



Office of the Industry Advocate

2018-19 Annual Report

Office of the Industry Advocate

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Date presented to Minister: 30 September 2019

To:

Hon Rob Lucas MLC

Treasurer

This annual report is to be presented to Parliament to meet the statutory reporting requirements of *Industry Advocate Act 2017* and meets the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the Office of the Industry Advocate by:

Ian Nightingale

Industry Advocate

Signature



Date

30 / 9 / 2019

FROM THE INDUSTRY ADVOCATE

The Industry Advocate is an independent statutory authority established by the *Industry Advocate Act 2017* (the Act) whose objectives are to facilitate economic contribution and economic development from public expenditure and ensure capable businesses based in South Australia (SA) are given full, fair and reasonable opportunity to participate in government contracts.

This is the first time the Annual Report has covered a full twelve month period as the previous report was for the period from the Act's commencement in January 2018 to June 2018.

The prosperity of SA is dependent not only on having successful businesses and a skilled population, but importantly it is about their active participation in the market, and this is where government Policy, processes and practices can play a significant role. Government procurement can be a catalyst for jobs growth, business expansion and diversification if the attitude to procurement and economic growth are aligned.

Population growth is critical to SA's future and one of the major factors to address is jobs growth. There is a concerning loss of our young adult population interstate, taking fresh perspectives and knowledge with them. The government's strategy to retain our own talented people and attract skilled interstate and international workers will only succeed if there are sufficient job opportunities.

SA Government procurement spending has a substantial impact on the local economy, amounting to more than \$11 billion annually or around 10 per cent of Gross State Product (June 2018). Currently the Office of the Industry Advocate (OIA) oversees 257 Industry Participation Plans (IPPs) with a combined contract value of \$10,183,974,386.

While the past 12 months have been busy and productive for the OIA, the next year will be even busier following Machinery of Government changes which took effect on 1 April 2019. These changes now require public authorities to:

- check with the OIA if the project is within the scope of the SA Industry Participation Policy (SAIPP);
- seek assistance and advice from the OIA if the project is over \$4m (\$1m Regional);
- forward draft acquisition plans to the OIA for review for all projects over \$4m (\$1m Regional); and
- consult with the OIA if Cabinet approval is required.

These requirements will see the OIA take on additional responsibility of reviewing approximately 80 to 90 acquisition plans annually and result in greater visibility of proposed market engagements by each agency. As well as providing the OIA with opportunities to put forward what the local market has to offer, this early engagement allows the OIA to promote other Government objectives in the procurement process (e.g. the take up of apprenticeships and traineeships), then recommend approaches for those matters to be considered as part of the tender evaluation process. Early engagement can also ensure project design specifications are not an obstacle to the South Australian supply of required goods or services.

In addition to the core business of the OIA there have been a number of important initiatives during 2018/19 requiring a strategic focus, including:

- submissions to the South Australian Productivity Commission (SAPC) inquiry to assess the efficiency and effectiveness of South Australian Government procurement processes and practices;
- development of a Smart Procurement issues paper in conjunction with the Chief Entrepreneur;
- taking lead responsibility for two projects in the Government's Aboriginal Action Plan;
- development of the Ready to Tender online guide, designed to help South Australian businesses navigate the government procurement process;
- assisting in establishing the framework for the Aboriginal Entrepreneur Hub; and
- expanding the Industry Advocate Product and Services register to include four new industry categories.

In October 2018 the State Government requested the SAPC to undertake an inquiry to assess the efficiency and effectiveness of SA Government procurement processes and practices. Part of the terms of reference was to evaluate the effectiveness of the SA Industry Participation Policy (SAIPP), in particular its impact on:

- competition between firms, including those from interstate and overseas;
- prices and value for money of goods and services procured over time; and
- broader economic effects such as the growth of local industry and employment.

It was pleasing to see that the SAPC acknowledged the broad support the SAIPP enjoys in the business community, particularly small and medium enterprises (SMEs) and their industry associations. The SAPC also found there was a widespread view that the SAIPP and the activities of the OIA have increased the awareness among business and government agencies, especially procurement staff, of the need to consider local employment and business activity when responding to and evaluating tenders for government procurement.

The SAPC noted that Government procurement is one of several instruments that state governments can use to foster stronger employment and activity in SMEs. The SAPC Report quite correctly acknowledged that government purchases are extremely important to the SA economy in underpinning the provision of most public services and having a significant impact on employment, business activity and investment.

The SAPC's view is that, as a consequence of the SA Government's Growth Strategy and the SAIPP, procurement can play a key role in the policy conditions and business environment that encourages the growth of businesses in SA that are competitive locally as well as 'match fit' in interstate and overseas markets.

The SA Government has accepted all 30 recommendations from the SAPC Stage 1 Report, the majority in full, with two partially supported. This involves the provision of greater support to developing 'match-fit' businesses in line with the Government's economic Growth Strategy to substantially raise the state's economic growth rate.

The SAPC identified there is a clear need to increase the capacity of businesses to compete in government procurement which is consistent with feedback received by participants of the OIA's Supplying to Government workshops. This prompted the development of 'Ready to Tender', an online guide designed to help SA businesses navigate the government procurement process.

Governments want to support innovation and entrepreneurial businesses and this can be achieved through improved procurement processes. As is the case in many jurisdictions, the SAPC recognised that the purchasing power of government has the potential to act as a catalyst for a more entrepreneurial business environment.

In 2017 the SAIPP was revised to incorporate a new section, 'Developing Innovative Products or Services'. The objective was to have Agencies think about how public procurement of innovative goods and services could be a tool to improve the effectiveness and efficiency of public services, while at the same time helping to create jobs, grow local industry and provide a boost for small and start-up businesses. It would be fair to say this had little effect on procurement practices because there was no incentive for agencies to adopt this approach.

In response to the SAPC's Stage 1 Report, a new approach is proposed to support innovative behaviours and outcomes. A proposal is being developed to encourage start-ups and scalable businesses in SA to bring forward innovative solutions where the government can be the customer for new innovative ideas. Feedback received during consultation on the aforementioned Smart Procurement issues paper indicated there was need for a purchasing environment that encourages local businesses to bring forward new solutions to deliver government's desired outcomes.

The OIA has delivered the Aboriginal Economic Participation initiative since 2016, which seeks to increase the number and diversity of Aboriginal businesses winning and participating SA Government contracts, either directly or indirectly.

The success of the Aboriginal Economic Participation initiative has led to two projects being approved to be part of the Government's Aboriginal Action Plan. The first is a Far North Aboriginal Economic Collective which will be a collective impact framework designed to increase employment and business growth for Aboriginal Traditional Owner Groups in the Far North.

The second is an Aboriginal Business Strategy, which will complement the objectives of the new Aboriginal Entrepreneur Hub to provide an Aboriginal-specific element in the broader innovation, incubation, start up and growth hub being established by the SA Government at Lot 14.

In closing, it is always important to note SA is an SME State with 96% or more classified as small business. A significant amount of these businesses want to access work from government.

Genuine industry participation policy is not about special treatment or price preference for local firms but about recognising the important contribution businesses make to the South Australian economy through labour and other supply inputs.



Ian Nightingale
Industry Advocate

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Overview: about the agency

Our strategic focus

<p>Our Purpose</p>	<p>The Industry Advocate is an independent statutory authority established by the <i>Industry Advocate Act 2017</i>, enacted by the South Australian Parliament on 1 January 2018, with the objective to facilitate economic contribution and economic development from public expenditure and to ensure capable businesses based in South Australia are given full, fair and reasonable opportunity to tender and participate in government projects.</p>
<p>Our functions, objectives and deliverables</p>	<p>The <i>Industry Advocate Act 2017</i> creates functions for the Industry Advocate, which include:</p> <ul style="list-style-type: none"> • to take action to further the objectives of the South Australian Industry Participation Policy (SAIPP) (including, without limitation, by building the capability and capacity of businesses based in South Australia to participate in government contracts); • to receive and investigate complaints by and on behalf of business and their industry representatives about the SAIPP; • to make recommendations (taking into account requirements under any other law) to responsible officers for procurement and principal officers of public authorities to resolve complaints, remove impediments or improve procurement practices and processes; • to refer unresolved complaints and issues to the Minister for consideration; • to review, and assist in the negotiations for, Industry Participation Plans to ensure they comply with the SAIPP prior to the finalisation of contract conditions; • to investigate and monitor compliance with the SAIPP by participants in government contracts; • to take action to promote and ensure compliance with the SAIPP, including by issuing directions to participants in government contracts requiring them to comply with their contractual obligations in respect of the SAIPP and reporting to the Minister in relation to non-compliance where appropriate; • to encourage the adoption of industry participation policies by local government; • to investigate and monitor compliance with local government industry participation policies by participants in contracts to which such policies apply; • to take any other action considered necessary for the purpose of exercising the functions conferred on the Industry Advocate; • to exercise other functions conferred on the Industry Advocate by the Minister or under this or any other Act.

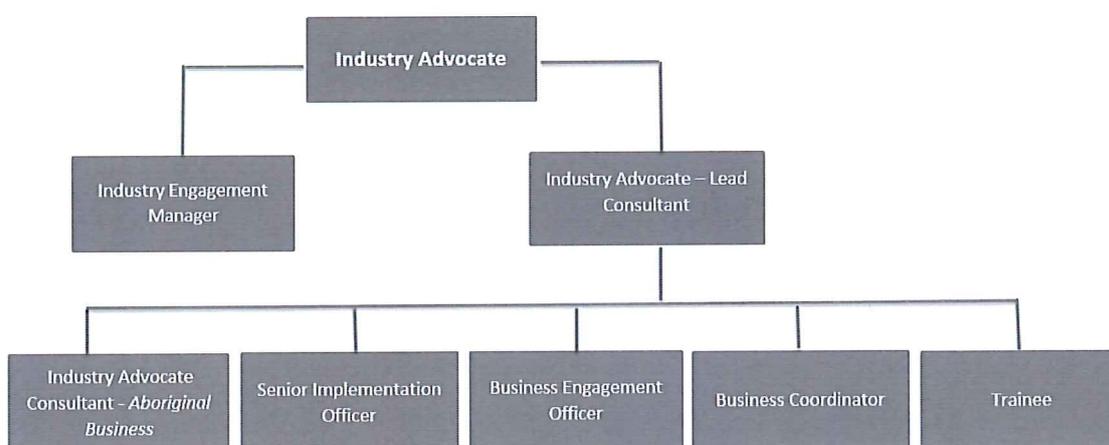
Our organisational structure

The Office of the Industry Advocate supports the functions and responsibilities of the Industry Advocate.

Staff are assigned to the Office of the Industry Advocate by the Department of Treasury and Finance.

The organisational chart for the Office of the Industry Advocate as of 30 June 2019 follows:

The Industry Advocate
Organisational Chart – June 30 2019



Changes to the agency

During 2018-19 there were the following changes to the agency's structure and objectives as a result of internal reviews or machinery of government changes.

- Machinery of government change from Department of Industry and Skills to Department of Treasury and Finance.

Our Minister

The Hon Rob Lucas MLC is the Treasurer.

Our Executive team

Ian Nightingale is the Industry Advocate, responsible for the functions under the *Industry Advocate Act 2017* and leading the Office of the Industry Advocate.

Legislation administered by the agency

Industry Advocate Act 2017.

Other related agencies (within the Minister's area/s of responsibility)

Department of Treasury and Finance.

Caveat: The Office of the Industry Advocate liaises with all agencies regarding Government Procurement.

The agency's performance

Performance at a glance

Agency contribution to whole of Government objectives

Key objective	Agency's contribution
<p>Government expenditure results in economic development for South Australia;</p> <p>Capable businesses based in South Australia are given full, fair and reasonable opportunity to tender in Government contracts.</p>	<p>Increase the number and diversity of South Australian based businesses winning government work.</p>
<p>Enhance the economic development of the steel industry and other strategically important industries for South Australia.</p>	<p>Drive local investment, develop strong value chains from the State's portfolio of major projects, support the development of the advanced services sector and leverage opportunities for innovation</p>
<p>To achieve lasting change including the development of new sustainable Aboriginal owned small businesses that will bring economic benefit to current and future generations.</p>	<p>Increase the opportunity for Aboriginal owned and operated businesses to successfully quote and/or tender for Government contracts.</p>

Agency specific objectives and performance

Agency objectives	Indicators	Performance
Connecting with Business	Number of one-on-one advocacy meetings Number of Supplying to Government attendees	Increased opportunity for locally based businesses to win Government contracts, both directly and indirectly.
Industry and Local Government Engagement	Number of workshops held in conjunction with Industry Associations Number of Local Government Forums Number of concerns raised by industry representatives about the SAIPP.	Ensure the Industry Participation Policy continues to be effective in achieving the Government's objective.
SA Industry Participation Plan Monitoring and Reporting	Monitor and evaluate industry participation plan performance through a random audit process. Monitoring of novel and complex projects has commenced Implementation of new contract management and reporting system has commenced.	Ensure commitments made as part of a tender evaluation process are delivering economic benefits to the State.

Corporate performance summary**Employment opportunity programs**

Program name	Performance
Nil	Nil

Agency performance management and development systems

Performance management and development system	Performance
Performance Development Planning (PDP)	<p>The office is compliant with all Department of Industry and Skills requirements in relation to employee Performance Management and Development.</p> <p>All staff have current Performance Development Plans that were mutually agreed upon and signed between management and each employee, with reviews conducted prior to moving to Department of Treasury and Finance.</p> <p>Staff are currently starting new Performance Development Plans with the Department of Treasury and Finance.</p>

Work health, safety and return to work programs

Program name	Performance
WHS Training	A WHS training schedule is being developed by the OIA in accordance with DTFs requirements. The WHS Officers will be trained accordingly.
WHS Staff Awareness	The OIA displays appropriate signage in the office in relation to emergency procedures and WHS information and representatives. OIA staff have completed mandated online training for WHS.
WHS Reporting	WHS Officers attend regular meetings and report to the Industry Advocate as required (at staff meetings and/or via email).

Workplace injury claims	2018-19	2017-18	% Change (+ / -)
Total new workplace injury claims	Nil	Nil	0%
Fatalities	Nil	Nil	0%
Seriously injured workers*	Nil	Nil	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	Nil	Nil	0%

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	2018-19	2017-18	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0%
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0%

Return to work costs**	2018-19	2017-18	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0%
Income support payments – gross (\$)	0	0	0%

**before third party recovery

Data for previous years is available at: industryadvocate.sa.gov.au

Executive employment in the agency

Executive classification	Number of executives
SAES	1

Data for previous years is available at: industryadvocate.sa.gov.au

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the Office of the Industry Advocate (OIA). The information is unaudited. Full audited financial statements for 2018-19 are attached to this report.

The OIA is a statutory authority of the State of South Australia, established pursuant to the *Industry Advocate Act 2017* proclaimed under Public Sector Notice 2017 (dated 31 October 2017). The comparative 2018 figures presented in the financial statements represent six months of transactions from 1 January 2018.

Administration of the *Industry Advocate Act 2017* was committed to the Treasurer effective from 1 April 2019.

The OIA received approximately \$2.0 million in transfers of operating funding from the Department for Innovation and Skills and the Department of Treasury and Finance in 2018-19.

Overall expenditure was in line with budget expectations.

Statement of Comprehensive Income	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Expenses	1,686	1,752	(66)	871
Revenues	75	120	45	15
Net cost of providing services	1,686	1,632	(21)	856
Net Revenue from SA Government	2,061	2,061	0	853
Net result	450	429	(21)	3
Total Comprehensive Result	450	429	(21)	3

Statement of Financial Position	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Current assets	723	889	166	137
Non-current assets	0	0	0	0
Total assets	723	889	166	137
Current liabilities	411	409	2	206
Non-current liabilities	456	348	108	228
Total liabilities	867	757	110	434
Net assets	(144)	132	276	297
Equity	(144)	132	276	297

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$11,181.25

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
FRAGILE TO AGILE(ASIA PAC) P/L	Pre-election commitment - Pre-registration System	\$ 25,600.00
CORPORATECONNECT.AB PTY LTD	Aboriginal Affairs Action Plan - Far North Aboriginal Economic Collective	\$ 27,272.73
DEFENCE TEAMING CENTRE INC	Aboriginal Affairs Action Plan - Far North Aboriginal Economic Collective	\$ 31,000.00
PRICEWATERHOUSECOOPERS INDIGEN CONSULTING PTY LTD	Aboriginal Affairs Action Plan - Far North Aboriginal Economic Collective	\$ 18,409.09
ARCBLUE CONSULTING (AUS) P/L	Build Capabilities of Local Businesses - Tendering and Quoting eLearning Content	\$ 25,200.00
	Total	\$ 127,481.82

Data for previous years is available at: industryadvocate.sa.gov.au

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$ 9,573.75

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
GYRE DIGITAL PTY LTD	Industry Participation Monitoring Reporting Solution	\$ 29,500.00
NUCLEUS MEDIA AUSTRALIA P/L	Wireframe / Graphics package for the online learning platform	\$ 29,560.00
ENVISAGE FINANCIAL AWARENESS	Aboriginal Affairs Action Plan - Far North Aboriginal Economic Collective - Project Management	\$ 11,350.00
CHAZ MCGREGOR MEDIA	Website Development - Start-ups online forum / Messenger Chat bot	\$ 10,100.00
	Total	\$ 80,510.00

Data for previous years is available at: industryadvocate.sa.gov.au

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts.](#)

The website also provides details of [across government contracts.](#)

Reporting Metrics

Industry Participation Plan Monitoring (1 July 2018 – 30 June 2019)

- There are 260 active Industry Participation Plan contracts for this reporting period that are being monitored by the Office of the Industry Advocate.
- For this reporting period the Office of the Industry Advocate monitored Industry Participation Plan contracts totalling \$10.18 Billion with approximately 74% of total work package spend going to South Australian based businesses. In addition to this, these contracts are reporting approximately 90% of the workforce of the projects are South Australian Full-Time Equivalent (FTE).
- For this reporting period there were 29 strategic projects being monitored, of those there are 10 that have assigned monthly Industry Participation meetings to review the status of their commitments.

Responsible Government Agency/Authority 1 July 2018 – 30 June 2019	Number of contracts
Department of Planning, Transport and Infrastructure	137
SA Water	27
SA Health	29
Renewal SA	9
Department for Correctional Services	5
Department of Human Services	8
Department of the Premier and Cabinet	13
Department Innovation and Skills	4
Department for Education	5
Department of Treasury and Finance	1
SAFECOM	3
South Australian Tourism Commission	2
SA Police	2
Primary Industries and Regions SA	2
TAFE SA	1
Department for Environment and Water	2
Return to Work SA	1
Investment Attraction SA	1
Department for Energy and Mining	8
Department for Child Protection	1

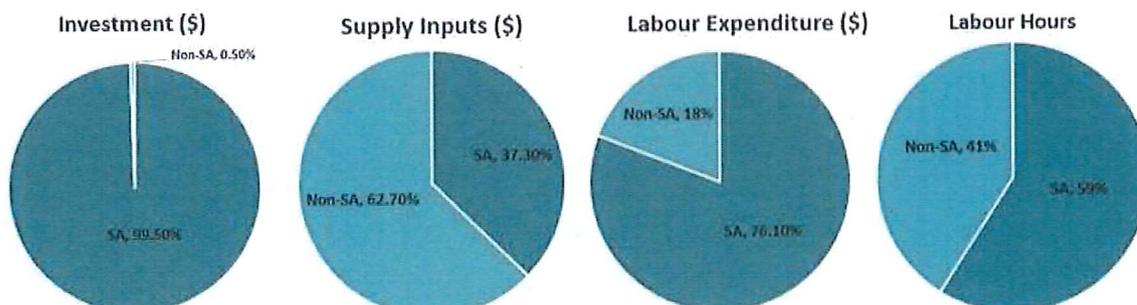
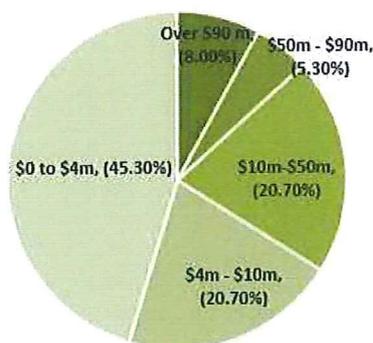
Industry Sector 1 July 2018 – 30 June 2019	Number of contracts
Building and construction	75
Civil construction	93
Goods and Services	30
Professional and technical services	21
ICT	8
Medical devices	7
Manufacturing and distribution	4
Creative industries	0

Value of Contracts 1 July 2018 – 30 June 2019	Number of contracts
\$1 - \$4 million	115
\$4 - \$10 million	58
\$10 - \$50 million	53
\$50 - \$90 million	12

Location of Contracts 1 July 2018 – 30 June 2019	Number of contracts
Metropolitan Adelaide	163
Regional SA	95

Number of Compliance issues 1 July 2018 – 30 June 2019	Action
1	Investigation current – no formal action currently taken

Contract Value



The above visual represents active contracts with an Industry Participation Plan as of 30 June 2019 and this data is constantly maturing as proponents report their performance over time.

Connecting with Business (1 July 2018 – 30 June 2019)

Meetings by Industry Sector 1 July 2018 – 30 June 2019	Number of meetings
Building and construction	89
Civil construction	25
Goods and Services	63
Professional and technical services	74
ICT	51
Medical devices	12
Manufacturing and distribution	69
Creative industries	15
Total meetings	398

Industry Associations and Local Government 1 July 2018 – 30 June 2019	Number of meetings
Industry Associations	23
Local Government	18

SA Product & Services Register 1 July 2018 – 30 June 2019	Number of meetings
Total number of products listed on the SA Product & Services Register	250

Supplying to Government Workshops 1 July 2018 – 30 June 2019	
Total Number of workshops	9
Total Registered Attendees	161

Aboriginal Economic Participation Initiative Aboriginal Business Connect 1 July 2018 – 30 June 2019	
Number of registered Aboriginal Businesses on Aboriginal Business Connect – as at 30 June 2019	93
Number of pending registrations of Aboriginal Businesses on Aboriginal Business Connect	21

Aboriginal Economic Participation Initiative 1 July 2018 – 30 June 2019	
The Office of the Industry Advocate is currently advocating for over 140 South Australian Aboriginal-owned businesses with a view to increasing the number and diversity of these businesses winning State Government contracts.	

Risk management

Fraud detected in the agency

Category/nature of fraud	Number of instances
Nil	0

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

As a result of the Industry Advocate becoming a statutory authority on 1 January 2018 – the office, policy was developed in-line with DIS's policy on Fraud, Corruption, Misconduct and Maladministration, the OIA is committed to the prevention, detection and control of fraud, corruption, misconduct and maladministration in connection with the activities of the OIA and/or by it's employees.

For all staff assigned to the Office of the Industry Advocate, employees are expected to comply with their obligations at law, as set out in the DIS and DTF policy.

Data for previous years is available at: industryadvocate.sa.gov.au

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*:

0

Data for previous years is available at industryadvocate.sa.gov.au

Reporting required under any other act or regulation

Name and date of act or regulation
Nil
Section/regulation number and reporting requirement specified (extract straight from act or regulation – can be pasted).
n/a

Reporting required under the *Carers' Recognition Act 2005*

Nil

Public complaints

Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	0
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	0
		Total	0

Data for previous years is available at: [Is available at industryadvocate.sa.gov.au](https://www.industryadvocate.sa.gov.au)

Service improvements for period

Service improvements that responded to customer complaints or feedback
No complaints

Appendix: Audited financial statements 2018-19

For official use only



Government of South Australia
Auditor-General's Department

Our ref: A19/245

26 September 2019

Mr I Nightingale
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Dear Mr Nightingale

Audit of the Office of the Industry Advocate for the year to 30 June 2019

We have completed the audit of your accounts for the year ended 30 June 2019. Two key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letters.

1 Independent Auditor's Report

We are returning the financial statements for the Office of the Industry Advocate, with the Independent Auditor's Report. This report is unmodified.

The *Public Finance and Audit Act 1987* allows me to publish documents on the Auditor-General's Department website. The enclosed Independent Auditor's Report and accompanying financial statements will be published on that website on Tuesday 15 October 2019.

2 Audit management letters

As the audit did not identify any significant matters requiring management attention, we will not issue any audit management letters.

What the audit covered

Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

For official use only

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- employee benefits expenses
- supplies and services expenses
- cash.

We concluded that the financial report was prepared in accordance with the financial reporting framework in this respect.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson
Auditor-General

enc

**Office of the Industry Advocate
(OIA)**

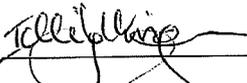
**Financial Statements
for the year ended
30 June 2019**

Office of the Industry Advocate
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Office of the Industry Advocate:

- 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; and
- present a true and fair view of the financial position of the Office of the Industry Advocate as at 30 June 2019 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 Industry Advocate for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Ian Nightingale
Industry Advocate
26th September 2019



Nicole Morphet
Business Coordinator
26 September 2019

Office of the Industry Advocate
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.2	1 140	636
Supplies and services	3.1	606	197
Grants and subsidies	3.2	6	38
Total expenses		1 752	871
Income			
Resources received free of charge	4.2	13	11
Other income	4.3	107	4
Total income		120	15
Net cost of providing services		(1 632)	(856)
Revenues from SA Government			
Revenues from SA Government	4.1	2 061	853
Net result		429	(3)
Total comprehensive result		429	(3)

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

2018 comparatives represent the 6 month period from 1 January to 30 June 2018. The *Public Sector Proclamation 2017* (dated 19 December 2017) declared the appointment of the Industry Advocate effective from 1 January 2018.

Office of the Industry Advocate
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Current assets</u>			
Cash	5.1	854	137
Receivables	5.2	35	-
Total current assets		889	137
Total assets			
		889	137
<u>Current liabilities</u>			
Payables	6.1	247	72
Employee benefits	2.3	161	134
Provisions	6.2	1	-
Total current liabilities		409	206
<u>Non-current liabilities</u>			
Payables	6.1	29	19
Employee benefits	2.3	317	209
Provisions	6.2	2	-
Total non-current liabilities		348	228
Total liabilities			
		757	434
Net assets			
		132	(297)
<u>Equity</u>			
Retained earnings		132	(297)
Total equity		132	(297)

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

Office of the Industry Advocate
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings \$'000
Balance at 1 July 2017	-
<u>Net result for 2017-18</u>	<u>(3)</u>
Total comprehensive result 2017-18	<u>(3)</u>
Net assets received from an administrative restructure	<u>(294)</u>
Balance at 30 June 2018	<u>(297)</u>
<u>Net result for 2018-19</u>	<u>429</u>
Total comprehensive result 2018-19	<u>429</u>
Balance at 30 June 2019	<u>132</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 Industry Advocate
Statement of Cash Flows
for the year ended 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
<u>Cash flows from operating activities</u>	Note		
<u>Cash outflows</u>			
Employee benefits payments		(989)	(547)
Payments for supplies and services		(456)	(135)
Payments of grants and subsidies		(6)	(38)
Cash used in operations		(1 451)	(720)
<u>Cash inflows</u>			
Other receipts		107	4
Cash generated from operations		107	4
Cash flows from SA Government			
Receipts from SA Government		2 061	853
Cash generated from SA Government		2 061	853
Net cash provided by operating activities		717	137
Net increase in cash		717	137
Cash at the beginning of the period		137	-
Cash at the end of the period	5.1	854	137

The accompanying notes form part of these financial statements.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. About the Office of the Industry Advocate

The Office of the Industry Advocate (OIA) is a statutory authority of the State of South Australia, established pursuant to the *Industry Advocate Act 2017* proclaimed under *Public Sector Notice 2017* (dated 31 October 2017). The *Public Sector Proclamation 2017* (dated 19 December 2017) declared the appointment of Ian Nightingale to the statutory role of the Industry Advocate effective from 1 January 2018. The staff transferred to the Office of the Industry Advocate were existing resources of the Department of State Development, pursuant to section 11 of the *Industry Advocate Act 2017*.

The Industry Advocate is appointed by the Governor and is an agency of the Crown.

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*
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2018-19 financial statements OIA adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 7.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

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

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

1.2. Objectives of the Office of the Industry Advocate

The objectives of the Office of the Industry Advocate are to ensure all functions of the Industry Advocate Act 2017 are exercised, including but not limited to:

- Promote competitive, capable local businesses to government purchasers and private sector companies delivering contracts on behalf of the government.
- Recommend reforms to procurement and contracting practices to ensure local businesses are not disadvantaged.
- Ensure local businesses have a full, fair and reasonable opportunity to win work on major projects under the South Australian Industry Participation Policy.
- To take action to further the objectives of the South Australian Industry Participation Policy.

1.3. Changes to the Office

The Public Sector Administrative Arrangements (Administration of Industry Advocate Act) Proclamation 2019 (dated 7 March 2019) declared the administration of the Industry Advocate Act 2017 is committed to the Treasurer effective from 1 April 2019.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel

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

The compensation for key management personnel was \$0.354 million in 2018-19 and \$0.174 million in 2017-18. 2018-19 compensation amount is reflective of full year costs and the 2017-2019 comparative is reflective of half year costs as the appointment of the Industry Advocate was effective 1 January 2018.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990

2.2. Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	805	428
Annual leave	52	64
Long service leave	127	55
Employment on-costs - superannuation	91	51
Employment on-costs - other	56	35
Skills and experience retention leave	6	3
Workers compensation	3	-
Total employee benefits expenses	1 140	636

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the department'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:

	2019	2018
	No	No
\$171 001 to \$191 000	-	1
\$351 001 to \$371 000	1	-
Total	1	1

The table includes one employee who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of the employee reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by this employee for the year was \$0.354 million (2018: \$0.174 million).

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits liability

	2019 \$'000	2018 \$'000
<u>Current</u>		
Accrued salaries and wages	17	13
Annual leave	106	87
Long service leave	14	15
Skills and experience retention leave	24	19
Total current employee benefits	161	134
<u>Non-current</u>		
Long service leave	317	209
Total non-current employee benefits	317	209
Total employee benefits	478	343

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

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 9.1.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

Employee benefits expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Consultants	139	5
Communications and information technology	101	34
Operating lease payments	99	53
Office administration expenses	92	60
Contractors	78	12
Travel and related expenses	32	10
Marketing	31	3
Staff related expenses	15	1
Accommodation and service costs	14	7
Audit fees	5	6
Services recoveries	-	6
Total supplies and services	606	197

The 2018-19 amounts reflect a full financial year and include costs associated with the two new programs in Far North Aboriginal Economic Collective and Pre-registration System programs.

Operating leases payments

Operating lease payments are recognised on a straight-line basis over the lease term.

Consultants

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

	No	2019	No	2018
		\$'000		\$'000
Below \$10,000	2	11	1	5
\$10,000 or above	5	128	-	-
Total	7	139	1	5

3.2. Grants and subsidies

	2019	2018
	\$'000	\$'000
Grants	-	38
Sponsorships	6	-
Total grants and subsidies	6	38

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4. Income**4.1. Revenues from SA Government**

	2019	2018
	\$'000	\$'000
<u>Revenues from SA Government</u>		
Intra government transfers	2 061	853
Total revenues from SA Government	2 061	853

Relates to transfers for operational funding received via the Department of Innovations and Skills and the Department of Treasury and Finance.

4.2. Resources received free of charge

	2019	2018
	\$'000	\$'000
Services received free of charge - Shared Services SA	13	11
Total resources received free of charge	13	11

4.3. Other income

	2019	2018
	\$'000	\$'000
Recoveries	75	4
Revenues from fees and charges	32	-
Total other income	107	4

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5. Financial assets

5.1. Cash

	2019	2018
	\$'000	\$'000
Cash at bank	854	137
Total cash	854	137

5.2. Receivables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
<u>Trade receivables</u>		
From government entities	35	-
Total trade receivables	35	-
less Allowance for doubtful debts	-	-
Total current receivables	35	-
Total receivables	35	-

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

OIA did not recognise an allowance for doubtful debts, it is not anticipated that SA Government counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 9.2 for further information on risk management.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6. Liabilities

Employee benefits liabilities are disclosed in note 2.3

6.1. Payables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Accrued expenses	223	51
Employment on-costs	24	21
Total current payables	247	72
<u>Non current</u>		
Employment on-costs	29	19
Total non-current payables	29	19
Total payables	276	91

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, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

OIA makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the superannuation scheme.

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 remained 41% in 2019 and the average factor for the calculation of employer superannuation cost on-cost has changed from 9.9% in 2018 to 9.8% in 2019. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6.2. Provisions

	2019 \$'000	2018 \$'000
Current		
Provision for workers compensation	1	-
Total current provisions	<u>1</u>	<u>-</u>
Non-current		
Provision for workers compensation	2	-
Total non-current provisions	<u>2</u>	<u>-</u>
Total provisions	<u>3</u>	<u>-</u>
Carrying amount at the beginning of the period	-	-
Increase in provisions recognised	<u>3</u>	<u>-</u>
Carrying amount at the end of the period	<u>3</u>	<u>-</u>

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 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Industry Advocate is responsible for the payment of workers compensation claims.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. Changes in accounting policy

7.1. Treasurer's Instructions (Accounting Policy Statement)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the Public Finance and Audit Act 1987. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

7.2. AASB 9 Financial Instrument

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the OIA adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had an effect on the recognition, measurement or classification of financial liabilities.

There was no impact to OIA's retained earnings as at 1 July 2018.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8. Outlook

8.1. Unrecognised contractual commitments

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

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2019	2018
	\$'000	\$'000
Within one year	110	239
Later than one year but not later than five years	449	399
Later than five years	187	-
Total operating lease commitments	746	638
Representing:		
Cancellable operating leases	1	13
Non-cancellable operating leases	745	625
Total operating lease commitments	746	638

The office's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure. A motor vehicle is leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia, with lease periods of up to three years. This is cancellable without notice.

Expenditure commitments

	2019	2018
	\$'000	\$'000
Within one year	4	-
Later than one year but not later than five years	13	-
Later than five years	5	-
Total expenditure commitments	22	-

The office's expenditure commitments relate to non-lease costs associated with operating lease.

8.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The office is not aware of any contingent assets and liabilities at reporting date.

8.3. Events after the reporting period

There are no known events after balance date that affect the office.

Office of the Industry Advocate
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9. Measurement and risk

9.1. 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 period of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of long service leave liability. The yield on long-term Commonwealth Government bonds for 2019 is 1.25% (2018: 2.5%).

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service liability and employee benefits expense of \$0.031 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and the salary inflation rate at 3% for annual leave and skills and experience retention leave liability.

As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

9.2. Financial instruments

Receivables and payables

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

Receivable amounts disclosed here excludes prepayments as they are not financial assets. OIA has no prepayments.