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## To the Commissioner for Consumer Affairs Consumer and Business Services, Attorney-General's Department

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* section 6(2) of Schedule 3 of the *Second-hand Vehicle Dealers Act 1995*, I have audited the financial report of the Second-hand Vehicles Compensation Fund for the financial year ended 30 June 2018.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Second-hand Vehicles Compensation 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 Commissioner for Consumer Affairs, the Executive Director, Finance, People and Performance and the Acting Manager, Corporate 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 Second-hand Vehicles Compensation Fund. 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 opinion.

## **Responsibilities of the Commissioner for Consumer Affairs for the financial report**

The Commissioner for Consumer Affairs 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 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**

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 Commissioner for Consumer Affairs
- 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.

**Second Hand Vehicles Compensation Fund**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2018*

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We certify that the attached general purpose financial statements for the Second Hand Vehicles Compensation 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 Second Hand Vehicles Compensation Fund
- present a true and fair view of the financial position of the Second Hand Vehicles Compensation Fund as at 30 June 2018 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Second Hand Vehicles Compensation 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.



Dini Soulio  
Commissioner  
Consumer and Business Services  
1 November 2018



Andrew Swanson FCPA  
Executive Director  
Finance, People & Performance  
Attorney-General's Department  
1 November 2018



A John Doran Eleni Labadakis  
Manager, Corporate Services  
Consumer and Business Services  
18 November 2018

# **Second Hand Vehicles Compensation Fund**

## **Financial Statements**

For the year ended 30 June 2018

**Second Hand Vehicles Compensation Fund**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2018*

	Note	2018 \$'000	2017 \$'000
<b>Expenses</b>			
Compliance and administration	3	211	245
Claims	4	4	6
Grants and subsidies	5	25	-
Other expenses	6	41	29
<b>Total expenses</b>		<b>281</b>	<b>280</b>
<b>Income</b>			
Contribution by licensees	7	188	330
Investment and interest revenue	8	215	194
Other income	9	15	19
<b>Total income</b>		<b>418</b>	<b>543</b>
<b>Net result</b>		<b>137</b>	<b>263</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		25	(70)
<b>Total other comprehensive income</b>		<b>25</b>	<b>(70)</b>
<b>Total comprehensive result</b>		<b>162</b>	<b>193</b>

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.

**Second Hand Vehicles Compensation Fund**  
**Statement of Financial Position**  
*as at 30 June 2018*

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	1 292	2 564
Receivables	12	143	98
Investments	11	1 886	2 262
<b>Total current assets</b>		<b>3 321</b>	<b>4 924</b>
<b>Non-current assets</b>			
Investments	11	3 389	1 628
<b>Total non-current assets</b>		<b>3 389</b>	<b>1 628</b>
<b>Total assets</b>		<b>6 710</b>	<b>6 552</b>
<b>Current liabilities</b>			
Payables	13	12	16
<b>Total current liabilities</b>		<b>12</b>	<b>16</b>
<b>Total liabilities</b>		<b>12</b>	<b>16</b>
<b>Net assets</b>		<b>6 698</b>	<b>6 536</b>
<b>Equity</b>			
Retained earnings		6 523	6 386
Investments market value reserve		175	150
<b>Total equity</b>		<b>6 698</b>	<b>6 536</b>

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	16
Contingent assets and liabilities	16

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

**Second Hand Vehicles Compensation Fund**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2018*

	Investments market value reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000
<b>Balance at 30 June 2016</b>	220	6 123	6 343
Net result for 2016-17	-	263	263
Losses to be taken to equity	(70)	-	(70)
<b>Total comprehensive result for 2016-17</b>	<b>(70)</b>	<b>263</b>	<b>193</b>
<b>Balance at 30 June 2017</b>	<b>150</b>	<b>6 386</b>	<b>6 536</b>
Net result for 2017-18	-	137	137
Gains to be taken to equity	25	-	25
<b>Total comprehensive result for 2017-18</b>	<b>25</b>	<b>137</b>	<b>162</b>
<b>Balance at 30 June 2018</b>	<b>175</b>	<b>6 523</b>	<b>6 698</b>

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.

**Second Hand Vehicles Compensation Fund**  
**Statement of Cash Flows**  
*for the year ended 30 June 2018*

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Administration		(217)	(246)
Claims		(4)	(6)
Grants and subsidies		(25)	-
Other payments		(39)	(24)
<b>Cash used in operations</b>		<u>(285)</u>	<u>(276)</u>
<b>Cash inflows</b>			
Contribution by licensees		188	330
Interest receipts		23	37
Other receipts		2	8
<b>Cash generated from operations</b>		<u>213</u>	<u>375</u>
<b>Net cash provided by / (used in) operating activities</b>		<u>(72)</u>	<u>99</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of investments		(1,200)	-
<b>Cash used in investing activities</b>		<u>(1,200)</u>	<u>-</u>
<b>Net cash provided by / (used in) investing activities</b>		<u>(1,200)</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>(1 272)</u>	<u>99</u>
Cash and cash equivalents at the beginning of the reporting period		2 564	2 465
<b>Cash and cash equivalents at the end of the reporting period</b>	10	<u>1 292</u>	<u>2 564</u>

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



# **Second Hand Vehicles Compensation Fund**

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

*for the year ended 30 June 2018*

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### **1 Basis of financial statements**

#### **1.1 Reporting entity**

The Second Hand Vehicles Compensation Fund (the Fund) is regulated by the *Second-hand Vehicle Dealers Act 1995* (the Act) and is administered by the Commissioner for Consumer Affairs. The financial statements are required by Schedule 3 of the Act and include income, expenses, assets and liabilities which the Commissioner administers on behalf of the SA Government.

#### **1.2 Statement of compliance**

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are General Purpose Financial Statements which have been prepared in accordance with applicable Australian Accounting Standards Reduced Disclosure Requirements and Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987* (PFAA).

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 Department 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 judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment 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 Fund's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month operating cycle and presented in Australian currency.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

The accounting policies set out in the notes have been applied in preparing the financial statements for the year ended 30 June 2018 and the comparative information presented.

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**1 Basis of financial statements (continued)**

**1.4 Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

**1.5 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 the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the Fund is reported in the AGD Controlled Financial Statements.

**2 Objectives of the Second Hand Vehicles Compensation Fund**

The Fund is regulated by the Act. The Fund is kept and administered by the Commissioner for Consumer Affairs. It exists to provide compensation for persons who have a valid unsatisfied claim against a second hand motor vehicle dealer in relation to the purchase, sale or consignment of a second hand vehicle. The claim is heard by the Magistrates Court and an order for compensation will only be made if there is no reasonable prospect of recovering the amount of the claim other than from the Fund.

The Fund's main source of income is contributions received from second hand vehicle dealers in accordance with Schedule 3 of the Act. The Fund also receives income derived from the investment of Fund assets.

**3 Compliance and administration**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Compliance and administration expenses	211	245
<b>Total compliance and administration expenses</b>	<b>211</b>	<b>245</b>

Compliance and administration expenses of the Fund include payments made to the AGD under section 3(2)(b) of the *Second-hand Vehicle Dealers Act 1995* as reimbursement for administering the Fund. The estimated annual costs of these resources are paid as compliance and administration expenses.

**4 Claims**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Claim expenses	4	6
<b>Total claim expenses</b>	<b>4</b>	<b>6</b>

Claim expenses to settle valid unsatisfied claims against 2 (2017: 1) second hand vehicle dealer(s).

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**5 Grants and subsidies**

	2018 \$'000	2017 \$'000
Grants	25	-
<b>Total grants and subsidies</b>	<b>25</b>	<b>-</b>

Under Schedule 3 section 3(2)(d) of the *Second-hand Vehicle Dealers Act 1995* the Commissioner for Consumer Affairs may make payments from the Fund for prescribed education programs.

**6 Other expenses**

	2018 \$'000	2017 \$'000
Other	33	21
Audit fees	8	8
<b>Total other expenses</b>	<b>41</b>	<b>29</b>

**7 Contribution by licensees**

	2018 \$'000	2017 \$'000
Contribution by licensees	188	330
<b>Total contribution by licensees</b>	<b>188</b>	<b>330</b>

Contribution by licensees' income is recognised when received from second hand vehicle dealers.

**8 Investment and interest revenue**

	2018 \$'000	2017 \$'000
Distributions from Public Trustee investments	159	118
Interest from Public Trustee investments	34	41
Interest from deposits held with the Treasurer	22	35
<b>Total investment and interest revenue</b>	<b>215</b>	<b>194</b>

**9 Other income**

	2018 \$'000	2017 \$'000
Management fee recovery	14	11
Sundry recovery	1	8
<b>Total other income</b>	<b>15</b>	<b>19</b>

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**10 Cash and cash equivalents**

	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	1 292	2 564
<b>Total cash and cash equivalents</b>	<b>1 292</b>	<b>2 564</b>

Cash is measured at nominal value. Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents fair value.

**11 Investments**

	2018	2017
	\$'000	\$'000
<b>Current</b>		
Funds invested with the Public Trustee	1 886	2 262
<b>Total current investments</b>	<b>1 886</b>	<b>2 262</b>
<b>Non-current</b>		
Funds invested with the Public Trustee	3 389	1 628
<b>Total non-current investments</b>	<b>3 389</b>	<b>1 628</b>
<b>Total investments</b>	<b>5 275</b>	<b>3 890</b>

Investments represent funds deposited with the Public Trustee. These investments have been designated as available for sale financial assets as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet claims on the Fund. Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee.

The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2018 the Fund held investments in common funds in the following proportions:

Cash	34.83%
Balanced Investments Strategy	33.52%
Capital Stable Investments Strategy	29.09%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the Public Trustee.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced Investments Strategy and Capital Stable Investments Strategy.

Due to the classification of investments as available for sale, revaluation increments or decrements are recognised in the investments market value reserve.

The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

During the year the Fund invested \$1.2 million with Public Trustee (2017: \$nil) due to a review conducted in 2016 by an investment consultant. The review recommended a change in investment strategy requiring the transfer of surplus cash held with the Treasurer to Public Trustee investments.

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**12 Receivables**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Accrued interest and distributions	143	98
<b>Total current receivables</b>	<b>143</b>	<b>98</b>
<b>Total receivables</b>	<b>143</b>	<b>98</b>

**13 Payables**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Accrued expenses	8	8
Creditors	4	8
<b>Total current payables</b>	<b>12</b>	<b>16</b>
<b>Total payables</b>	<b>12</b>	<b>16</b>

All payables are measured at their nominal amount.

Accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. All payables are non-interest bearing.

**14 Financial risk management/ financial instruments**

**Financial risk management**

Risk management is managed by the Fund's corporate services section and fund risk management policies are 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*.

All cash balances and cash common funds held with the Public Trustee are available at call. Investments held with the Public Trustee are classified as 'available for sale' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised directly in equity. Accordingly there is no impact on the net result.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$5.275 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk.

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

There have been no changes in risk exposure since the last reporting period.

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

**14 Financial risk management/ financial instruments (continued)**

**Categorisation of financial instruments**

Details of the 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/liability note.

The following table discloses the categorisation of financial assets and financial liabilities:

<b>Category of financial asset and financial liabilities</b>	<b>Statement of Financial Position line item</b>	<b>Note</b>	<b>2018 Carrying amount / fair value \$'000</b>	<b>2017 Carrying amount / fair value \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	Cash	10	1 292	2 564
Available for sale investments	Investments	11	5 275	3 890
Receivables	Receivables <sup>(1)</sup>	12	143	98
<b>Total financial assets</b>			<b>6 710</b>	<b>6 552</b>
<b>Financial liabilities</b>				
Financial liabilities at cost	Payables <sup>(1)</sup>	13	4	8
<b>Total financial liabilities at cost</b>			<b>4</b>	<b>8</b>

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, audit fees payable to AGD, etc.).

**15 Related party transactions**

The Fund is established pursuant to the *Second-hand Vehicle Dealers Act 1995*, administered by AGD and is a wholly owned and controlled entity of the Crown.

Related parties of the Fund include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

**Key management personnel**

Key management personnel of the Fund include the Minister and the Commissioner for Consumer Affairs who have responsibility for the strategic direction and management of the fund. The compensation received by the Commissioner is included in the controlled financial statements of AGD at note 3.

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

**Transactions with key management personnel and other related parties**

There are no related party transactions.

**Second Hand Vehicles Compensation Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**16 Unrecognised contractual commitments and contingent assets and liabilities**

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

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.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

The Fund has no commitments contracted for at the reporting date but not recognised as liabilities.

The Fund has no contingent liabilities or assets.

**17 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.

There are no known events after balance date that affect these financial statements.