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To the Minister for Primary Industries and Regional Development – South Australian Sheep 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 – South Australian Sheep 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 – South Australian Sheep 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 7 to the financial statements, pursuant to regulation 6 of the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*, under the *Primary Industry Funding Schemes Act 1998*, contributions are required to be paid by sellers into the fund where five or more sheep are sold during the period for an average price of \$5 or more. While there are adequate internal controls over contributions actually received, there are no procedures in place to ensure contributions were received for all contracts of sales for five or more sheep during the period for an average price of \$5 or more. Consequently, I am unable

to express an opinion on whether income recognised as contributions from industry of \$3 981 058 (\$3 323 443) 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:

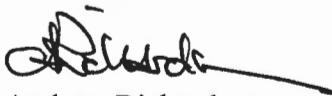
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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 – South Australian Sheep 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 – South Australian Sheep 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 South Australian Sheep Industry Fund
- present a true and fair view of the financial position of the South Australian Sheep 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 – the South Australian Sheep Industry Fund for 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 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**

South Australian Sheep Industry Fund

Financial Statements

For the year ended 30 June 2018

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Expenses			
Projects	3	3 681 098	3 784 045
Employee benefits expenses	4	29 314	28 852
Refund of contributions		12 803	16 456
Supplies and services	6	13 503	11 493
Auditor's remuneration		12 000	11 700
Total expenses		3 748 718	3 852 546
Income			
Contributions from industry	7	3 981 058	3 323 443
Interest revenues		52 139	53 220
Total income		4 033 197	3 376 663
Net result		284 479	(475 883)
Total comprehensive result		284 479	(475 883)

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 – South Australian Sheep Industry Fund
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	3 502 251	3 224 706
Receivables	9	4 181	4 063
Total current assets		3 506 432	3 228 769
Total assets		3 506 432	3 228 769
Current liabilities			
Payables	10	12 800	19 616
Total current liabilities		12 800	19 616
Total liabilities		12 800	19 616
Net assets		3 493 632	3 209 153
Equity			
Retained earnings		3 493 632	3 209 153
Total equity		3 493 632	3 209 153

Total equity is attributable to the SA Government as owner.

Contingent liabilities 11

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

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Changes in Equity
for the year ended 30 June 2018

	Retained earnings	Total equity
	\$	\$
Balance at 30 June 2016	3 685 036	3 685 036
Net result for 2016-17	(475 883)	(475 883)
Total comprehensive result for 2016-17	(475 883)	(475 883)
Balance at 30 June 2017	3 209 153	3 209 153
Net result for 2017-18	284 479	284 479
Total comprehensive result for 2017-18	284 479	284 479
Balance at 30 June 2018	3 493 632	3 493 632

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 – South Australian Sheep 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		
Payments for projects	(3 681 098)	(3 784 045)
Refund of contributions	(16 339)	(14 888)
Payments for employee benefits	(32 914)	(25 252)
Payments for supplies and services	(13 483)	(15 980)
Auditor's remuneration	(11 700)	(10 900)
Cash used in operations	(3 755 534)	(3 851 065)
Cash inflows		
Contributions from industry	3 981 058	3 323 443
Interest received	52 021	54 539
Cash generated from operations	4 033 079	3 377 982
Net cash provided by / (used in) operating activities	277 545	(473 083)
Net increase / (decrease) in cash and cash equivalents	277 545	(473 083)
Cash and cash equivalents at the beginning of the reporting period	3 224 706	3 697 789
Cash and cash equivalents at the end of the reporting period	3 502 251	3 224 706

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

Minister for Primary Industries and Regional Development – South Australian Sheep 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 South Australian Sheep Industry Fund (Fund) is established pursuant to the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014* (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*
- in the interest of public accountability and transparency, the Accounting Policy Statements require the disclosure of board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement.

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.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

1 Basis of financial statements (continued)

1.4 Taxation

The Fund is not subject to Income Tax. The Fund is liable for Payroll Tax, Fringe Benefits Tax (FBT), and 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 the PIRSA controlled financial statements.

2 Objectives of the Fund

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 28 October 1999. These Regulations were revoked on 14 August 2014. New Regulations, *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014* were issued on 14 August 2014 with minimal changes made.

The primary purposes of the Fund are to:

- fund the operations of the South Australian Sheep Advisory Group (SASAG)
- make payments of financial assistance to farmers in line with the Regulations
- undertake programs as advised by the SASAG
- assist in the maintenance of the dog fence.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Projects

	2018	2017
	\$	\$
Ovine Johne's Disease (OJD) Control Program	1 142 119	1 130 217
Footrot Control Program	705 876	669 132
Enhanced Abattoir Surveillance	404 192	500 491
National Livestock Identification System	346 353	368 059
Livestock SA Contribution	376 896	363 712
Dog Fence Board (Levy Payment)	226 000	219 400
Sheep Lice Control Program	150 090	155 831
Biteback: Dingo Removal from the SA Sheep Pastoral Zone	138 000	138 000
Administration and Executive Officer Support	59 472	61 103
SA Sheep Industry Blueprint	60 000	60 000
SheepConnect SA Communications	30 000	50 000
One Biosecurity Coordination	22 500	45 000
SA Sheep Expo	9 500	9 500
World Merino Insight - Adelaide 2016 Project	-	7 600
Improving Lamb Survival by Optimising Lambing Density	-	6 000
Wool Tag Toolbox Sponsorship	5 000	-
Box Flat Dingo Control Contribution	5 100	-
Total projects	3 681 098	3 784 045

Regulations provide that the Fund may be applied for a number of specific purposes. The SASAG acts as a consultative committee for the Fund and makes recommendations to the Minister on projects that should be sponsored for the benefits that they deliver to the industry. The recommendations are based on industry feedback and form the basis of the industry management plan that is reviewed annually.

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

All project funding paid by the Fund has been funding with conditional stipulations attached.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4 Employee benefits expenses

	2018	2017
	\$	\$
Mileage reimbursements	13 033	15 913
Board and committee fees and related on-costs	16 281	12 939
Total employee benefits expenses	29 314	28 852

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 the DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

5 Remuneration of board and committee members

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Members of boards and committees during the 2017-18 financial year were:

South Australian Sheep Advisory Group

L J Mills (Chair until 6 October 2017) (term expired 30 June 2018)
 I H Rowett (Deputy Chair until 6 October 2017 and Chair from 6 October 2017)
 B J Bateman
 K T Bolto (Deputy Chair from 6 October 2017) (term expired 30 June 2018)
 J I Fischer (term expired 30 June 2018)
 L S Fitzgerald * (term expired 30 June 2018)
 R E Giles (term expired 30 June 2018)
 J Kellock (term expired 30 June 2018)
 A S Pearce
 Dr M D Peters * (retired 23 November 2017)
 W L Stewart (term expired 30 June 2018)
 Dr M R Carr * (deputy member until 23 November 2017 and member from 23 November 2017)
 K I Dennis (deputy member)
 A J P MacLachlan (deputy member)
 P J Schulz (deputy member)
 M M Whittlesea (deputy member)
 Dr E K Matthews (deputy member from 23 November 2017)

**In accordance with the Department of the Premier and Cabinet Circular No.016, government employees did not receive any remuneration for board/committee duties during the financial year.*

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

5 Remuneration of board and committee members (continued)

The South Australian Ovine Johne's Disease Committee has been discontinued as of 30 June 2017.

Members that were entitled to receive remuneration for membership during the financial year (other than a direct out-of-pocket reimbursement) are listed below in the following summary table:

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

	2018	2017
	\$	\$
\$0	8	12
\$1 - \$9 999	9	15
Total number of members	17	27

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, stipend fees, superannuation contributions, salary sacrifice benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$15 511 (\$12 319).

6 Supplies and services

	2018	2017
	\$	\$
Administrative and operating costs ⁽¹⁾	13 483	11 413
Professional and technical services	20	80
Total supplies and services	13 503	11 493

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

7 Contributions from industry

Contributions payable to the Minister for payment into the Fund are made pursuant to Regulation 6.

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.

8 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.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

9 Receivables

	2018	2017
	\$	\$
Accrued interest - Department of Treasury and Finance	4 181	4 063
Total receivables	4 181	4 063

10 Payables

	2018	2017
	\$	\$
Refund of contributions	-	3 536
Audit fee payable to the Auditor-General's Department	12 000	11 700
Other payables ⁽¹⁾	800	4 380
Total payables	12 800	19 616

⁽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.

A refund liability is recognised once a refund is approved for payment.

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.

11 Contingent liabilities

Refunds of contributions

Under Regulation 6(7) a person who was the vendor of sheep at the time contributions became payable in respect of a contract of sale may claim a refund from the Fund for the contributions made in the financial year immediately preceding the financial year in which the person makes the claim in respect of contracts of sale of the person's sheep.

At the reporting date the possible emergence of valid refund requests within the following 12 month 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.

12 Related party transactions

The 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.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2018

13 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.

14 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.