

Minister for Primary Industries
and Regional Development –
McLaren Vale Wine Industry Fund

Financial report
for the year ended
30 June 2018



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To the Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund (the fund) for the financial year ended 30 June 2018.

Qualified opinion

In my opinion, except for the effects of the matter described in the 'Basis for qualified opinion' section of my report, the accompanying financial report gives a true and fair view of the financial position of the Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive, Department of Primary Industries and Regions (the Chief Executive), signed for and on behalf of the Minister for Primary Industries and Regional Development (the Minister) and the Chief Financial Officer, Department of Primary Industries and Regions.

Basis for qualified opinion

As referred to in note 5 to the financial statements, pursuant to regulation 5 of the *Primary Industry Funding Schemes (McLaren Vale Wine Industry Fund) Regulations 2017*, under the *Primary Industry Funding Schemes Act 1998*, contributions are required to be paid into the fund for each tonne of McLaren Vale grapes delivered to a McLaren Vale winemaker, up to a capped amount of \$31 500. While there are adequate internal controls over contributions actually received, there are no procedures in place to ensure the contributions received represent the actual tonnage delivered. Consequently, I am unable to express an opinion on

whether income recognised as contributions from industry of \$642 936 (\$994 121) is complete.

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Minister and the Department of Primary Industries and Regions which administers the fund on the Minister's behalf. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the Minister and the Chief Executive for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

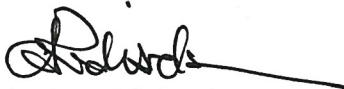
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive, Department of Primary Industries and Regions and the Minister about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

5 February 2019

Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund
Certification of Financial Statements
for the year ended 30 June 2018

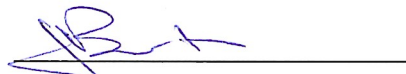
We certify that the attached general purpose financial statements for the Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the McLaren Vale Wine Industry Fund
- present a true and fair view of the financial position of the McLaren Vale Wine Industry Fund as at 30 June 2018 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Minister for Primary Industries and Regional Development – McLaren Vale Wine Industry Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



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



Jane Burton
Chief Financial Officer
Department of Primary Industries and Regions
30 January 2019

**Minister for Primary Industries and Regional
Development**

McLaren Vale Wine Industry Fund

Financial Statements

For the year ended 30 June 2018

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Expenses			
Transfers to industry	3	960 994	720 000
Refund of contributions		34 055	26 598
Supplies and services	4	8 187	8 613
Auditor's remuneration		6 300	6 200
Total expenses		1 009 536	761 411
Income			
Contributions from industry	5	642 936	994 121
Interest revenues		10 151	8 845
Total income		653 087	1 002 966
Net result		(356 449)	241 555
Total comprehensive result		(356 449)	241 555

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	6	496 187	852 348
Receivables	7	494	672
Total current assets		<u>496 681</u>	<u>853 020</u>
Total assets		<u>496 681</u>	<u>853 020</u>
Current liabilities			
Payables	8	6 830	6 720
Total current liabilities		<u>6 830</u>	<u>6 720</u>
Total liabilities		<u>6 830</u>	<u>6 720</u>
Net assets		<u>489 851</u>	<u>846 300</u>
Equity			
Retained earnings		489 851	846 300
Total equity		<u>489 851</u>	<u>846 300</u>

Total equity is attributable to the SA Government as owner.

Contingent liabilities 9

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund
Statement of Changes in Equity
for the year ended 30 June 2018

	Retained earnings	Total equity
	\$	\$
Balance at 30 June 2016	604 745	604 745
Net result for 2016-17	241 555	241 555
Total comprehensive result for 2016-17	241 555	241 555
Balance at 30 June 2017	846 300	846 300
Net result for 2017-18	(356 449)	(356 449)
Total comprehensive result for 2017-18	(356 449)	(356 449)
Balance at 30 June 2018	489 851	489 851

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund
Statement of Cash Flows
for the year ended 30 June 2018

	2018 (Outflows) Inflows \$	2017 (Outflows) Inflows \$
Cash flows from operating activities		
Cash outflows		
Transfers to industry	(960 994)	(720 000)
Refund of contributions	(34 055)	(26 598)
Payments for supplies and services	(8 177)	(8 598)
Auditor's remuneration	(6 200)	(6 100)
Cash used in operations	<u>(1 009 426)</u>	<u>(761 296)</u>
Cash inflows		
Contributions from industry	642 936	994 121
Interest received	10 329	8 645
Cash generated from operations	<u>653 265</u>	<u>1 002 766</u>
Net cash provided by / (used in) operating activities	<u>(356 161)</u>	<u>241 470</u>
Net increase / (decrease) in cash and cash equivalents	<u>(356 161)</u>	<u>241 470</u>
Cash and cash equivalents at the beginning of the reporting period	852 348	610 878
Cash and cash equivalents at the end of the reporting period	<u><u>496 187</u></u>	<u><u>852 348</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund

Notes to and forming part of the financial statements for the year ended 30 June 2018

1 Basis of financial statements

1.1 Reporting entity

The McLaren Vale Wine Industry Fund (Fund) is established pursuant to the *Primary Industry Funding Schemes (McLaren Vale Wine Industry Fund) Regulations 2017* (Regulations), administered by the Minister for Primary Industries and Regional Development. The Department of Primary Industries and Regions (PIRSA) provides administrative support services to the Fund.

1.2 Statement of compliance

The financial statements of the Fund have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987* (PFAA).

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Fund has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Fund is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Fund for the period ending 30 June 2018.

1.3 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*.

The financial statements have been prepared based on a 12 month period and are 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest dollar (\$).

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, 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 in the notes.

1.4 Taxation

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

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund

Notes to and forming part of the financial statements for the year ended 30 June 2018

2 Objectives of the Fund

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. These Regulations were revoked on 12 December 2017. New Regulations *Primary Industry Funding Schemes (McLaren Vale Wine Industry Fund) Regulations 2017* were issued on 12 December 2017 with minimal changes.

The primary purposes of the Fund are to:

- promote the McLaren Vale wine industry
- undertake research and development and improve practices in the industry
- encourage communication and cooperation between participants in the McLaren Vale wine industry.

3 Transfers to industry

	2018	2017
	\$	\$
McLaren Vale Grape Wine and Tourism Association	960 994	720 000
Total transfers to industry	960 994	720 000

Regulations provide that the Fund may be applied for a number of specific purposes and that payments from the Fund may be made to an industry body established to represent its membership. The amounts transferred enable projects and activities to be delivered by the industry to meet its management plan.

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

All payments from the Fund are made in accordance with the Fund's Regulations and the management plan developed in consultation with the industry.

4 Supplies and services

	2018	2017
	\$	\$
Administrative and operating costs ⁽¹⁾	8 187	8 613
Total supplies and services	8 187	8 613

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

5 Contributions from industry

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

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

Contributions from industry have been recognised as revenue when received.

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund

Notes to and forming part of the financial statements for the year ended 30 June 2018

6 Cash

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

Cash is measured at nominal value.

7 Receivables

	2018	2017
	\$	\$
Accrued interest - Department of Treasury and Finance	494	672
Total receivables	494	672

8 Payables

	2018	2017
	\$	\$
Audit fee payable to the Auditor-General's Department	6 300	6 200
Other payables ⁽¹⁾	530	520
Total payables	6 830	6 720

⁽¹⁾ Includes fees payable to Shared Services SA.

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

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

9 Contingent liabilities

Refunds of contributions

Under Regulation 5(8) refunds of contributions paid in respect of McLaren Vale grapes delivered during a prescribed period may be claimed by notice in writing to the Minister within the 12 months following that prescribed period.

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

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

Minister for Primary Industries and Regional Development - McLaren Vale Wine Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

10 Related party transactions

The McLaren Vale Wine Industry Fund is established pursuant to the Regulations, administered by the Minister for Primary Industries and Regional Development and is a wholly owned and controlled entity of the Crown.

Key management personnel

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

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

11 Financial risk management / financial instruments

Liquidity / funding risk

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

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

12 Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2018 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2018.

Note disclosure is made about events between 30 June 2018 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2018 and which may have a material impact on the results of subsequent years.

No events have occurred after balance date that would affect the financial statements of the Fund as at 30 June 2018.