

Sheep Industry Fund

2019-20 Annual Report

HOUSE OF ASSEMBLY
LAID ON THE TABLE

01 Apr 2021

Introduction

The *Primary Industry Funding Schemes Act 1998* was established to provide South Australian primary industries with a legislative-based ability to raise funds within their sector to fund projects and services for the benefit of their sector.

Section 4 of the Act allows the Governor to make regulations establishing a fund for a particular sector of primary industry. All existing regulations are administered by the Minister for Primary Industries and Regional Development.

This is the Sheep Industry Fund Annual Report for the year ended 30 June 2020, prepared under section 11 of the Act.

Overview

The Sheep Industry Fund (SIF) is established by the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*.

The contribution rate for this fund is outlined in regulation 6 and is as follows:

Contribution rate	55 cents per sheep 'in respect of each contract sale under which 5 or more sheep are sold for an average price of \$5 or more per sheep'.
-------------------	---

Contributors may seek a refund of their contributions as provided for in regulation 6(8).

The purposes for which the fund can be applied by the Minister are outlined in regulation 7.

Under regulation 5, the South Australian Sheep Advisory Group (SASAG) is the consultative committee representing the sheep industry to advise the Minister in relation to the application of the fund.

Operation of the Fund

The Department of Primary Industries and Regions SA (PIRSA) manages the operations of the fund on behalf of the Minister and in consultation with SASAG.

The fund management plan current for the year ended 30 June 2020 was prepared in accordance with section 9 of the Act and was formally endorsed by SASAG (at its 15 March 2019 meeting). This plan was presented at a public meeting held in conjunction with the Livestock SA AGM on 26 August 2019 and the plan was made publicly available on the PIRSA website. It is attached to this report.

Upon advice from SASAG, the Minister approved funding under regulation 7 as follows:

Program / Project		Fund recipient
<i>Investment Priority: Animal Health</i>		
1	Footrot Management Program	PIRSA
2	Enhanced Abattoir Surveillance (EAS) Program	PIRSA, Thomas Foods International, University of Adelaide (via Meat and Livestock Australia)
3	Farm Biosecurity and Endemic Disease Management Program	PIRSA
4	National Sheep Health Declaration Booklet Printing	PIRSA
5	Sheep Lice Compliance Program	PIRSA
6	Toxoplasma Control and Prevention Program	University of Adelaide
<i>Investment Priority: Traceability</i>		
7	National Livestock Identification System Compliance Program – Sheep	PIRSA
<i>Investment Priority: Predator Control</i>		
8	Dog Fence Maintenance Program	Dog Fence Board
9	Biteback Wild Dog Control Program	South Australian Arid Lands Natural Resources Management Board
10	Wild Dog Trapper Program	PIRSA
11	Box Flat Wild Dog Control Program	South East Natural Resources Management Board
12	Dog Fence Rebuild	Department of Primary Industries and Regions
<i>Investment Priority: Advocacy</i>		
13	Livestock SA Contribution	Livestock SA Incorporated
<i>Investment Priority: Industry Development</i>		
14	Growth of Red Meat and Wool Industries Program	PIRSA
15	SheepConnect SA Communications	PIRSA
16	Merino Sire Eating Quality Evaluation	South Australian Stud Merino Sheepbreeders Association Incorporated
17	SA Sheep Expo	South Australian Sheep Expo Council Incorporated
18	Farm Gross Margin Guide Update	PIRSA
19	WoolTAG Toolbox for shearers and wool-handlers	Livestock SA Incorporated
<i>Administration</i>		
20	Sheep Industry Fund Board Governance and Administration Services	Livestock SA Incorporated

The programs met the requirements of the regulations and also aligned with the investment priorities outlined in the management plan.

Where requested, refunds of contributions were paid in accordance with regulation 7(e) and 6 (8).

In accordance with regulation 7(f) and 7(g), the fund was also applied to administration expenses of the fund and SASAG, including SASAG Executive Officer services.

The fund accounts for the year ended 30 June 2020 have been audited by the Auditor General's Department. The audited financial statements and independent auditor's report are attached.

Regulatory changes

Amendments to the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014* came into effect 7 November 2019. These amendments made provisions for industry funding of the dog fence rebuild, enabled the implementation of a new SIF industry governance model and also removed outdated provisions for payments for the eradication of Johne's disease.

Dog fence rebuild funding amendments

For the purpose of funding the dog fence rebuild, the amendments increased the SIF contribution rate from \$0.55 to \$0.67 (comprising a general contribution of \$0.55 and a dog fence rebuild contribution of \$0.12) per sheep for each contract of sale under which 5 or more sheep are sold for an average price of \$5 or more per sheep. Provisions were also added to enable expenditure of dog fence rebuild contributions for the purpose of the dog fence rebuild and enable contributors to seek a refund of contributions made in respect of the dog fence rebuild.

Fund governance amendments

In August 2019, and with the support of both Livestock SA and SASAG, the former Minister for Primary Industries and Regional Development announced the transition to a new governance and administration model for the SIF.

Transition to the new model occurred during the 2019-20 financial year and included changes to the Regulations that removed reference to SASAG as a consultative committee.

Under the new model, the Minister has recognised Livestock SA as 'a body that represents sheep producers' for the purposes of regulation 7(c). Livestock SA also established the Sheep Industry Fund Board (SIF Board) to make decisions regarding SIF payments that Livestock SA will apply to receive from 2020-21 onwards.

During 2019-20 relevant responsibilities once undertaken by SASAG transitioned to be the responsibility of Livestock SA and the SIF Board.

Disease eradication payment amendments

Over recent years, the policy on the management of Ovine Johne's disease (OJD) in South Australia has changed. As a result of these policy changes, producers no longer qualified for payments for the eradication of Johne's disease. The provisions had become redundant and were removed as part of the amendments.



Michelle Edge
CHIEF EXECUTIVE

26/2/2021

Sheep Industry Fund

Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014

Management Plan 2019-2020 to 2023-2024



Enquiries

Casey Work
Senior Policy Officer
Biosecurity SA Strategy & Policy
Primary Industries and Regions SA (PIRSA)

33 Flemington Street Glenside SA 5065

GPO Box 1671 Adelaide SA 5001

P: 08 8429 0471

E: casey.work@sa.gov.au

Objective ID: A3849814

Document history

Version	Date
Plan reviewed by PIRSA and updated from previous version, for industry consultation	27 November 2018
Updated plan incorporating feedback from industry consultation	5 March 2019
Final plan for public release	4 July 2019

Table of Contents

<u>Introduction</u>	<u>4</u>
<u>Estimate of Contributions to the Fund</u>	<u>5</u>
<u>Investment of the Fund</u>	<u>6</u>
<u>Application of the fund</u>	<u>6</u>
<u>Funding Guidelines</u>	<u>9</u>

Introduction

The *Primary Industry Funding Schemes Act 1998* provides South Australian primary industries with a legislative based ability to raise funds within their sectors so they can favourably position themselves in the national and international marketplace.

Section 4 of the Act allows the Governor to make regulations establishing a fund for a particular sector of primary industry. All existing funds are administered by the Minister for Primary Industries and Regional Development.

Primary Industries and Regions SA (PIRSA) is the Minister's agent for the administration of these funds.

The Sheep Industry Fund is established by the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014* (the Regulations).

Contributions are payable at the rate prescribed in the Regulations. Sheep producers contribute to the fund.

Collection agents are the bodies authorised by Regulation to collect levies from contributors and forward them to the Minister to be paid into the fund account. Collection agents for the Sheep Industry Fund include stock agents and abattoir operators.

Contributors may seek a refund of their contributions. If a refund is paid to a contributor, the contributor is deemed to be 'in default' of the fund and not entitled to receive benefits or services from the fund.

Payments are made from the fund for the purposes defined by regulation 7. These purposes ensure that the fund is used for the benefit of contributors to the fund.

Under regulation 5, the South Australian Sheep Advisory Group (SASAG) is the consultative committee representing the sheep industry to advise the Minister in relation to the application of the fund.

In accordance with Section 9 of the Act, this management plan has been developed in consultation with SASAG. It covers a five-year period and must be updated annually, but may be updated at any time.

This management plan guides the operation of the fund and helps contributors understand how their contributions are to be used.

Estimate of Contributions to the Fund

The contribution rate for this fund is outlined in regulation 6, and is 55 cents per sheep 'in respect of each contract sale under which 5 or more sheep are sold for an average price of \$5 or more per sheep'.

Industry production estimates have been derived from the two industry reports noted below. The data from these different sources has been derived using different methodologies. For the purposes of this report, these industry reports have been reviewed and summarised as described below to derive estimates for the purpose of this management plan.

South Australian sheep industry production estimates were derived from the following reports:

- 2018 ABARES Agricultural commodities and trade data
- 2019 MLA Sheep Industry Projections

The historical figures in the ABARES report and industry projections in the MLA report (currently the longest forecast available), were compared to the audited contributions/transaction to the Sheep Industry Fund over the seven year period; 2011-12 to 2017-18.

From this a running long term variance (+10.5% on reported industry statistics/forecasts) was determined and applied to estimate contributions to the Sheep Industry Fund in future years.

Excluding major fluctuations in the market or continued unfavourable seasonal conditions, it is assumed that South Australia will continue to have approximately 11.3 million head or 15-16% of the total national sheep population during the reporting period.

The estimated contribution income for the coming five financial years is provided in Table 1.

Table 1 Estimated Contribution Income to the Sheep Industry Fund (2019-20 to 2023-24)

Financial year	2019-20	2020-21	2021-22	2022-23	2023-24
Contribution rate per head of sheep or lamb	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
Estimated sheep and lamb sales (head)	6,184,380	6,449,596	6,774,461	6,774,461	6,774,461
Estimated income	\$ 3,759,337	\$ 3,920,555	\$ 4,118,034	\$ 4,118,034	\$ 4,118,034

Investment of the Fund

PIRSA administers the financial operations of the Fund on behalf of the Minister in accordance with the regulations and the *Public Finance and Audit Act 1987*.

Contributions are held in a separate interest bearing account at the Department of Treasury and Finance. Interest is paid quarterly on monies held, and is treated as income to the fund in accordance with the Act section 4 (6)(b).

Application of the fund

The fund is to be applied according to regulation 7 of the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*:

The Fund may be applied by the Minister for any of the following purposes;

- (a) payment of contributions to the Dog Fence Board towards the maintenance or improvement of the Dog-Proof Fence to assist in the prevention of wild dogs entering into pastoral areas where sheep are kept,
- (b) payments for financial assistance or *ex gratia* payments authorised under Part 3,
- (c) the undertaking of programs relating to sheep, sheep products or any other aspect of the sheep industry recommended to the Minister by the Sheep Advisory Group,
- (d) repayment of contributions to the Fund under regulation 6,
- (e) payments to a body that, in the opinion of the Minister, represents sheep producers for 1 or more of the following purposes;
 - (i) the reasonable operating and management expenses of the body,
 - (ii) promoting the sheep industry,
 - (iii) participation of the body in regional, State or national sheep industry forums,
 - (iv) undertaking or facilitating research and development, or the collection and dissemination to sheep producers of information, relevant to the sheep industry and, in particular, to the improvement of practices in the industry,
 - (v) fees for affiliation of the body with regional, State or national bodies representing or promoting the interests of the sheep producers,
 - (vi) other purposes of the body.
- (f) payment of the reasonable operation and management expenses of the Sheep Advisory Group (whether sitting as the Sheep Advisory Group under the *Livestock Act 1997* or as the consultative committee under these regulations),
- (g) payment of the expenses of administering the Fund.

Investment priorities

Regarding the undertaking of programs relating to sheep, sheep products or any other aspect of the sheep industry recommended to the Minister by the Sheep Advisory Group (regulation 7(c));

The SA Sheep Industry Fund exists to support programs that contribute to a profitable and sustainable sheep industry in South Australia. To support this goal, South Australia's sheep industry, through the SA Sheep Advisory Group, have identified the following investment priorities that are the basis for SA Sheep Industry Fund investment:

1. Animal Health

Investment in animal health is a priority to enable the following outcomes to be delivered for the South Australian sheep industry:

- access to markets is protected
- domestic and international trade is supported and enabled
- the high quality of South Australian sheep meat and wool products is supported and maintained
- the animal health risks and the economic impact of endemic conditions are minimised for producers and the industry
- best practice animal welfare is prioritised

Programs that align with this priority and may be funded by the SIF include those that deliver on farm and industry biosecurity outcomes, address specific animal health issues and provide disease surveillance.

2. Traceability

Investment in sheep traceability is a priority to enable the following outcomes to be delivered for the South Australian sheep industry:

- access to markets is protected
- domestic and international trade is supported and enabled
- the economic impact of endemic and exotic/emergency animal health conditions is minimised for producers
- the industry is best placed to respond to emergencies so that impact is minimised on producers.

Programs that align with this priority and may be funded by the SIF include those that deliver outcomes related to the National Livestock Identification System.

3. Predator Control

Investment in predator control is a priority to enable the following outcomes to be delivered for the South Australian sheep industry:

- South Australia's sheep flock is protected and maintained
- the industry's contribution to South Australia's economy is not compromised
- welfare of sheep and producers is optimised.

The sheep industry also acknowledge the associated public and community benefit of in limiting the spread and threat of wild dogs.

Programs that align with this priority and may be funded by the SIF include those that maintain the Dog Fence and programs that include baiting and trapping of predators.

4. Advocacy

Investment in advocacy is a priority to enable the following outcomes to be delivered for South Australia's sheep industry:

- producers are represented
- producers are enabled to work with government to influence and develop policy
- the needs of sheep producers are acknowledged and action is taken to address them.

Programs that align with this priority and may be funded by the SIF include those underpinning the operations of peak SA sheep industry advocacy bodies.

5. Industry Development

Investment in industry development is a priority to enable the following outcomes to be delivered for South Australia's sheep industry:

- the industry is best placed to respond to the demands and challenges of the future
- producers are supported to implement best practice sheep management
- the industry is supported by a healthy and developing workforce
- opportunities to grow the industry are capitalised on.

Programs that align with this priority and may be funded by the SIF include communication and extension activities, skills development programs, research and development.

Eligible Activities

To be eligible for funding, activities must fit within the prescribed purposes and investment priorities of the Fund as outlined in this management plan and in regulation 7 of the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*.

Ineligible Activities

Activities that will not normally be funded include:

1. infrastructure items, with the exception of the Dog Fence and Box Flat Dingo Fence
2. retrospective activities or expenditure
3. duplication of research, programs or projects
4. purchasing of major equipment or activities that could be considered part of normal business operations
5. any other activities that are deemed inappropriate under the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*.

Funding Guidelines

Eligible Organisations

Organisations eligible to apply for SIF funding include:

- non-profit organisations – including registered charities or incorporated associations
- private enterprise businesses
- co-operatives
- local and State government bodies
- non-departmental government agencies – including tertiary education institutions, land councils
- Regional Development Boards and Natural Resource Management (NRM) Boards
- research organisations.

All organisations must have an ABN or an ACN to apply for funding.

Organisations that are not incorporated under state or Commonwealth legislation may submit an application sponsored by an eligible organisation. In this situation, the sponsoring organisation becomes the applicant.

Applying for funding

The Sheep Industry Fund (SIF) is open to receive applications, subject to the availability of funds each financial year. The availability of funds will be determined by the Minister based on the available balance of the Fund, less an amount sufficient to cover audit and administrative costs (of the Fund and the Advisory Group), plus a contingency, in particular, an allowance for any refunds in accordance with regulation 7.

For programs recommended for funding to the Minister by SASAG (regulation 7(c)), SASAG will invite service providers to submit funding proposals in February to March each year, according to SIF investment priorities and the financial position of the Fund.

Other applications for funding of activities that meet the purposes governed by regulation 7 of the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014* may be made directly to the Minister by 31 March each year. Where appropriate, these applications may be referred to SASAG for consideration with other investment priorities.

Refund requests may be submitted via the form available on the PIRSA website at www.pir.sa.gov.au/sheep-industry-fund

Application assessment and approval

The Minister makes all final decisions regarding how the Sheep Industry Fund is applied. The Minister will assess applications to the Fund in line with the framework detailed in this Management Plan in May to June each year. Once approved, the Minister will advise the applicants of the outcome of their funding application.

For programs recommended for funding to the Minister by SASAG (regulation 7(c)), SASAG will assess funding proposals against the following criteria prior to its recommendation to the Minister:

- benefit to the SA sheep industry
- direct benefit to fund contributors (sheep producers)
- alignment with Sheep Industry Fund investment priorities outlined in this plan
- alignment and collaboration with other state and national sheep industry priorities and programs ensuring no duplication of investment
- support from industry stakeholders
- value for money (cost of the program compared to the outcomes it will deliver)
- leverage of South Australian funds
- innovation in program delivery
- for ongoing programs, previous program performance and achievement of outcomes
- the organisation's capability and capacity to undertake the program, including:
 - demonstrated project management experience
 - evidence of a project plan, including a communication plan and risk management plan
 - identification of measures of success and a plan to report on them.

Where relevant, these criteria also apply to decisions made by the Minister for other activities that meet the purposes governed by regulation 7 of the *Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014*.

Payments to fund recipients

Payment and milestone schedules will be negotiated directly with fund recipients.

Reporting requirements

Fund recipients are expected to provide an annual report at the end of the financial year. Other reporting requirements will be negotiated directly with fund recipients.

Fund administration

Process for changing the contribution rate

The fund contribution rate is prescribed in Regulation 6. A variation to the rate may only be made following a request to the Minister and subsequent consultation with the industry. Evidence of support for a variation to the contribution rate includes the result of any surveys conducted regarding the rate increase. Evidence may also include the outcomes of any other consultation with industry.

Contribution rate changes should be made at a time allowing sufficient notice of the rate change to collection agents or producers directly submitting contributions.



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund

Qualified opinion

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 2020.

In my opinion, except for the effects of the possible 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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the 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 Acting Chief Financial Officer, Department of Primary Industries and Regions.

Basis for qualified opinion

As referred to in note 2.1 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 into the fund by sellers 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 \$3 884 755 (\$3 817 914) 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 (including Independence Standards)* have been met.

I believe that the audit evidence I have 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 relevant 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 entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- 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 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

18 January 2021

**Minister for Primary Industries and Regional
Development**

South Australian Sheep Industry Fund

Financial Statements

For the year ended 30 June 2020

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Certification of Financial Statements
for the year ended 30 June 2020

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 2020 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 –South Australian Sheep Industry Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Michelle Edge
Chief Executive
Department of Primary Industries and Regions
For and on behalf of the Minister for Primary Industries
and Regional Development
Per authorisation dated 17 November 2020
13 January 2021



Mark Williams
Acting Chief Financial Officer
Department of Primary Industries and Regions
13 January 2021

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Contributions from industry	2.1	3 884 755	3 817 914
Recoveries		-	2 388
Interest		23 862	59 710
Total income		3 908 617	3 880 012
Expenses			
Board and committee expenses	3.3	5 689	34 335
Projects	4.1	3 249 974	2 838 761
Refund of contributions		26 934	30 252
Supplies and services	4.2	49 038	69 915
Auditor's remuneration		12 600	12 300
Total expenses		3 344 235	2 985 563
Net result		564 382	894 449
Total comprehensive result		564 382	894 449

The accompanying notes form part of these financial statements.

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

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Financial Position
for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	5.1	4 807 056	4 491 708
Receivables	5.2	433 423	5 217
Total current assets		5 240 479	4 496 925
Total assets		5 240 479	4 496 925
Current liabilities			
Payables	6.1	13 430	108 844
Total current liabilities		13 430	108 844
Total liabilities		13 430	108 844
Net assets		5 227 049	4 388 081
Equity			
Retained earnings		5 227 049	4 388 081
Total equity		5 227 049	4 388 081
Contingent liabilities	8.1		

The accompanying notes form part of these financial statements.

Total equity is attributable to the SA Government as owner.

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings	Total equity
	\$	\$
Balance at 30 June 2018	3 493 632	3 493 632
Net result for 2018-19	894 449	894 449
Total comprehensive result for 2018-19	894 449	894 449
Balance at 30 June 2019	4 388 081	4 388 081
Changes in accounting policy on adoption of AASB1058	274 586	274 586
Adjusted balance at 1 July 2019	4 662 667	4 662 667
Net result for 2019-20	564 382	564 382
Total comprehensive result for 2019-20	564 382	564 382
Balance at 30 June 2020	5 227 049	5 227 049

The accompanying notes form part of these financial statements.

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

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Cash Flows
for the year ended 30 June 2020

	2020 Inflows (Outflows) \$	2019 Inflows (Outflows) \$
Cash flows from operating activities		
Cash inflows		
Contributions from industry	3 750 929	3 817 914
Interest received	28 649	58 674
Recoveries received	-	2 388
Cash generated from operations	3 779 578	3 878 976
Cash outflows		
Payments for projects	(3 368 482)	(2 744 834)
Refund of contributions	(28 568)	(28 618)
Payments for Board and committee expenses	(5 689)	(34 335)
Payments for supplies and services	(49 191)	(69 732)
Auditor's remuneration	(12 300)	(12 000)
Cash used in operations	(3 464 230)	(2 889 519)
Net cash provided by / (used in) operating activities	315 348	989 457
Net increase / (decrease) in cash and cash equivalents	315 348	989 457
Cash and cash equivalents at the beginning of the reporting period	4 491 708	3 502 251
Cash and cash equivalents at the end of the reporting period	4 807 056	4 491 708

The accompanying notes form part of these financial statements.

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 2020

1. About the South Australian Sheep Industry Fund

The South Australian Sheep Industry Fund (the 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 and is controlled by the Crown. The Department of Primary Industries and Regions (PIRSA) provides administrative support services to the Fund.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements

For the 2019-20 financial statements the Fund adopted AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not-for-Profit Entities*. 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.

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

The Fund has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Fund is a not-for-profit entity.

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

1.2. 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

The Regulations were amended on 7 November 2019, refer to note 4.1 for further information.

1.3. Impact of COVID-19 pandemic on the Fund

The COVID-19 pandemic has not had a material impact on the operations of the Fund in 2019-20.

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 2020

2. Income

2.1. 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).

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Fund includes the Minister for Primary Industries and Regional Development 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 Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties entered into by the Fund.

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 2020

3.2. Board and committee members

Members during the 2019-20 financial year were:

South Australian Sheep Advisory Group

Ceased as of 02 June 2020

I H Rowett (Chair) (reappointed 02 July 2019)
 B J Bateman (reappointed 02 July 2019)
 K T Bolto
 K I Dennis (deputy member) (reappointed 02 July 2019)
 J I Fischer
 R E Giles
 J Kellock
 A J P MacLachlan (deputy member) (reappointed 02 July 2019)
 Dr E K Matthews* (deputy member) (reappointed 10 July 2019)
 L J Mills
 J Owens (appointed 10 July 2019)
 A S Pearce (reappointed 02 July 2019)
 P J Schulz (deputy member) (reappointed 02 July 2019)
 W L Stewart
 M M Whittlesea (deputy member) (reappointed 02 July 2019)

**In accordance with the Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board/committee duties during the financial year.*

Board and committee remuneration

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

	2020	2019
\$0 - \$19 999	15	16
Total number of members	15	16

The total remuneration received or receivable by members was \$1 998 (\$18 122). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3. Board and committee expenses

	2020	2019
	\$	\$
Mileage reimbursements	3 538	15 310
Board and committee fees and related on-costs	2 151	19 025
Total Board and committee expenses	5 689	34 335

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 2020

4. Expenses

4.1. Projects

	2020	2019
	\$	\$
Footrot Control Program	721 652	703 020
Livestock SA Contribution ⁽¹⁾	444 903	388 203
Dog Fence Rebuild Contribution	375 643	-
National Livestock Identification System - Sheep	348 745	321 745
Enhanced Abattoir Surveillance	280 053	339 730
Dog Fence Board (Levy Payment)	244 419	232 780
Farm Biosecurity and Endemic Disease Management Program	227 862	402 629
Sheep Lice Control Program	157 961	152 731
Biteback: Dingo Removal from the SA Sheep Pastoral Zone	151 536	183 840
Growth Of Red Meat & Wool Industries Program	150 000	-
Wild Dog Trapper Program	37 500	37 500
SheepConnect SA Communications	32 000	31 983
Control and prevention of Toxoplasma gondii associated production loss in sheep	32 000	-
SA Merino Sire Evaluation	23 000	-
SA Sheep Expo ⁽²⁾	7 000	9 500
Farm Gross Margin Guide Update	5 600	9 000
Box Flat Dingo Control Contribution	5 100	5 100
Wool Tag Toolbox Sponsorship	5 000	5 000
Livestock SA Dry Times Engagement	-	10 000
Mid North Young Guns Improving Welfare & Health Program	-	5 000
2019 University of Adelaide National Merino Challenge Team Sponsorship	-	1 000
Total projects	3 249 974	2 838 761

⁽¹⁾ The total contribution paid to Livestock SA Incorporated includes \$70,000 governance and administration service costs for the new Sheep Industry Fund Board, of which \$24,581 is recoverable for unexpended funding. Refer to note 5.2.

⁽²⁾ \$4 500 was recovered from the South Australian Sheep Expo Council Incorporated in 2019-20.

Regulations provide that the Fund may be applied for a number of specific purposes. Until its cessation on 2 June 2020, the South Australian Sheep Advisory Group acted as a consultative committee for the Fund and made recommendations to the Minister on projects that should be sponsored for the benefits that they deliver to the industry. The recommendations were based on industry feedback and were consistent with the Fund 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 made in accordance with the Fund's Regulations and management plan and with conditional stipulations attached.

Transition to a new governance and administration model for the Sheep Industry Fund occurred during the 2019-20 financial year and included changes to the Regulations that removed reference to SASAG as a consultative committee. Under the new model, the Minister recognised Livestock SA as 'a body that represents sheep producers' for the purposes of regulation 7(c). From 2020-21 onwards, Livestock SA will be eligible to make application under regulation 7(c) for payments from the Sheep Industry Fund for projects as outlined in its application.

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 2020

4.2. Supplies and services

	2020	2019
	\$	\$
Administrative and operating costs ⁽¹⁾	9 068	16 319
SA Sheep Advisory Group Executive Officer Services	27 616	53 596
National Sheep Health Statement printing costs	12 354	-
Total supplies and services	49 038	69 915

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

5. Financial assets

5.1. Cash and cash equivalents

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

5.2. Receivables

	2020	2019
	\$	\$
Accrued interest - Department of Treasury and Finance	430	5 217
Refund recoverable from Livestock SA	24 581	-
Receivables – Contributions from Industry	408 412	-
Total receivables	433 423	5 217

6. Liabilities

6.1. Payables

	2020	2019
	\$	\$
Audit fee payable to the Auditor-General's Department	12 600	12 300
Other payables	830	810
Enhanced Abattoir Surveillance (EAS) Program	-	94 100
Refund of contributions	-	1 634
Total payables	13 430	108 844

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.

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 2020

7. Changes in accounting policy

7.1. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

AASB 15 *Revenue from Contracts with Customers* requirements are effective for annual reporting periods beginning on or after 1 January 2019.

Impact on retained earnings

The Fund does not have any contract with customers to be recognised under AASB 15, therefore there is no impact on retained earnings.

7.2. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners

By adopting AASB 1058, the Fund recognises contributions as revenue when information becomes available to the Fund regarding contributions due for the prescribed period. The corresponding asset is a statutory receivable under AASB 9.

Previously the fund recognised revenue when contributions were received.

Impact on retained earnings

The total impact on the Fund's retained earnings as at 1 July 2019 is as follows

	\$
Closing retained earnings 30 June 2019	4 388 081
<u>Assets</u>	
Receivables – Contributions from Industry	274 586
Opening retained earnings 1 July 2019	4 662 667

Accounting policies on transition

The Fund has adopted AASB 1058 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The Fund has on transition recognised the cumulative effect of initially applying AASB 1058 as an adjustment to the opening balance of retained earnings as at 1 July 2019. As a result, comparative information has not been restated.

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 2020

7.3. Effects on financial statements from AASB 15 and AASB 1058

The following tables show the effects of adopting AASB 15 and AASB 1058 on the Fund's financial statements for the year ending 30 June 2020.

Statement of Comprehensive Income

For the year ended 30 June 2020

		As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	Note	\$	\$	\$	\$
Contributions from Industry	2.1	3 884 755	-	133 826	3 750 929
Total income		3 884 755	-	133 826	3 750 929

Statement of Financial Position

As at 30 June 2020

		As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	Note	\$	\$	\$	\$
Receivables – Contributions from Industry	5.2	408 412	-	408 412	-
Total assets		408 412	-	408 412	-

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 2020

8. Outlook

8.1. 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.

8.2. COVID-19 pandemic outlook for the Fund

The COVID-19 pandemic is not expected to have a material impact on the operations of the Fund in 2020-21.

8.3. Events after the reporting period

No events have occurred after balance date that would affect the financial statements of the Fund as at 30 June 2020.

9. Measurement and risk

9.1. Financial instruments

Liquidity 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.