long service leave	12	14
Skills and experience retention leave	4	7
Total current employee benefits	103	133
Non-current		
Long service leave	99	133
Total non-current employee benefits	99	133
Total employee benefits	202	266

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.

The salary inflation rate applied in the calculation of the annual leave and SERL calculations increased to 2% in 2023 from 1.5% in 2022.

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 DTF 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 has increased from 2022 (3.5%) to 2023 4.0%.

The net financial effect of the changes to the actuarial assumption in the current financial year is a decrease in the long services liability of \$5 000 and employee benefits expense of \$5 000.

The salary inflation rate applied in the actuarial assessment performed by DTF for the long service leave liability is 3.5% (2022 2.5%).

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

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

4. Expenses

4.1 Supplies and services

	2023	2022
	\$'000	\$'000
Corporate support services	289	310
Consultants	73	192
Information technology and communication charges	21	18
Audit fees	14	14
General administration and consumables	8	9
Temporary staff	7	6
Staff development and recruitment	1	28
Contractors	-	82
Other	26	28
Total supplies and services	439	687

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:

	2023	2023	2022	2022
	Number	\$'000	Number	\$'000
Below \$10 000	1	9	-	-
\$10 000 or above	2	64	6	192
Total	3	73	6	192

Audit fees

Audit fees paid/payable to the Auditor-General's Department relate to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

5. Non-financial assets

5.1 Property, plant and equipment

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment is recorded at fair value. Detail about OSAPC's approach to fair value is set out in note 9.1.

Reconciliation 2022-23

	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2022	10	10
Losses for the period recognised in net result:		
Depreciation	(3)	(3)
Subtotal:	<u>(3)</u>	<u>(3)</u>
Carrying amount at the end of the period	<u><u>7</u></u>	<u><u>7</u></u>
Gross carrying amount		
Gross carrying amount	13	13
Accumulated depreciation	(6)	(6)
Carrying amount at the end of the period	<u><u>7</u></u>	<u><u>7</u></u>

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

6. Financial assets

6.1 Cash

OSAPC does not earn interest on its deposits with the Treasurer. Cash is measured at nominal amounts.

7. Liabilities

7.1 Payables

	2023	2022
	\$'000	\$'000
Current		
Accrued expenses	62	31
Employment on-costs	17	20
Total current payables	<u>79</u>	<u>51</u>
Non-current		
Employment on-costs	10	13
Total non-current payables	<u>10</u>	<u>13</u>
Total payables	<u><u>89</u></u>	<u><u>64</u></u>

Payables and accrued expenses are recognised for all amounts owing but unpaid. Contractual 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 and superannuation contributions that are settled when the respective employee benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long-service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave has increased to 43% (2022 42%) and the average factor for the calculation of employer superannuation on-costs has increased to 11.1% (2022: 10.6%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$1 000 and employee benefits expense of \$1 000.

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

7.2 Provisions

Workers compensation provision

	2023 \$'000	2022 \$'000
Current		
Provision for workers compensation	2	2
Total current provisions	<u>2</u>	<u>2</u>
Non-current		
Provision for workers compensation	6	6
Total non-current provisions	<u>6</u>	<u>6</u>
Total provisions	<u><u>8</u></u>	<u><u>8</u></u>
<i>Reconciliation of workers compensation (statutory and non-statutory)</i>		
Carrying amount at the beginning of the period	8	8
Additional provisions recognised	-	-
Carrying amount at the end of the period	<u><u>8</u></u>	<u><u>8</u></u>

OSAPC is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, OSAPC is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes).

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

The additional compensation scheme provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are nonserious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

There is a significant degree of uncertainty associated with estimating future claim and expense payments and also around the timing of future payments due to a variety of factors involved. The liability is impacted by OSAPC's claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

In addition to these uncertainties, the additional compensation scheme is impacted by the limited claims history and the evolving nature of the interpretation of, and evidence required to meeting, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate.

Office of the South Australian Productivity Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2023

8. Outlook

8.1 Unrecognised contractual commitments

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

Other contractual commitments

Expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2023	2022
	\$'000	\$'000
Within one year	-	10
Total other contractual commitments	-	10

OSAPC's other contractual commitments for 2021-22 relate to network licences.

8.2 Contingent assets and liabilities

OSAPC is not aware of any contingent assets or liabilities as at 30 June 2023.

8.3 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.

9. Measurement and risk

9.1 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition of less than \$1.5 million and have not been revalued. The carrying value of these items are deemed to approximate fair value.

