

Sheep Industry Fund

2018-19 Annual Report

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 2019, prepared under section 11 of the Act.

Overview

The Sheep Industry Fund 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'.
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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

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 2019 was prepared in accordance with section 9 of the Act and was formally endorsed by SASAG. This plan was presented at a public meeting held in conjunction with the Livestock SA AGM on 14 September 2018 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(a) and 7(c) as follows:

	Program / Project	Fund recipient
1	Footrot Management Program	PIRSA
2	Ovine Johne's Disease Management Program	PIRSA
3	Livestock SA Contribution	Livestock SA Incorporated
4	Enhanced Abattoir Surveillance (EAS) Program	PIRSA, Thomas Foods International, University of Adelaide (via Meat and Livestock Australia)
5	National Livestock Identification System Compliance Program – Sheep	PIRSA
6	Dog Fence Maintenance Program	Dog Fence Board
7	Biteback Wild Dog Control Program	South Australian Arid Lands Natural Resources Management Board
8	Sheep Lice Management Program	PIRSA
9	Wild Dog Trapper Program ¹	PIRSA
10	SheepConnect SA Communications	PIRSA
11	Livestock SA Dry Times Engagement ¹	Livestock SA Incorporated
12	SA Sheep Expo	South Australian Sheep Expo Council Incorporated
13	Farm Gross Margin Guide Update ¹	PIRSA
14	Box Flat Wild Dog Control Program	South East Natural Resources Management Board
15	WoolTAG Toolbox for shearers and wool-handlers	Livestock SA Incorporated
16	Mid North Young Guns Improving Welfare and Health Program ¹	Mid North Young Guns Incorporated
17	2019 University of Adelaide Merino Challenge Team Sponsorship ¹	The University of Adelaide School of Animal and Veterinary Sciences

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

¹ New programs in 2018-19

Where requested, refunds of contributions were paid in accordance with regulation 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 2019 have been audited by the Auditor General's Department. The audited financial statements and independent auditor's report are attached.



Scott Ashby
CHIEF EXECUTIVE
PRIMARY INDUSTRIES AND REGIONS SA

24/ 1 / 2020

Sheep Industry Fund

Primary Industry Funding Schemes (Sheep Industry Fund) Regulations 2014

Management Plan 2018-2019 to 2022-2023



Enquiries

Casey Work

Primary Industries and Regions SA (PIRSA)

Senior Policy Officer

Biosecurity SA Strategy & Policy

33 Flemington Street Glenside SA 5065

GPO Box 1671 Adelaide SA 5001 | DX 66765

P: 08 8429 0471

E: casey.work@sa.gov.au

Objective ID: A3383254

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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 a range of reports. The data from different sources has been derived using different methodologies. For the purposes of this report, these reports have been reviewed and summarised below to demonstrate how estimates have been derived for the purpose of this management plan.

The ABS reported at the end of 2015-16 South Australia's sheep flock was estimated to be around 10.7 million head, down from 11.2 million head at 30 June 2015 (ABS Agricultural Commodities, Australia, 2015-16, Report No. 7121.0). The 2015-16 ABS data is the most recent published source of South Australian sheep flock numbers.

Since the release of the 2015-16 Agricultural Census results, the national sheep flock has been rebuilding.

The ABARES Agricultural Commodity Statistics – September Quarter 2017 report states that in 2016–17, improved seasonal conditions across Australia's major sheep-producing regions led to increased retention of breeding ewes and widespread flock rebuilding. As a result, the national flock was estimated to have increased by 5 per cent to around 71 million head by 30 June 2017.

In 2017–18, seasonal conditions have been mixed. Dry conditions in western New South Wales, eastern Victoria, Queensland and Western Australia have led to a slowing in flock rebuilding compared with last season. In contrast, conditions have been more favourable in eastern New South Wales, western Victoria and south-eastern South Australia, supporting higher rates of flock rebuilding.

For the three months to November 2017, the Bureau of Meteorology has forecast close to average conditions across eastern Australia and continued dry conditions in Western Australia. Overall spring pasture growth in 2017 is expected to be less favourable than in 2016 and as a result the rate of flock rebuilding is expected to slow. The national flock was forecast to rise by 3 per cent to around 73 million head by the end of June 2018.

Meat & Livestock Australia (MLA) agrees with the ABARES estimate that the national sheep flock increased by 5 per cent to around 71 million head by 30 June 2017. (MLA Australian sheep industry projections 2017 - August 2017 update).

Results from the June 2017 MLA and AWI (Australian Wool Innovation) wool and sheepmeat survey indicate Australian producers still have a strong intent to increase or maintain the size of their breeding ewe flock for the next 12 months. This indicates strong producer confidence, despite some fluctuations in the market of late and unfavourable seasonal conditions in many areas.

As a result, MLA projects that future growth will be more conservative than ABARES, only rising to around 72 million head by the end of June 2018.

For the purpose of this management plan, estimates are based on MLA data (currently the longest forecast available), assuming that South Australia continues to have 15-16% of the total

national sheep population during the reporting period. The estimates show that production is forecast to increase again in 2018-19 before stabilising and possibly even decrease again below 70 million in the years thereafter to the end of the 2022-23 financial year.

Industry production estimates were derived from the following reports:

- ABARES Agricultural commodity statistics – September quarter 2017
- ABS Agricultural Commodities, Australia, 2015-16, Report No. 7121.0; (1 Nov. 2017)
- MLA Australian sheep industry projections 2017 (August 2017 update).

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 (2018-19 to 2022-23)

Financial year	2018-19	2019-20	2020-21	2021-22	2022-23
Contribution rate per head of sheep or lamb	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
Estimated sheep and lamb sales (head)	6,607,440	6,469,785	6,286,245	6,332,130	6,378,015
Estimated income	\$3,634,092	\$3,558,382	\$3,457,435	\$3,482,672	\$3,507,908

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 achieve this, investment of the Fund is prioritised to maintain robust and relevant animal health programs in South Australia. These include:

- on-farm and industry biosecurity (disease management and prevention)
- addressing specific animal health issues (i.e. footrot, OJD and lice)
- disease surveillance
- livestock traceability.

Investment is also prioritised for other activities considered to contribute to a profitable and sustainable sheep industry in South Australia. These include:

- predator control
- advocacy
- communications
- skills 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 within 45 days of 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
DX 56208
Victoria Square
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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund (the fund) for the financial year ended 30 June 2019.

Qualified opinion

In my opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion' section of my report, the accompanying financial report gives a true and fair view of the financial position of the Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- 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 4.1 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 \$3 817 914 (\$3 981 058) is complete.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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

19 December 2019

**Minister for Primary Industries and Regional
Development**

South Australian Sheep Industry Fund

Financial Statements

For the year ended 30 June 2019

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Certification of Financial Statements
for the year ended 30 June 2019

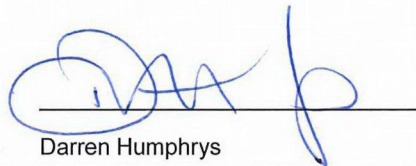
We certify that the attached general purpose financial statements for the Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund :

- 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 2019 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.



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



Darren Humphrys
Acting Chief Financial Officer
Department of Primary Industries and Regions
18 December 2019

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Expenses			
Projects	3.1	2 899 055	3 681 098
Board and committee expenses	2.3	34 335	29 314
Refund of contributions		30 252	12 803
Supplies and services	3.2	9 621	13 503
Auditor's remuneration		12 300	12 000
Total expenses		2 985 563	3 748 718
Income			
Contributions from industry	4.1	3 817 914	3 981 058
Recoveries		2 388	-
Interest		59 710	52 139
Total income		3 880 012	4 033 197
Net result		894 449	284 479
Total comprehensive result		894 449	284 479

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 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	5.1	4 491 708	3 502 251
Receivables	5.2	5 217	4 181
Total current assets		4 496 925	3 506 432
Total assets		4 496 925	3 506 432
Current liabilities			
Payables	6.1	108 844	12 800
Total current liabilities		108 844	12 800
Total liabilities		108 844	12 800
Net assets		4 388 081	3 493 632
Equity			
Retained earnings		4 388 081	3 493 632
Total equity		4 388 081	3 493 632
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 2019

	Retained earnings	Total equity
	\$	\$
Balance at 30 June 2017	3 209 153	3 209 153
Net result for 2017-18	284 479	284 479
Total comprehensive result for 2017-18	284 479	284 479
Balance at 30 June 2018	3 493 632	3 493 632
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

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 2019

	2019 (Outflows) Inflows \$	2018 (Outflows) Inflows \$
Cash flows from operating activities		
Cash outflows		
Payments for projects	(2 805 128)	(3 681 098)
Refund of contributions	(28 618)	(16 339)
Payments for board and committee expenses	(34 335)	(32 914)
Payments for supplies and services	(9 438)	(13 483)
Auditor's remuneration	(12 000)	(11 700)
Cash used in operations	(2 889 519)	(3 755 534)
Cash inflows		
Contributions from industry	3 817 914	3 981 058
Interest received	58 674	52 021
Recoveries received	2 388	-
Cash generated from operations	3 878 976	4 033 079
Net cash provided by / (used in) operating activities	989 457	277 545
Net increase / (decrease) in cash and cash equivalents	989 457	277 545
Cash and cash equivalents at the beginning of the reporting period	3 502 251	3 224 706
Cash and cash equivalents at the end of the reporting period	4 491 708	3 502 251

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 2019

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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 2019

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 2018-19 financial statements the Fund 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.

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

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 2019

2. Board, committees and employees

2.1. 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.

2.2. Board and committee members

Members during the 2018-19 financial year were:

South Australian Sheep Advisory Group

I H Rowett (Chair) (term expired 30 June 2019)
 B J Bateman (term expired 30 June 2019)
 K T Bolto (appointed 12 July 2018)
 Dr M R Carr * (term expired 30 June 2019)
 K I Dennis (deputy member) (term expired 30 June 2019)
 J I Fischer (appointed 12 July 2018)
 L S Fitzgerald * (appointed 01 July 2018) (term expired 30 June 2019)
 R E Giles (appointed 12 July 2018) (term expired 30 June 2019)
 J Kellock (appointed 12 July 2018)
 A J P MacLachlan (deputy member) (term expired 30 June 2019)
 Dr E K Spark (deputy member) (term expired 30 June 2019)
 L J Mills (appointed 12 July 2018) (term expired 30 June 2019)
 A S Pearce (term expired 30 June 2019)
 P J Schulz (deputy member) (term expired 30 June 2019)
 W L Stewart (appointed 12 July 2018)
 M M Whittlesea (deputy member) (term expired 30 June 2019)

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

Board and committee remuneration

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

	2019	2018
	\$	\$
\$0 - \$19 999	16	17
Total number of members	16	17

The total remuneration received or receivable by members was \$18 122 (\$15 511). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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 2019

2.3. Board and committee expenses

	2019	2018
	\$	\$
Mileage reimbursements	15 310	13 033
Board and committee fees and related on-costs	19 025	16 281
Total Board and committee expenses	34 335	29 314

3. Expenses

3.1. Projects

	2019	2018
	\$	\$
Footrot Control Program	703 020	705 876
Ovine Johne's Disease (OJD) Control Program	402 629	1 142 119
Livestock SA Contribution	388 203	376 896
Enhanced Abattoir Surveillance	339 730	404 192
National Livestock Identification System - Sheep	321 745	346 353
Dog Fence Board (Levy Payment)	232 780	226 000
Biteback: Dingo Removal from the SA Sheep Pastoral Zone	183 840	138 000
Sheep Lice Control Program	152 731	150 090
Administration and Executive Officer Support	60 294	59 472
Wild Dog Trapper Program	37 500	-
SheepConnect SA Communications	31 983	30 000
Livestock SA Dry Times Engagement	10 000	-
SA Sheep Expo	9 500	9 500
Farm Gross Margin Guide Update	9 000	-
Box Flat Dingo Control Contribution	5 100	5 100
Wool Tag Toolbox Sponsorship	5 000	5 000
Mid North Young Guns Improving Welfare & Health Program	5 000	-
2019 University of Adelaide National Merino Challenge Team Sponsorship	1 000	-
SA Sheep Industry Blueprint	-	60 000
One Biosecurity Coordination	-	22 500
Total projects	2 899 055	3 681 098

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

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

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

Minister for Primary Industries and Regional Development – South Australian Sheep Industry Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.2. Supplies and services

	2019	2018
	\$	\$
Administrative and operating costs ⁽¹⁾	9 621	13 483
Professional and technical services	-	20
Total supplies and services	9 621	13 503

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

4. Income

4.1. 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).

Contributions from industry have been recognised as revenue when received.

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 (DTF).

5.2. Receivables

	2019	2018
	\$	\$
Accrued interest - Department of Treasury and Finance	5 217	4 181
Total receivables	5 217	4 181

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 2019

6. Liabilities

6.1. Payables

	2019	2018
	\$	\$
Enhanced Abattoir Surveillance (EAS) Program	94 100	-
Audit fee payable to the Auditor-General's Department	12 300	12 000
Refund of contributions	1 634	-
Other payables	810	800
Total payables	108 844	12 800

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.

7. Changes in accounting policy

7.1. Treasurer's Instructions (Accounting Policy Statements)

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:

- Increasing the bands from \$10,000 to \$20,000 for board member reporting.

These changes, however, do not impact on the amounts reported in the 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 2019

7.2. AASB 9 Financial instruments

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 did not have a material impact on these financial statements.

Receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

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. 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 2019.

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.

