

Your ref: A17/190

6 November 2017

Ms Iryna Reszitnyk

Principal Audit Manager

Auditor-General's Department

Level 9 State Administration Centre

200 Victoria Square

ADELAIDE SA 5000

Dear Ms Reszitnyk,

Management representation letter

Second Hand Vehicles Compensation Fund financial statements for the year ended 30 June 2017

We make the following representation, for your audit of the financial statements of the Second Hand Vehicles Compensation Fund for the year ended 30 June 2017, having made such enquiries as we considered necessary for appropriately informing ourselves and according to the best of our knowledge and belief.

1. We have fulfilled our responsibility as set out in the terms of the engagement letter dated 8 February 2017 for the preparation of financial statements that give a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards.
2. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
 - (b) additional information that you have requested from us for the purpose of the audit
 - (c) unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and
 - (d) information regarding all legal issues and legal opinions which have the capacity to be relevant to the control environment and the fair presentation of the financial statements.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error. We have established and maintained an effective internal control structure to facilitate the preparation of reliable financial statements, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control that we are aware of.
5. We have disclosed to you all information about
 - fraud or suspected fraud involving:
 - i. management
 - ii. employees who have significant roles in internal control

- iii. others where the fraud could have a material effect on the financial statements
- allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 7. We have disclosed to you all known or suspected instances of non-compliance with laws, regulations, contracts or agreements, the effects of which should be considered when preparing the financial statements.
 8. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in line with the financial reporting framework.
 9. We believe the significant assumptions used in making accounting estimates (including estimates relating to fair value) are reasonable.
 10. All events occurring subsequent to the date of the financial statements and for which the financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
 11. There have been no changes in accounting policies or application of those policies that would have a material effect on the financial statements, except as disclosed in the financial statements.
 12. **Non-current assets**
 - (a) The entity has satisfactory title to all assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- (b) Depreciation on assets has been allocated on a systematic basis over the estimated useful lives of assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where necessary. Any resulting changes were accounted for as a change in accounting estimate.
- (c) We have considered the requirements of accounting standards when assessing whether there are indicators of impairment of assets, and in ensuring that no assets are stated in excess of their recoverable amount.
- (d) We consider the measurement methods (including related assumptions) used to determine the value of assets to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

13. Liabilities

- (a) We have recognised all liabilities in the financial statements.
- (b) We consider the measurement methods (including related assumptions) used to determine the value of liabilities to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

14. Contingent liabilities

All material contingent liabilities have been completely and adequately disclosed in the financial statements.

15. Commitments

We have disclosed all material commitments in the financial statements.

16. Related party transactions

- (a) We have disclosed to you the identity of all related parties and related party relationships and transactions of which we are aware.
- (b) We have appropriately accounted for and disclosed such relationships and transactions in line with the requirements of the financial reporting framework.

17. Uncorrected misstatements

There were no misstatements within the financial statements identified during the year.

18. Publication on a website

With respect to the publication of the audited financial report on our website, we acknowledge that:

- (a) We are responsible for the electronic publication of the audited financial report.
- (b) We will ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.
- (c) We will clearly differentiate between audited and unaudited information in the construction of the entity's website as we understand the risk of potential misrepresentation.
- (d) We have assessed the controls over the security and integrity of the data on the website and that adequate procedures are in place to ensure the integrity of the information published.
- (e) We will not present the auditor's report on the full financial report with extracts only of the full financial report.

Yours sincerely



Date: 6/11/17

Commissioner for Consumer Affairs
Consumer and Business Services
Attorney-General's Department



Date: 06.11.2017

Manager Corporate Services
Consumer and Business Services
Attorney-General's Department



Date: 6/11/17

Executive Director Finance, People and Performance
Attorney-General's Department

**SECOND HAND VEHICLES
COMPENSATION FUND**

Financial Statements

For the year ended 30 June 2017

Second Hand Vehicles Compensation Fund Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Second Hand Vehicles Compensation Fund:

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Second Hand Vehicles Compensation Fund; and
- present a true and fair view of the financial position of the Second Hand Vehicles Compensation Fund as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Second Hand Vehicles Compensation Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Dini Soulio
Commissioner
Consumer and Business Services

Date: 6/11/17



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

Date: 6/11/17



John Evangelista FCPA
Manager, Corporate Services
Consumer and Business Services

Date: 06.11.2017

Second Hand Vehicles Compensation Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Compliance and Administration	4	245	258
Claims	5	6	9
Other expenses	6	29	9
Total expenses		280	276
Income			
Contribution by licensees	7	330	310
Investment and interest revenue	8	194	185
Other income	9	19	11
Total income		543	506
Net result		263	230
Other comprehensive income			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		(70)	40
Total other comprehensive income		(70)	40
Total comprehensive result		193	270

The above statement should be read in conjunction with the accompanying notes.

Second Hand Vehicles Compensation Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	10	2 564	2 465
Receivables	11	98	74
Investments		2 262	2 118
Total current assets		4 924	4 657
Non-current assets			
Investments		1 628	1 698
Total non-current assets		1 628	1 698
Total assets		6 552	6 355
Current liabilities			
Payables	12	16	12
Total current liabilities		16	12
Total liabilities		16	12
Net assets		6 536	6 343
Equity			
Retained earnings		6 386	6 123
Investments market value reserve		150	220
Total equity		6 536	6 343
Unrecognised contractual commitments	2 (i)		
Contingent assets and liabilities	2 (i)		

The above statement should be read in conjunction with the accompanying notes.

Second Hand Vehicles Compensation Fund
Statement of Changes in Equity
for the year ended 30 June 2017

	Investments Market Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	180	5 893	6 073
Net result for 2015-16	-	230	230
Gains to be taken to equity	40	-	40
Total comprehensive result for 2015-16	40	230	270
Balance at 30 June 2016	220	6 123	6 343
Net result for 2016-17	-	263	263
Losses to be taken to equity	(70)	-	(70)
Total comprehensive result for 2016-17	(70)	263	193
Balance at 30 June 2017	150	6 386	6 536

The above statement should be read in conjunction with the accompanying notes.

Second Hand Vehicles Compensation Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Administration		(246)	(256)
Claims		(6)	(9)
Other payments		(24)	(8)
Cash used in operations		<u>(276)</u>	<u>(273)</u>
Cash inflows			
Contribution by licensees		330	310
Interest and investment receipts		26	44
Other receipts		19	1
Cash generated from operations		<u>375</u>	<u>355</u>
Net cash provided by /(used in) operating activities		<u>99</u>	<u>82</u>
Net increase/(decrease) in cash and cash equivalents		99	82
Cash and cash equivalents at the beginning of the period		<u>2 465</u>	<u>2 383</u>
Cash and cash equivalents at the end of the period	10	<u><u>2 564</u></u>	<u><u>2 465</u></u>

The above statement should be read in conjunction with the accompanying notes

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

- Note 1:** Objectives of the Second Hand Vehicles Compensation Fund
- Note 2:** Significant Accounting Policies
- Note 3:** New and revised accounting standards and policies
- Note 4:** Compliance and Administration
- Note 5:** Claims
- Note 6:** Other expenses
- Note 7:** Contribution by licensees
- Note 8:** Investment and interest revenue
- Note 9:** Other income
- Note 10:** Cash
- Note 11:** Receivables
- Note 12:** Payables
- Note 13:** Financial Risk Management/ Financial Instruments
- Note 14:** Related Party Transactions

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 1: Objectives of the Second Hand Vehicles Compensation Fund

The Second Hand Vehicles Compensation Fund (the Fund) is regulated by the *Second-hand Vehicle Dealers Act 1995* (the Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. It exists to provide compensation for persons who have a valid unsatisfied claim against a second hand motor vehicle dealer in relation to the purchase, sale or consignment of a second hand vehicle. The claim is heard by the Magistrates Court and an order for compensation will only be made if there is no reasonable prospect of recovering the amount of the claim other than from the Fund.

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

Note 2: Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are General Purpose Financial Statements which have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

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

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report.

The Fund's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

(c) Reporting Entity

The Fund is regulated by the Act and is administered by the Commissioner for Consumer Affairs. The financial statements are required by Schedule 3 of the Act and include income, expenses, assets and liabilities which the Commissioner administers on behalf of the SA Government.

(d) Comparative Information

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

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

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

(e) Rounding

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

(f) Taxation

The Fund is not subject to income tax. The Fund is liable for payroll tax, fringe benefits tax and goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the Fund is reported in the AGD Controlled Financial Statements.

(g) Current and Non-Current Classification

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

(h) Assets

Investments

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

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

As at 30 June 2017 the Fund held investments in common funds in the following proportions:

Cash	58.15%
Balanced Investments Strategy	41.85%

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

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

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

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

(h) Assets (continued)

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

Refer to Note 13 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for financial assets.

(i) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

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

The Fund has no contingent liabilities or assets.

(j) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

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

Note 3: New and revised accounting standards and policies

The Fund did not voluntarily change any of its accounting policies during 2016-2017.

Note 4: Compliance and Administration

	2017	2016
	\$'000	\$'000
Compliance and Administration expenses	245	258
Total Compliance and Administration expenses	245	258

During the year resources from the Attorney-General's Department are made available to support the operations and administration of the Fund. The estimated annual costs of these resources are paid as compliance and administration expenses.

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 5: Claims

	2017	2016
	\$'000	\$'000
Claim expenses	6	9
Total claim expenses	6	9

Claim expenses to settle valid unsatisfied claims against 1 (2016 - 2) second hand vehicle dealer(s).

Note 6: Other expenses

	2017	2016
	\$'000	\$'000
Other	21	2
Audit fees	8	7
Total other expenses	29	9

Note 7: Contribution by licensees

	2017	2016
	\$'000	\$'000
Contribution by licensees	330	310
Total Contribution by licensees	330	310

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

Note 8: Investment and interest revenue

	2017	2016
	\$'000	\$'000
Distributions from Public Trustee investments	118	96
Interest from Public Trustee investments	41	45
Interest from deposits held with the Treasurer	35	44
Total investment and interest revenue	194	185

Note 9: Other income

	2017	2016
	\$'000	\$'000
Management fee recovery	11	10
Sundry recovery	8	1
Total other income	19	11

Note 10: Cash

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	2 564	2 465
Total cash	2 564	2 465

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

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 11: Receivables

	2017	2016
	\$'000	\$'000
Accrued interest and distributions	98	74
Total receivables	98	74

Note 12: Payables

	2017	2016
	\$'000	\$'000
Accrued expenses	8	7
Creditors	8	5
Total payables	16	12

All payables are measured at their nominal amount.

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

Note 13: Financial Risk Management/ Financial Instruments

Financial risk management

Risk management is managed by the Fund's corporate services section and fund risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

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

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$3.89 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

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

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

Cash is also subject to interest rate risk.

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

Second Hand Vehicles Compensation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 13: Financial Risk Management/ Financial Instruments (continued)

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2 or in the respective financial asset/ liability note.

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

Category of financial asset and financial liabilities	Statement of Financial Position line item	Note	Carrying amount/ Fair value 2017 \$'000	Carrying amount/ Fair value 2016 \$'000
Financial assets				
Cash and cash equivalents	Cash	10	2 564	2 465
Available for sale investments	Investments		3 890	3 816
Receivables	Receivables ⁽¹⁾	11	98	74
	Total financial assets		6 552	6 355
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	12	8	5
	Total financial liabilities at cost		8	5

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. audit fees payable to the Auditor-General's Department etc.).

Note 14: Related Party Transactions

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

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

Key Management Personnel

Key management personnel of the Fund includes the Minister and the Commissioner for Consumer and Business Affairs who have responsibility for the strategic direction and management of the fund. The compensation received by the Commissioner is included in the controlled financial statements of the Attorney-General's Department at Note 30.

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

Transactions with Key Management Personnel and other related parties

There are no related party transactions.

