

Office of the South Australian Productivity Commission

Financial report
for the year ended
30 June 2020



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chair and 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 2020.

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 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 Chair and 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 I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chair and Chief Executive for the financial report

The Chair and 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, 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 Office of the South Australian Productivity Commission 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 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 Chair and 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 Chair and 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.

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

Andrew Richardson

Auditor-General

25 September 2020

Office of the South Australian Productivity Commission

Financial Statements

For the year ended 30 June 2020

Office of the South Australian Productivity Commission
Certification of the Financial Statements
for the year ended 30 June 2020

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 2020 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.



Dr Matthew Butlin
Chair and Chief Executive
24 September 2020

Office of the South Australian Productivity Commission
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriations	2.1	2 916	-
Other income	2.2	49	1 475
Total income		2 965	1 475
Expenses			
Employee benefits expenses	3.2	2 321	1 195
Supplies and services	4.1	532	192
Depreciation	4.2	5	-
Total expenses		2 858	1 387
Net result		107	88
Total comprehensive result		107	88

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 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash	6.1	578	337
Receivables	6.2	45	-
Total current assets		623	337
Non-current assets			
Property, plant and equipment	5.1	6	-
Total non-current assets		6	-
Total assets		629	337
Current liabilities			
Payables	7.1	112	100
Financial liabilities	7.3	4	-
Employee benefits	3.3	254	150
Provisions	7.2	2	2
Total current liabilities		372	252
Non-current liabilities			
Payables	7.1	27	21
Employee benefits	3.3	284	226
Provisions	7.2	4	3
Total non-current liabilities		315	250
Total liabilities		687	502
Net assets		(58)	(165)
Equity			
Retained earnings		(58)	(165)
Total equity		(58)	(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 2020

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	-	-
Net result for 2018-19	88	88
Total comprehensive result for 2018-19	<u>88</u>	<u>88</u>
Net assets transferred in as a result of a restructure	(253)	(253)
Balance at 30 June 2019	<u>(165)</u>	<u>(165)</u>
Net result for 2019-20	107	107
Total comprehensive result for 2019-20	<u>107</u>	<u>107</u>
Balance at 30 June 2020	<u>(58)</u>	<u>(58)</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 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Appropriations		2 916	-
Other receipts		4	1 475
Cash generated from operations		<u>2 920</u>	<u>1 475</u>
Cash outflows			
Employee benefits payments		(2 125)	(1 011)
Payments for supplies and services		(554)	(127)
Cash used in operations		<u>(2 679)</u>	<u>(1 138)</u>
Net cash provided by operating activities		<u>241</u>	<u>337</u>
Net increase in cash		<u>241</u>	<u>337</u>
Cash at the beginning of the period		337	-
Cash at the end of the period	6.1	<u>578</u>	<u>337</u>

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 2020

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*. 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

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

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. Impact of COVID-19 pandemic on OSAPC

The COVID-19 pandemic has had no material impact on the operations of OSAPC during 2019-20.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2. Income

2.1. Appropriations

	2020	2019
	\$'000	\$'000
Revenues from appropriations		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	2 916	-
Net revenues from appropriations	<u>2 916</u>	<u>-</u>

Appropriations

Appropriations and intra government transfers are recognised on receipt.

2.2. Other income

	2020	2019
	\$'000	\$'000
Intra-government transfers	-	1 475
Transfers from contingency provisions	4	-
Other recoveries	45	-
Total other income	<u>49</u>	<u>1 475</u>

Other recoveries includes reimbursements associated with the recognition of prior service and transfer of leave entitlements for an employee.

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 \$0.712 million (2019: \$0.403 million).

The compensation disclosed in this note excludes salaries and other benefits received by the Premier and Ministers. 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*.

	2020	2019
	\$'000	\$'000
Salaries and other short term employee benefits	651	368
Post-employment benefits	61	35
Total compensation	<u>712</u>	<u>403</u>

Transactions with key management personnel and other related parties

There were no significant related party transactions.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.2. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	1 414	765
Long service leave	64	118
Annual leave	183	78
Skills and experience retention leave	8	3
Employment on-costs - superannuation	528	197
Employment on-costs - other	106	56
Workers compensation revaluation	2	(33)
Other employee related expenses	16	11
Total employee benefits expenses	2 321	1 195

Employment on-costs - superannuation

The superannuation employment on-cost charge represents OSAPC'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
\$214 001 - \$234 000	2	-
\$254 001 - \$274 000	1	-
Total	3	-

This table includes all employees who received normal 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, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, and any FBT paid or payable in respect of those benefits.

The total remuneration received by employees for the year, listed above, was \$0.712 million.

3.3. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries and wages	39	31
Annual leave	179	93
Long service leave	31	23
Skills and experience retention leave	5	3
Total current employee benefits	254	150
Non-current		
Long service leave	284	226
Total non-current employee benefits	284	226
Total employee benefits	538	376

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.3 Employee benefits liability (continued)

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

4. Expenses

Employee benefits expenses are disclosed in note 3.2.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Information technology and communication charges	17	32
Accommodation	-	11
Temporary staff	7	12
General administration and consumables	19	17
Contractors	25	-
Staff development and recruitment	8	-
Consultants	99	20
Intra government transfer	288	81
Other	69	19
Total supplies and services	532	192

Consultants

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

	2020	2019	2019
	Number	\$'000	Number
		\$'000	\$'000
Below \$10 000	1	3	-
\$10 000 or above	4	96	1
Total consultants	5	99	20

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4.2. Depreciation

	2020	2019
	\$'000	\$'000
Depreciation		
Right-of-use motor vehicle	5	-
Total depreciation	<u>5</u>	<u>-</u>
Total depreciation	<u><u>5</u></u>	<u><u>-</u></u>

5. Non-financial assets

5.1. Property, plant and equipment by asset class

	2020	2019
	\$'000	\$'000
Right-of-use motor vehicle		
Right-of-use motor vehicle (deemed fair value)	8	-
Accumulated depreciation	(2)	-
Total right-of-use motor vehicle	<u>6</u>	<u>-</u>
Total property, plant and equipment	<u><u>6</u></u>	<u><u>-</u></u>

5.2. Property, plant and equipment leased

Property, plant and equipment leased by OSAPC is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$8 000.

6. Financial assets

6.1. Cash

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	578	337
Total cash	<u><u>578</u></u>	<u><u>337</u></u>

Deposits with the Treasurer

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

6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Accrued income	45	-
Total current receivables	<u>45</u>	<u>-</u>
Total receivables	<u><u>45</u></u>	<u><u>-</u></u>

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

7. Liabilities

7.1. Payables

	2020 \$'000	2019 \$'000
Current		
Trade payables	3	2
Accrued expenses	60	76
Employment on-costs	49	22
Total current payables	112	100
Non-current		
Employment on-costs	27	21
Total non-current payables	27	21
Total payables	139	121

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 42% (2019: 41%) and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8% (2019: 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 a decrease in the employment on-cost of \$2 000 and employee benefits expense of \$2 000.

7.2. Provisions

	2020 \$'000	2019 \$'000
Current		
Provision for workers compensation	2	2
Total current provisions	2	2
Non-current		
Provision for workers compensation	4	3
Total non-current provisions	4	3
Total provisions	6	5
	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the period	5	-
Additional provisions recognised	1	5
Carrying amount at the end of the period	6	5

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

7.2 Provisions (continued)

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 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.

OSAPC is responsible for the payment of workers compensation claims.

7.3. Financial liabilities

	2020 \$'000	2019 \$'000
Current		
Lease liabilities	4	-
Total current financial liabilities	<u>4</u>	<u>-</u>
Total financial liabilities	<u><u>4</u></u>	<u><u>-</u></u>

8. Other disclosures

8.1. 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 Australian Taxation Office is classified as part of operating cash flows of the Department of the Premier and Cabinet, not OSAPC.

	2020 \$'000	2019 \$'000
Leases		
Vehicles	5	-
Total cash outflow for leases	<u>5</u>	<u>-</u>

9. Outlook

9.1. Unrecognised contractual commitments

Expenditure commitments

	2020 \$'000	2019 \$'000
Within one year	11	30
Total expenditure commitments	<u><u>11</u></u>	<u><u>30</u></u>

OSAPC expenditure commitments relate to consultancies regarding analysis of "Growth State" industries and funding of Research and Development in South Australia.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

9.2. Contingent assets and liabilities

OSAPC is not aware of any contingent assets or liabilities as at 30 June 2020.

9.3. COVID-19 pandemic outlook on OSAPC

OSAPC does not expect any material impacts as a result of the COVID-19 pandemic in 2020-21.

9.4. 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 the long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and 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 2020 is 0.75% (2019: 1.25%).

The actuarial assessment performed by the Department of Treasury and Finance applied a salary inflation rate of 2.5% (2019: 4%) for the long service leave liability. The net financial impact of the changes to the actuarial assumptions in the current financial year is a decrease in the long service liability of \$25 000 and employee benefits expense of \$25 000.

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