

# Small Business Commissioner

Financial report  
for the year ended  
30 June 2020



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## To the Small Business Commissioner

### Opinion

I have audited the financial report of the Small Business Commissioner for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Small Business Commissioner as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Small Business Commissioner and Acting Manager Business Services.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Small Business Commissioner. 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 Small Business Commissioner**

The Small Business Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the Small Business Commissioner for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Small Business Commissioner's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Small Business Commissioner
- 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 Small Business Commissioner 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 'Andrew Richardson', with a long horizontal line extending to the right.

Andrew Richardson

**Auditor-General**

29 September 2020

**Small Business Commissioner  
(SBC)**

**Financial Statements  
for the year ended  
30 June 2020**

**Small Business Commissioner**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2020*

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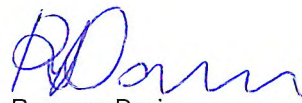
We certify that the attached general purpose financial statements for the Small Business Commissioner:

- 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 authority; and
- present a true and fair view of the financial position of the Small Business Commissioner as at 30 June 2020 and the results of its operations and cash flows for the financial year.

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



John Chapman  
Small Business Commissioner  
29<sup>th</sup> September 2020



Rosanne Davies  
A/Manager, Business Services  
29 September 2020

**Small Business Commissioner**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

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		2020	2019
	Note	\$'000	\$'000
<b><u>Income</u></b>			
Intra-government transfers	2.1	1 885	1 859
Recoveries	2.2	194	208
Resources received free of charge	2.3	16	16
Mediation income		9	6
<b>Total income</b>		<b>2 104</b>	<b>2 089</b>
<b><u>Expenses</u></b>			
Employee benefits expenses	3.2	1 522	1 251
Supplies and services	4.1	496	557
Depreciation and amortisation	4.2	161	158
Grants and subsidies		85	22
Other expenses	4.3	19	19
<b>Total expenses</b>		<b>2 283</b>	<b>2 007</b>
<b>Net result</b>		<b>(179)</b>	<b>82</b>
<b>Total comprehensive result</b>		<b>(179)</b>	<b>82</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**Small Business Commissioner**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b><u>Current assets</u></b>			
Cash and cash equivalents	6.1	1 253	1 157
Receivables	6.2	28	46
<b>Total current assets</b>		<b>1 281</b>	<b>1 203</b>
<b><u>Non-current assets</u></b>			
Property, plant and equipment	5.1	87	186
Intangible assets	5.4	81	123
<b>Total non-current assets</b>		<b>168</b>	<b>309</b>
<b>Total assets</b>		<b>1 449</b>	<b>1 512</b>
<b><u>Current liabilities</u></b>			
Employee benefits	3.3	208	127
Payables	7.1	63	121
Financial liabilities	7.2	9	-
Provisions	7.3	5	2
<b>Total current liabilities</b>		<b>285</b>	<b>250</b>
<b><u>Non-current liabilities</u></b>			
Employee benefits	3.3	311	241
Payables	7.1	29	22
Provisions	7.3	7	3
<b>Total non-current liabilities</b>		<b>347</b>	<b>266</b>
<b>Total liabilities</b>		<b>632</b>	<b>516</b>
<b>Net assets</b>		<b>817</b>	<b>996</b>
<b><u>Equity</u></b>			
Retained earnings		817	996
<b>Total equity</b>		<b>817</b>	<b>996</b>

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



**Small Business Commissioner**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

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	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	914	914
<b><u>Net result for 2018-19</u></b>	<u>82</u>	<u>82</u>
<b>Total comprehensive result for 2018-19</b>	<b>82</b>	<b>82</b>
<b>Balance at 30 June 2019</b>	<b><u>996</u></b>	<b><u>996</u></b>
<b><u>Net result for 2019-20</u></b>	<u>(179)</u>	<u>(179)</u>
<b>Total comprehensive result for 2019-20</b>	<b>(179)</b>	<b>(179)</b>
<b>Balance at 30 June 2020</b>	<b><u>817</u></b>	<b><u>817</u></b>

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

**Small Business Commissioner**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

		2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
<b>Cash flows from operating activities</b>	Note		
<b>Cash inflows</b>			
Intra government transfers		1 885	1 859
Other recoveries		11	13
Recoveries from Retail Shop Leases Fund		195	194
Mediation receipts		9	6
<b>Cash generated from operations</b>		<u>2 100</u>	<u>2 072</u>
<b>Cash outflows</b>			
Employee benefit payments		(1 365)	(1 249)
Payments for supplies and services		(530)	(506)
Payments of grants and subsidies		(85)	(22)
<b>Cash used in operations</b>		<u>(1 980)</u>	<u>(1 777)</u>
<b>Net cash provided by operating activities</b>		<u>120</u>	<u>295</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of PPE and Intangibles		(15)	-
<b>Cash used in investing activities</b>		<u>(15)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(15)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Repayment of leases		(9)	-
<b>Cash used in financing activities</b>		<u>(9)</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<u>(9)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>96</u>	<u>295</u>
Cash and cash equivalents at the beginning of the period		1 157	862
<b>Cash and cash equivalents at the end of the period</b>	6.1	<u>1 253</u>	<u>1 157</u>

The accompanying notes form part of these financial statements.

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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# **Small Business Commissioner**

## **Notes to and forming part of the financial statements**

*for the year ended 30 June 2020*

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### **1. About the Small Business Commissioner**

The Small Business Commissioner (the Commissioner) is a government agency of the State of South Australia, established pursuant to the *Small Business Commissioner Act 2011*.

The financial statements and accompanying notes include all the controlled activities of the Commissioner.

The Commissioner controls the operations of the Retail Shop Leases Fund through his statutory responsibility to administer the *Retail and Commercial Leases Act 1995*.

The Commissioner has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

#### **1.1. Basis of preparation**

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

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

For the 2019-20 financial statements the Commissioner adopted AASB 15 – *Revenue from Contracts with Customers*, AASB 16 – *Leases* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in note 8.

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.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

## **Small Business Commissioner**

### **Notes to and forming part of the financial statements**

*for the year ended 30 June 2020*

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#### **1.2. Objectives and Programs**

The Small Business Commissioner (the Commissioner) is committed to helping build the best possible environment in which small business can flourish, now and in the future.

The Commissioner supports business through alternative dispute resolution processes and provision of information on government services. The Small Business Commissioner is an independent statutory officer and is responsible for the administration and provision of information on the *Retail and Commercial Lease Act 1995*, *Building and Construction Industry Security of Payment Act 2009* and the *Farm Debt Mediation Act 2018* while having statutory responsibilities under the *Fair Trading Act 1987*, *Late Payment of Government Debts Act 2013*, *Work Health and Safety Act 2012* and the *Local Government Act 2009* (in relation to mobile food vendors).

The objectives of the Commissioner are:

- Provides no or low-cost dispute resolution services for businesses
- Develops, promotes and enforces Industry Codes of Conduct (under the *Fair Trading Act 1987*)
- Provides a range of information services
- Acts as an advocate for the sector
- Performs inquiries on behalf of the responsible Minister or own motion
- Administers the *Small Business Commissioners Act 2011* and operates within relevant sections of the *Fair Trading Act 1987*
- Administers the *Retail and Commercial Leases Act 1995*
- Oversees the *Building and Construction Industry Security of Payments Act 2009*
- Disputes resolution body for *Late Payment of Government Debts (Interest) Act 2013*
- Administers the *Farm Debt Mediation Act 2018*
- Handles disputes in relation to mobile food vendors under the relevant section of the *Local Government Act 1999*.
- Manages retail and commercial leasing matters and mediations under the *COVID-19 Emergency Response Act 2020* and *COVID-19 Emergency Response (Commercial Leases No 2) Regulations 2020*

#### **1.3. Impact of COVID-19 pandemic on Small Business Commissioner**

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

- In April 2020, the Commissioner recorded its highest monthly number of enquires with 429, this was almost matched in May with 425. There was a 48% increase in inquiries from small businesses from March to June 2020, compared to the same period of the previous year. 44% percent of these were leasing issues and 15% directly related to COVID-19 affected businesses.
- This is translated to 75 retail and commercial leasing disputes where the mediation process is managed under *COVID-19 Emergency Response Act 2020* and *COVID-19 Emergency Response (Commercial Leases No 2) Regulations 2020*.
- From 23 March 2020, staff of the Commissioner began working from home arrangements in small groups. Since 30 March 2020, 10 out of 12 staff of the Commissioner have been working from home, with some staff coming into the office to complete essential work when required.
- 5 extra staff (3.4 FTE's) were provided by AGD in June 2020 to respond to the increases in mediation activity and extra short-term accommodation was secured. These additional and unbudgeted costs contributed to the small financial deficit for 2019-20.
- 4 additional mediators were appointed to the Commissioner's panel.

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Intra-government transfers**

	2020	2019
	\$'000	\$'000
Intra-government transfers	1 885	1 859
<b>Total intra-government transfers</b>	<b>1 885</b>	<b>1 859</b>

Relates to transfers for operational funding received via the Department for Innovations and Skills and Attorney-General's Department (AGD). Intra-government transfers are recognised as income on receipt.

**2.2. Recoveries**

	2020	2019
	\$'000	\$'000
Retail Shop Leases Fund administration fees	187	187
Retail Shop Lease administration fees - Other - Audit	7	7
Other administration fees	-	14
<b>Total recoveries</b>	<b>194</b>	<b>208</b>

**2.3. Resources received free of charge**

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	16	16
<b>Total resources received free of charge</b>	<b>16</b>	<b>16</b>

Resources received free of charge are recorded at their fair value.

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**3. Board, committees and employees**

**3.1. Key management personnel**

Key management personnel include the responsible Minister and the Commissioner who have the responsibility for the strategic direction and management of the office.

Total compensation for the key management personnel was \$290 000 in 2019-20 and \$284 000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. 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 the *Parliamentary Remuneration Act 1990*.

There are no related party transactions.

**3.2. Employee benefits expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages	1 141	986
Employment on-costs - superannuation	128	105
Annual leave	98	79
Employment on-costs - other	72	58
Long service leave	71	12
Workers' compensation	7	5
Skills and experience retention leave	5	6
<b>Total employee benefit expenses</b>	<b>1 522</b>	<b>1 251</b>

**Employment on-costs - superannuation**

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

**Executive remuneration**

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

	2020	2019
	Number	Number
\$274 001 to \$294 000	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

The table includes one employee 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, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**3.3. Employee benefits liability**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Accrued salaries and wages	41	19
Annual leave	144	89
Long service leave	10	7
Skills and experience retention leave	13	12
<b>Total current employee benefits</b>	<b>208</b>	<b>127</b>
<b><u>Non-current</u></b>		
Long service leave	311	241
<b>Total non-current employee benefits</b>	<b>311</b>	<b>241</b>
<b>Total employee benefits</b>	<b>519</b>	<b>368</b>

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 (SERL) 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 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.



**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**4. Expenses**

Employee benefits expenses are disclosed in note 3.2.

**4.1. Supplies and services**

	2020	2019
	\$'000	\$'000
Accommodation	161	150
Office administration expenses	109	104
Information technology and communications charges	93	71
Marketing	44	53
Travel and related expenses	40	57
Mediation fees	25	24
Contractors	13	51
Staff related expenses	9	16
Business training and development support	1	31
Repairs & maintenance and minor purchases	1	-
<b>Total supplies and services</b>	<b>496</b>	<b>557</b>

**Accommodation**

Most of the Commissioner's accommodation is provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

In prior years expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this re-classification is set out in note 8.1.

**4.2. Depreciation and amortisation**

	2020	2019
	\$'000	\$'000
Leasehold improvements	111	116
Intangible assets	42	42
Right-of-use vehicles	8	-
<b>Total depreciation and amortisation</b>	<b>161</b>	<b>158</b>

All non-current assets, having a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

**Review of accounting estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**4.2. Depreciation and amortisation (continued)**

**Useful lives**

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

<b>Class of asset</b>	<b>Useful life (years)</b>
Right of use asset	Life of lease
Intangible / software	1-5
Leasehold improvements	Life of lease

**4.3. Other expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit fees	19	19
<b>Total other expenses</b>	<b>19</b>	<b>19</b>

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

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**5. Non-financial assets**

**5.1. Property, plant and equipment by asset class**

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
<b>Leasehold improvements</b>		
Leasehold improvements at fair value	526	524
Accumulated depreciation at the end of the period	(448)	(338)
<b>Total leasehold improvements</b>	<u>78</u>	<u>186</u>
<b>Right-of-use vehicles</b>		
Right-of-use vehicles at cost	15	-
Accumulated depreciation	(6)	-
<b>Total right-of-use vehicles</b>	<u>9</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<u><u>87</u></u>	<u><u>186</u></u>

Property, plant and equipment assets with a value equal to or in excess of \$10 000 are capitalised, otherwise it is expensed. Leasehold improvements are recorded at fair value. Detail about the commissioner's approach to fair value is set out in note 10.2.

**5.2. Property, plant and equipment owned by the Commissioner**

**Reconciliation 2019-20**

	Leasehold improvements	Total
	\$'000	\$'000
Carrying amount at 1 July 2019	186	186
Depreciation	(111)	(111)
Other	3	3
<b>Carrying amount at 30 June 2020</b>	<u>78</u>	<u>78</u>

**Reconciliation 2018-19**

	Leasehold improvements	Total
	\$'000	\$'000
Carrying amount at 1 July 2018	302	302
Depreciation	(116)	(116)
<b>Carrying amount at 30 June 2019</b>	<u>186</u>	<u>186</u>

**Small Business Commissioner**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**5.3. Right of use vehicles**

Right of use vehicles are recorded at cost.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

The commissioner has 1 motor vehicle lease with the South Australian Government Financing Authority (SAFA). Motor vehicle lease is non-cancellable, with rental payments monthly in arrears. Motor vehicle has a lease term of 3 years. No contingent rental provisions exist within the lease agreement and no options exist to renew the lease at the end of their term.

**5.4. Intangible assets**

	2020	2019
	\$'000	\$'000
<b><u>Computer software</u></b>		
Purchased computer software	260	262
Accumulated amortisation	(179)	(139)
<b>Total computer software</b>	<b>81</b>	<b>123</b>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition, or internal development, of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

**Reconciliation 2019-20**

	Computer software	Total
	\$' 000	\$' 000
Carrying amount at 1 July 2019	123	123
Amortisation	(42)	(42)
<b>Carrying amount at 30 June 2020</b>	<b>81</b>	<b>81</b>

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**6. Financial Assets**

**6.1. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Cash at bank	1 253	1 157
<b>Total cash and cash equivalents</b>	<b>1 253</b>	<b>1 157</b>

**6.2. Receivables**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
<b>Trade receivables</b>		
From government entities	2	-
From non-government entities	-	1
<b>Total trade receivables</b>	<b>2</b>	<b>1</b>
Prepayments	26	44
Accrued revenues	-	1
<b>Total current receivables</b>	<b>28</b>	<b>46</b>

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The Commissioner did not recognise an impairment loss on receivables due to the low value of receivables. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 10.3 for further information on risk management.

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**7. Liabilities**

Employee benefits liabilities are disclosed in note 3.3.

**7.1. Payables**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Accrued expenses	32	102
Employment on-costs	31	19
<b>Total current payables</b>	<u>63</u>	<u>121</u>
<b><u>Non-current</u></b>		
Employment on-costs	29	22
<b>Total non-current payables</b>	<u>29</u>	<u>22</u>
<b>Total payables</b>	<u>92</u>	<u>143</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.

The net amount of GST recoverable from the ATO is included as part of payables.

**Employment on-costs**

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

The Commissioner 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 superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken as leave has changed from 41% in 2019 to 42% in 2020 and the average factor for the calculation of employer superannuation cost on-cost has remained unchanged from 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

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**7.2. Financial liabilities**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Lease liabilities	9	-
<b>Total current financial liabilities</b>	<u>9</u>	<u>-</u>

The Commissioner measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

**7.3. Provisions**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Provisions for workers compensation	5	2
<b>Total current provisions</b>	<u>5</u>	<u>2</u>
<b>Non-current</b>		
Provisions for workers compensation	7	3
<b>Total non-current provisions</b>	<u>7</u>	<u>3</u>
<b>Total provisions</b>	<u>12</u>	<u>5</u>

**Movement in workers compensation provision**

	2020 \$'000	2019 \$'000
<b>Carrying amount at the beginning of the period</b>	5	-
Additional provisions recognised	7	5
<b>Carrying amount at the end of the period</b>	<u>12</u>	<u>5</u>

A provision has been reported to reflect unsettled workers compensation claims based on the experience across Government. There have been no claims made by the Office of the Small Business Commissioner to date.

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary 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 Commissioner is responsible for the payment of workers compensation claims.

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**8. Changes in accounting policy**

**8.1. AASB 16 Leases**

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

**Impact on retained earnings**

The total impact on the Commissioner's retained earnings as at 1 July 2019 is as follows:

	<u>\$'000</u>
<b>Closing retained earnings 30 June 2019 - AASB 117</b>	<b>996</b>
<b><u>Assets</u></b>	
Property, plant and equipment	18
<b><u>Liabilities</u></b>	
Financial liabilities	<u>(18)</u>
<b>Opening retained earnings 1 July 2019 - AASB 16</b>	<b><u>996</u></b>

The Commissioner disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$0.913 million under AASB 117.

The Commissioner has accommodation services provided by the DPTI under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$0.018 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 9.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.1 applies the correct classification for both the current and comparative years.



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**8.1. AASB 16 Leases (continued)**

**Accounting policies on transition**

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The Commissioner has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the DTF rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 0.59%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

**Ongoing accounting policies**

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Commissioner's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Commissioner, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

**8.2. AASB 15 Revenue from Contracts with Customers**

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

**Impact on retained earnings**

On transition, there was no impact on retained earnings.

**Accounting policies on transition**

The Fund has adopted AASB 15 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The Fund has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.

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**8.2. AASB 15 Revenue from Contracts with Customers (continued)**

- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 *Income of Not-for-Profit Entities*.

**Ongoing accounting policies**

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in the Fund's accounting policies as follows:

- for non-intellectual property licences, low value licences (i.e. assets which have a value of \$15 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The Fund has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the Fund would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the Fund's performance completed to date.

**8.3. AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

**Accounting policies on transition**

On transition, there was no impact on retained earnings.

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**9. Outlook**

**9.1. Unrecognised contractual commitments**

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

**Expenditure commitments**

	2020	2019
	\$'000	\$'000
Within one year	143	161
Later than one year but not later than five years	25	610
Later than five years	-	231
<b>Total expenditure commitments</b>	<b>168</b>	<b>1 002</b>

Amounts disclosed above represent lease management fees, memoranda of administrative arrangements with DPTI for accommodation and software licences.

In 2019 expenditure commitments included an extension on the current memoranda of administrative arrangements with DPTI for accommodation, as the extension was going to be taken up. The extension is now no longer possible, so the undiscounted expenditure commitments in 2019 without the lease extension would have been \$249 000.

**Operating lease commitments**

	2020	2019
	\$'000	\$'000
<b>Commitments in relations to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</b>		
Within one year	-	11
Later than one year but not later than five years	-	7
<b>Total operating lease commitments</b>	<b>-</b>	<b>18</b>

The comparative amount does not include commitments for memoranda of administrative arrangements with DPTI for accommodation. This has been reclassified and included under expenditure commitments. For more detail about the reclassification see 8.1.

**9.2. 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 Commissioner is not aware of any contingent assets and liabilities at reporting date.

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**9.3. COVID-19 pandemic outlook for the Commissioner**

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

- The Commissioner will continue to undertake a greatly increased number of mediations for retail & commercial leasing matters under the *COVID-19 Emergency Response Act 2020* and relevant regulations. This has required extra expenditure to cover the cost of 5 additional staff (3.4 FTES), mediation costs, advertising additional short-term accommodation including extra mediation facilities. Funding has been secured to cover costs to September 2020 (the current expiry of the *COVID-19 Emergency Response Act 2020* and relevant regulations).
- Should the *COVID-19 Emergency Response Act 2020* and relevant regulations need to be extended then there will be an additional requirement for budget adjustment.
- The Commissioner estimates 40 COVID-19 related mediations per month will occur from August – October 2020 as businesses continue to struggle with leasing issues.

**9.4. Events after the reporting period**

The Commissioner is not aware of any significant events after reporting date.

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**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 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. These assumptions are based on employee data over SA Government entities.

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 2020 is 0.75% (2019: 1.25%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability

The actuarial assessment performed by the DTF decreased the salary inflation rate at 2.5% (2019 4%) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$25 500 and employee benefits expense of \$25 500. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The Commissioner classifies current long service leave based on its best estimate of the amount to be paid in the coming year.

**10.2. 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.

**Revaluation**

Non-current tangible owned by the Commission are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

The Commissioner does not have a class of assets greater than \$1.5 million, therefore no revaluation is required.

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**10.3. Financial instruments**

**Financial risk management**

Risk management is managed by the Commissioner's corporate services section and the Commissioner's risk management policies are drafted in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commissioner's exposure to financial risk is low due to the nature of the financial instruments held.

**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.

**Classification of financial instruments**

The Commissioner measures all financial instruments at amortised cost. All financial assets and liabilities have a contractual maturity within one year.

**Receivables and payables**

Receivable and payable amounts disclosed in financial instruments exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Receivable amounts disclosed in financial instruments exclude prepayments as they are not financial assets. Prepayments are presented in note 6.2.