



**Government
of South Australia**

**OFFICE OF THE SOUTH AUSTRALIAN
PRODUCTIVITY COMMISSION
2018 - 19 Annual Report**



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To: Hon Steven Marshall MP
Premier of South Australia

This annual report will be presented to Parliament to meet the statutory reporting requirements of *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987* and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

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

Submitted on behalf of the Office of the South Australian Productivity Commission by:

Dr Matthew Butlin
CHIEF EXECUTIVE

Date 5 / 09 / 2019

Signature

A handwritten signature in black ink, appearing to read 'Matt Butlin', written in a cursive style.

From the Chief Executive

The South Australian Productivity Commission (the Commission) was established in October 2018. The core functions are to undertake public inquiries on matters referred by the Premier conduct research on key policy matters as well as advise the Premier on issues of importance to the state. The Commission has been established to provide independent, evidence-based advice in all three areas.

During the first 8 months of the existence of the Commission, a two-stage inquiry into the effectiveness and efficiency of government procurement and an inquiry into local government costs and efficiency have been the focus of the Commission's activities. The inquiry program is the core output of the Commission. Public inquiries are a sound process for making independent, well-researched and publicly tested advice and recommendations that are robust and practically designed to support improvements in efficiency and competitiveness in the South Australian economy.

During 2019-20, the Commission will complete the two current inquiries and commence two new inquiries. The Commission will formally establish its policy and research program, in consultation with the Premier, whilst continuing to promote public understanding of the objectives and functions of the Commission.

Our research program aims to develop an empirical evidence-base with which to examine South Australia's economic performance, particularly in relation to productivity. During the year, the Commission commenced a wide-ranging analysis of the state's productivity and competitiveness. The research will make it possible for the Commission to develop an independent assessment of South Australia's economic performance.

This year's work on inquiries and research has been enabled by considerable administrative effort to establish the Commission and the Office of the South Australian Productivity Commission (OSAPC) to support the Commission, including the appointment Commissioners, recruitment of staff and establishment of governance arrangements and administrative procedures of the OSAPC.

The Commission acknowledges and appreciates the contribution that business, community groups, state government agencies, local government, and the broader community have made over the past 8 months. We particularly thank all the people who have participated in the Commission's public inquiries and other activities during 2018-19.

The Commission has been impressed with the level and quality of input from stakeholders who have engaged in an active and constructive dialogue with the Commission, contributing essential ideas and evidence which enhance the quality of the Commission's advice to the South Australian Government.

Finally, I thank the Commissioners and the staff of the Office of the South Australian Productivity Commission for their efforts and strong commitment to the Commission's work.

Dr Matthew Butlin
CHIEF EXECUTIVE

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Overview: about the agency

Our strategic focus

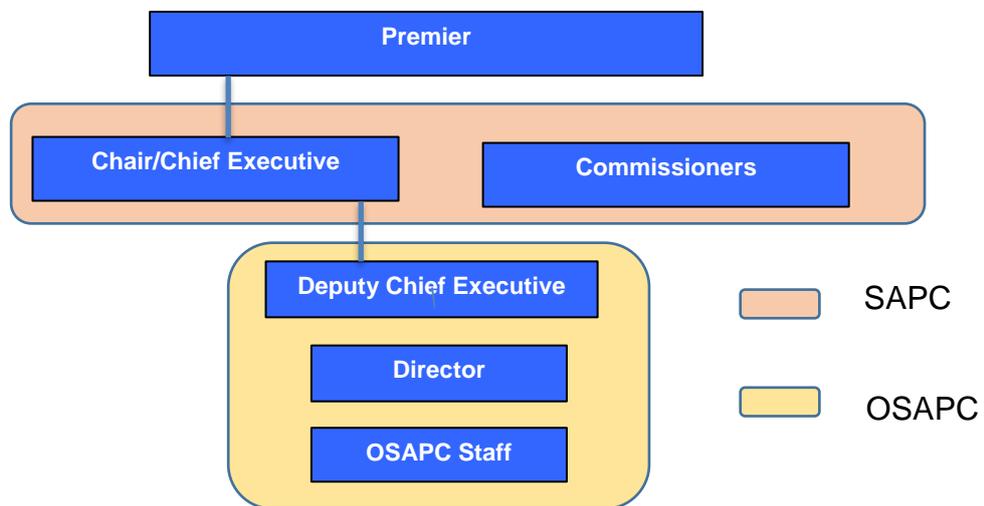
Our Purpose	To provide independent advice to the South Australian Government to facilitate productivity growth, unlock new economic opportunities, support job creation and remove regulatory barriers within South Australia.
Our Vision	Improved productivity and economic growth and higher standards of living for South Australians
Our Values	Independent, respectful, collegiate, professional and evidence-based.
Our functions, objectives and deliverables	<p>The objects of the Commission are to assist the government to:</p> <ul style="list-style-type: none"> ● improve the rate of economic growth and productivity of the South Australian economy to achieve higher living standards for South Australians; ● improve the accessibility, efficiency and quality of services delivered or funded by government; ● improve South Australia’s competitiveness for private sector investment; ● reduce the cost of regulation; ● facilitate structural economic changes whilst minimising the social and economic hardship that may result from those changes; ● take into account the interests of industries, employees, consumers and the community; ● increase employment; ● promote regional development; and ● develop South Australia in a way that is ecologically sustainable. <p>The Commission’s functions are to:</p> <ul style="list-style-type: none"> ● hold inquiries and report on matters referred by the Premier; ● provide advice on any matter referred by the Premier; ● promote public understanding of the objects of the Commission; ● conduct a policy and research program developed in consultation with the Premier; and ● perform any other function conferred on the Commission by the Premier.

Our organisational structure

The Commission is supported by the Office of the South Australian Productivity Commission (OSAPC), which was established as an ‘attached office’ to the Department of the Premier and Cabinet (DPC) under section 27 of the *Public Sector Act 2009*. As an attached office, the OSAPC is an ‘administrative unit’ and a ‘public sector agency’. The OSAPC was established on 22 October 2018.

The Chair of the Commission is also the Chief Executive of the OSAPC and is responsible to the Premier. The Commission comprises a Chair and additional Commissioners appointed by the Governor, with the advice and consent of Executive Council, pursuant to s68 of the *Constitution Act 1934*. Commissioners are appointed for a fixed term of up to three years (all of whom are eligible for re-appointment). Some appointments may be made for the duration of specific inquiries. As at June 2018, there were three Commissioners in addition to the Chair. The Commission is not a body corporate or legal entity in its own right.

The OSAPC organisational structure is presented below.



Changes to the agency

During 2018-19 the staff of the Simpler Regulation Unit of the Department of Treasury and Finance were transferred to the OSAPC as part of the establishment of the office.

The OSAPC and its employees are subject to sector-wide government policies and the general provisions of the *Public Sector Act 2009* and codes of conduct. That said, every reasonable effort and decision is made to support the SAPC’s independent role and standing.

Our Minister

The OSAPC reports to the Premier, the Honourable Steven Marshall MP being the Minister also responsible for the Commission.

Our Executive team

Dr Matthew Butlin, Chair of the Commission and Chief Executive of the OSAPC.

Responsible for determining the strategic direction of the Commission in consultation with the Premier, establishing the forward work program for the OSAPC, leading specific inquiries, recruitment of Commissioners and any other matters relevant to the operation of the OSAPC.

Ms Christine Bierbaum, Deputy Chief Executive

Responsible for supporting development and implementation of the strategic direction and management of the OSAPC, as well as leading specific inquiries and research programs.

Mr Gerard MacDonald, Director

Responsible for leading specific inquiries and research programs.

Legislation administered by the agency

The following legislation applies to the operations of the office:

- *Public Sector Act 2009*
- *Public Sector (Honesty and Accountability) Act 1995 [except section 8 dealing with conflicts of interest]*
- *Freedom of Information Act 1991*
- *State Records Act 1997*
- *Independent Commissioner Against Corruption Act 2012*
- *Work Health and Safety Act 2012*
- *Public Finance and Audit Act 1987* and
- *State Procurement Act 2004.*

The agency’s performance

Performance at a glance

The OSAPC prepares and updates annually a three-year strategic plan which sets out the priorities for public inquiries and research reports.

The strategic plan is used to guide the SAPC forward work program and is used to develop the annual budget and the annual report. The forward work program is prepared through an iterative process involving advice and strategic direction from Commissioners, discussions with state government agencies and external stakeholders and consultation with the Premier.

The Commission contributes to the aim of increasing South Australia’s productivity, competitiveness and economic growth by advising the government on how it can improve policies and programs supporting the development of the state.

Performance of the Commission and the OSAPC are measured against:

- quality of output and results;
- customer satisfaction, stakeholder feedback;
- timeliness, effectiveness and efficiency; and
- compliance with across government obligations (such as financial compliance, Treasurer’s Instructions, Premier and Cabinet Circulars).

The OSAPC has developed a governance framework for the Commission and the office. The office adheres to DPC internal policies in such areas as finance, procurement, HR, WHS, ICT and risk and audit. The office has developed its own protocol for the public release of SAPC documents and associated communications for inquiries. The Commission has adopted its own specific policy on conflict of interest.

Agency contribution to whole of Government objectives

The Commission operates independently and provides expert, impartial advice that is evidence based and open to public scrutiny.

Key objective	Agency’s contribution
Productivity growth	Productivity and competitiveness research
Improve services and lower cost of living	Inquiry into local government cost and efficiency.
Remove regulatory barriers to growth	Inquiry into government procurement – stage 1 Inquiry into government procurement – stage 2

Agency specific objectives and performance

In the table below, baselines for performance measures are presented. Quality is measured by a service provision rating from the Commissioners; this measure rates the quality of the office's output. The office will publish, in future annual reports, performance against these baseline measures.

Performance Measures	Unit of Measure	Target	Result 2018-19
Quantity			
Public inquiries	no.	2	2
Research projects	no.	1	1
Quality			
Stakeholder feedback	%	80	_ ^a
Service provision rating (Commissioner rating) ^b	%	90	_ ^a
Timeliness			
Complete inquiry reports by the due date	%	100	_ ^a
Compliance			
Compliance with government policies and guidelines	%	100	_ ^a

^a Due to the operation of the Commission being less than a full financial year, it is not possible to provide an accurate measure. Performance against this measure will be published in future annual reports.

^b This is a subjective assessment by the Commission of the quality of services provided by the OSAPC.

Future annual reports will also contain a description and evaluation of the outcomes of each inquiry, including acceptance of recommendations by the government, along with a qualitative assessment of the impact of accepted recommendations on policy and other outcomes.

Inquiries

Introduction

Inquiries are authorised by terms of reference from the Premier to the Chair, setting out the issue(s) to be examined, the inquiry process to be followed and the timelines for key outputs such as draft and final reports.

Inquiries are headed by a panel of two or three Commissioners depending on workloads and complexity of the inquiry, with one Commissioner being designated by the Chair as the Presiding Commissioner. The inquiry process typically involves extensive public consultation with individuals, businesses, interest groups, and government departments and agencies.

In addressing terms of reference, the Commission starts by clarifying the scope of the inquiry and identifying high priority areas for evaluation. Several considerations typically are relevant, such as the policy frameworks (including intergovernmental arrangements), legislation and regulation, applying the Commission's obligation to

improve community-wide net benefit, and understanding key technical issues. These considerations, and the Commission's initial view of the critical issues for the inquiry, are set out in an issues paper published to test with stakeholders.

The robustness of the Commission's final advice depends heavily on effective engagement and consultation with stakeholders in addition to the Commission's independent analysis and research. The extent of consultation depends on the breadth of stakeholders and the range of evidence and views presented to the Commission. Completing an inquiry in a defined period to a high level of robustness can be challenging unless the subject is tightly defined, specific skills are available, and the consultation is targeted.

Inquiry into government procurement – stage 1

The Commission was tasked to evaluate the effectiveness and efficiency of State Government policies and practices for the procurement of goods and services. It was also asked to identify options to improve procurement practices and their impacts on local industry, noting concerns expressed by small and medium businesses (SMEs) about the cost of, and time expended, in tendering for procurement opportunities.

Terms of reference

In evaluating the effectiveness and efficiency of policies and practices in procurement the Commission should:

- consider the time and costs to business associated with procurement with comparisons of South Australia to other jurisdictions;
- assess the level of compliance by public authorities with government procurement policies, guidelines, principles, standards and directions;
- consider the appropriateness of procurement governance and reporting arrangements;
- evaluate the effectiveness of the Industry Participation Policy;
- examine the risk management framework used by public authorities to evaluate supplier bids and specifically whether it is appropriate to the value of the procurement;
- consider examples of contemporary procurement policies and practices from interstate, overseas and the private sector; and
- provide recommendations on action the government should take to improve the effectiveness and efficiency of policies and practices for procurement of goods and services.

On 15 February 2019, the government expanded the scope of the inquiry to include capital spending and prescribed public authorities. Accordingly, the inquiry was divided into two stages. Stage 1 addressed the inquiry's original scope with a draft report published on 25 March 2019 and the final report delivered on 17 May 2019 in accordance with the initial terms of reference.

Final report – stage 1

Stage 1 of the inquiry into government procurement addressed the purchase of goods and services other than by prescribed agencies or for the purposes of construction.

The Commission found that while South Australia's government procurement system serves the state reasonably well, the capacity to drive the whole-of-government system with authority, accountability and human resources is very limited. Overall, the Commission considers the system is prescriptive, unnecessarily risk averse, and lacks transparency and guidance in key areas. The Commission has proposed laying some important foundations to lift the capacity to drive the system including streamlining the approval process, reforming the system-level reporting by agencies on procurement and central collection of data and developing a strategy for capability development in procurement across government.

In addition, the Commission recommended actions to address some key gaps, including providing practical guidance to procurement staff on how to apply value for money and improving the quality and quantity of market information to government agencies about local business capabilities, especially SMEs and better information about procurement opportunities.

The South Australian Government released its response to the Commission's final report on Friday, 9 August 2019. The government supported 28 of the Commission's 30 recommendations in full and supported the remaining two in part.

Inquiry into government procurement – stage 2

The second stage of the inquiry will complete the examination of the full procurement system and address some key matters that require a system-level perspective including the architecture of the system, institutional arrangements and some matters especially pertinent to construction.

Terms of reference

The inquiry now includes government procurement for capital projects in addition to the procurement of goods and services. All public authorities subject to the State Procurement Act 2004 continue to be in scope. Applicable prescribed public authorities, as listed in Schedule 1 of the State Procurement Regulations 2005, are also now in scope.

As a result, the Commission will address the existing terms of reference from the first stage of the inquiry from the perspective of capital procurement and all procurement by prescribed public authorities. The expanded terms of reference will consider the appropriateness of procurement governance and reporting arrangements including procurement under a public private partnership arrangement.

In stage 2 of the inquiry, the Commission will consult with a cross section of businesses operating in South Australia, the Small Business Commissioner, Industry Advocate, State Procurement Board, key business associations and industry representation (including unions), as part of the public engagement process. Engagement will also occur with the Public Works Committee of Parliament.

The Commission is to provide a separate report on stage 2 of this inquiry relating to capital procurement and procurement by prescribed public authorities, with a draft report to be provided during August 2019 and the final report in late 2019.

Inquiry into local government cost and efficiency

The inquiry into trends of local government costs and efficiency commenced on 31 May 2019.

In this inquiry, the Commission will analyse the components of the local government cost base and how this base varies across councils and over time. The Commission will identify the drivers of change in council costs. To assist in this task, the Commission will use measures of relative efficiency (which involves comparing a council's efficiency relative to similar councils).

The Commission will engage with local councils and experts in efficiency measurement to develop the most appropriate methodology. Analysis of an objective evidence base and expert advice and opinion from key stakeholders will be used by the Commission to develop advice on options to reduce growth in costs and improve council efficiency and financial accountability.

Terms of reference

The genesis of this inquiry was the development of a reform plan by the Minister for Local Government to improve council efficiency and effectiveness and restore confidence in council decision making. The reform elements address:

- stronger council member capacity and better conduct;
- efficient and transparent local government representation;
- lowering costs and enhanced financial accountability in the local government sector; and
- simpler regulation.

In referring this inquiry to the Commission, the South Australian Government is seeking independent advice on the third element regarding cost and financial accountability.

The Commission is asked to consider and report on the following matters regarding local government costs and efficiency:

- analysis of the information on local government costs and the key drivers of costs;
- development and analysis of measures of local government efficiency and productivity;
- identification of mechanisms and indicators to measure the local government sector and improve performance over time;
- consideration of recent reforms in South Australia and other jurisdictions to policy, governance and management practices in the local government sector and their potential to improve council performance;
- provision of advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions to rate payers; and

- provision of recommendations on actions the South Australian Government could take to lower local government costs and enhance local government financial accountability.

The inquiry will involve state-wide consultation with councils, community groups and relevant professionals in the public, private and professional bodies as part of the public engagement process.

The Commission is to provide a draft report during August 2019 and will deliver a final report to the Premier by 22 November 2019.

Research program

In order to achieve its objectives, the Commission undertakes a number of interrelated functions, including maintaining, in consultation with the Premier, a research program that aims to develop an empirical evidence-base with which to examine South Australia's economic performance.

Productivity and competitiveness

As a major aspect of its current research program, the Commission is undertaking a wide-ranging analysis of the state's productivity and competitiveness. In particular, the project will make it possible for the Commission to develop an independent assessment of the state's economic performance, particularly in relation to productivity.

The project will develop an analytically rigorous perspective on the State's economic performance over the last 10 to 20 years. The development of an 'in-house' understanding of the state's most significant areas of economic strength and weakness will also act as an analytical foundation for the Commission's work program, including in relation to future inquiries referred to it by the Premier. A comprehensive suite of baseline measures will help inform decisions on reform priorities and policy initiatives to improve South Australia's relative position and lift economic growth.

In order to facilitate analytically meaningful comparisons, the Commission is developing a variety of benchmark indicators with which to examine the long-term trends affecting the state's competitiveness and productivity. The project, which will be published as a paper on the Commission's website, will present the Commission's key findings on the factors affecting South Australia's competitiveness, both adversely and positively, and will also present the Commission's perspective on the state's competitive advantages in major industries.

Research and development

In addition to its work on competitiveness, the Commission has commenced research on the state's overall R&D performance, with an emphasis on analysing the relationship between R&D activity, productivity and economic growth.

The research is focussed, in particular, on understanding the association between the spillover effects created by R&D activity and economic growth. The Commission's work aims to develop an empirical evidence base with which to assess how the state

government can assist the R&D sector to develop advanced knowledge capabilities and encourage the diffusion of new ideas. These types of spillovers generally arise from research undertaken in universities, businesses and public sector research agencies.

As part of its analysis of the contribution that R&D makes to economic growth, the Commission has begun examining the state's recent R&D performance. It has also commenced the task of determining appropriate indicators of R&D inputs, outputs and innovation performance in South Australia. This work is intended to facilitate a data-driven analysis at the state level, including regions within the state, and shed further light on patterns of R&D activity in South Australia.

Promoting public understanding of the objectives of the Commission

One of the key functions of the Commission is to promote public understanding of the objectives of the Commission. The Commission achieves greater understanding of public policy issues affecting South Australia by engaging with a range of interested stakeholders during its inquiries and by engaging directly with key stakeholders on a regular basis to ensure regular dialogue and exchange of information.

The Commission encourages participation in, and raise awareness of, its inquiries by disseminating issues papers when a new inquiry commences, holding roundtable meetings or workshops to facilitate debate on key issues and publishing draft and final reports, and inquiry-related research papers.

The Commission is committed to engaging frequently, openly and meaningfully with all relevant stakeholders to encourage their contribution by using flexible approaches and appropriate forms of communication. The Chair met regularly with chief executives of government agencies, businesses and industry associations and other external stakeholders during 2018-19.

The Commission also established the economic roundtable, a forum of eminent South Australian business leaders, academics and public service leaders for discussing a range of economic, social and environmental issues affecting the welfare of South Australians.

The roundtable provides a forum to discuss matters affecting South Australia's economic development, productivity and competitiveness and assists the Commission to meet its objectives. The conversations are expected to provide diverse insights and intelligence on these matters. At its first meeting on 30 July 2019 the roundtable discussed South Australia's research and development and directions for increasing its contribution to South Australia's productivity.

The Chair makes public addresses from time to time on the objectives and work of the Commission. In the eight months to 30 June 2019 they included speeches and presentations to the South Australian Centre for Economic Studies, Business SA, Master Builders Association, the Civil Contractors Federation, the Local Government Association, South Australian Council for Social Services and the SA Unions. The engagement strategy of the Commission also includes delivering or hosting seminars, presentations or workshops, such as that by Victoria's Cross Border Commissioner, to raise awareness of economic policy issues and the importance of productivity growth to the South Australian economy.

Corporate performance summary

Employment opportunity programs

Program name	Performance
Aboriginal and Torrens Strait Islander employment	As at 30 June 2019, 304 Aboriginal and Torres Strait Islander candidates were registered on the employment pools across all classification levels. Candidates from the pool can be referred for any vacancies in OSAPC.

Agency performance management and development systems

Performance management and development system	Performance
DPC/DTF Our Development Plan	As at June 2018, five of twelve ongoing staff members have created their personal Development Plans (PDP's).

Work health, safety and return to work programs

No OSAPC staff have participated in any work health, safety and return to work programs to date.

Program name	Performance
DPC's Injury and Workers Compensation Program	The OSAPC aligns its activities to DPC's work health and safety program and performance measures which is aligned with government safety performance targets and these have been achieved.
Wellbeing Program	Mental health wellbeing program actively supported by nominated staff member.

Executive employment in the agency

Executive classification	Number of executives
EXCOF	1
SAES 1	1
SAES 2	1
Total	3

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2018-19 are attached to this report.

Statement of Comprehensive Income	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Expenses	1475	1387	88	-
Revenues	-	-	-	-
Net cost of providing services	-	-	-	-
Net Revenue from SA Government	1475	1475	-	-
Net result		88		
Total Comprehensive Result	-	-	-	-

Statement of Financial Position	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Current assets	-	337	-	-
Non-current assets	-	0	-	-
Total assets	-	337	-	-
Current liabilities	-	252	-	-
Non-current liabilities	-	250	-	-
Total liabilities	-	502	-	-
Net assets	-	(165)	-	-
Equity	-	(165)	-	-

Consultants disclosure

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

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

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$7,788

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

Consultancies	Purpose	\$ Actual payment
Economic Insights Pty Ltd	Conducted specialist modelling to inform the local government inquiry	\$22,000
	Total	\$22,000

Contractors disclosure

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

Contractors with a contract value below \$10,000

The OSAPC did not engage any external contractors during 2018-19.

Contractors with a contract value above \$10,000

The OSAPC did not engage any external contractors during 2018-19.

Risk management

Risk and audit at a glance

The OSAPC adheres to relevant DPC policies. It also receives risk and audit services from DPC, under a service level agreement, in the areas of planning, risk management and internal audit, financial management compliance and business continuity management.

Following advice from the Auditor-General's Department, OSAPC has not established a risk and audit committee and instead has risk and audit as a standing agenda item at its monthly executive meetings. OSAPC has developed registers for operational and strategic risks, including treatments to mitigate these risks. These registers are reviewed regularly at the monthly executive meeting.

Fraud detected in the agency

OSAPC has not identified any instances of actual, suspected or alleged fraud during 2018-19.

Strategies implemented to control and prevent fraud

The OSAPC adheres to relevant DPC processes and guidelines for preventing, detecting and responding to the risks of fraud. The relevant documents are the DPC Corruption and Maladministration Policy and the DPC Corruption and Maladministration Strategy, which are consistent with the across government Fraud and Corruption Policy issued by the Commissioner for Public Sector Employment. Processes are in place for recording, analysing, reporting and escalating fraud and corruption loss events and control failures.

The OSAPC induction process ensures that all new employees and Commissioners are made aware of the Code of Ethics for the South Australian Public Sector and the Corruption and Maladministration Policy. This policy clearly stipulates a zero-tolerance position in respect to fraud and corruption. All staff are also required to complete an online Fraud and Corruption Awareness course within six months of commencement.

Whistle-blowers disclosure

There have been no occasions during 2018-19 on which public interest information has been disclosed to a responsible officer of the OSAPC under the *Whistleblowers Protection Act 1993*.

Public complaints

Number of public complaints reported (as required by the Ombudsman)

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

Appendix: Audited financial statements 2018-19



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INDEPENDENT AUDITOR'S REPORT

To the Acting Chief Executive Office of the South Australian Productivity Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Office of the South Australian Productivity Commission for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the South Australian Productivity Commission 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 Acting Chief Executive

Basis for opinion

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

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

Responsibilities of the 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

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

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

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

25 September 2019

Office of the South Australian Productivity Commission

Financial Statements

For the year ended 30 June 2019

Office of the South Australian Productivity Commission
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Office of the South Australian Productivity Commission:

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office of the South Australian Productivity Commission; and
- present a true and fair view of the financial position of the Office of the South Australian Productivity Commission as at 30 June 2019 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Office of the South Australian Productivity Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Christine Bierbaum
Acting Chief Executive

24 September 2019

Office of the South Australian Productivity Commission
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000
Expenses		
Employee benefits expenses	2.2	1 195
Supplies and services	3.1	<u>192</u>
Total expenses		<u>1 387</u>
Net cost of providing services		<u>1 387</u>
Revenues from SA Government		
Revenues from SA Government	4.1	<u>1 475</u>
Total revenues from SA Government		<u>1 475</u>
Net result		<u>88</u>
Total comprehensive result		<u>88</u>

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

Office of the South Australian Productivity Commission
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000
Current assets		
Cash and cash equivalents	5.1	337
Total current assets		<u>337</u>
Total assets		<u>337</u>
Current liabilities		
Payables	6.1	100
Employee benefits	2.3	150
Provisions	6.2	2
Total current liabilities		<u>252</u>
Non-current liabilities		
Payables	6.1	21
Employee benefits	2.3	226
Provisions	6.2	3
Total non-current liabilities		<u>250</u>
Total liabilities		<u>502</u>
Net assets		<u>(165)</u>
Equity		
Retained earnings		<u>(165)</u>
Total equity		<u>(165)</u>

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

Office of the South Australian Productivity Commission
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 1 July 2018	<u>-</u>	<u>-</u>
Net result for 2018-19	88	88
Total comprehensive result for 2018-19	<u>88</u>	<u>88</u>
Net assets transferred as a result of an administrative restructure	(253)	(253)
Balance at 30 June 2019	<u><u>(165)</u></u>	<u><u>(165)</u></u>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Office of the South Australian Productivity Commission
Statement of Cash Flows
for the year ended 30 June 2019

		2019
		(Outflows)
		Inflows
	Note	\$'000
Cash flows from operating activities		
<i>Cash outflows</i>		
Employee benefits payments		(1011)
Payments for supplies and services		(127)
Cash used in operations		<u>(1 138)</u>
<i>Cash inflows</i>		
Cash flows from SA Government		
Receipts from SA Government		1 475
Cash generated from SA Government		<u>1 475</u>
Net cash provided by operating activities		<u>337</u>
Net increase in cash		<u>337</u>
Cash at the beginning of the period		<u>-</u>
Cash at the end of the period	5.1	<u><u>337</u></u>

The accompanying notes form part of these financial statements.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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Office of the South Australian Productivity Commission

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

1. About the Office of the South Australian Productivity Commission

The Office of the South Australian Productivity Commission (OSAPC) is an attached office of the Department of the Premier and Cabinet which came into operation on 22 October 2018, pursuant to the *Public Sector Act 2009*. The OSAPC is an administrative unit acting on behalf of the Crown.

The OSAPC provides independent recommendations to improve the rate of economic growth and productivity of the South Australian economy through extensive inquiry processes.

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.

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.

1.2. Objectives

The OSAPC has been established to examine and make recommendations on matters referred to it by government that facilitate productivity growth, unlock new economic opportunities, support job creation and remove existing regulatory barriers within South Australia.

1.3. Establishment and changes to the office

As a result of administrative arrangements outlined in the Public Sector (Office of the South Australian Productivity Commission) Notice 2018, the employees of the business unit known as the Simpler Regulation Unit within the Department of Treasury and Finance transferred to the Office of the South Australian Productivity Commission. The following liabilities were transferred in from 27 October 2018.

	\$'000
Payables	30
Employee benefits	186
Provisions	37
Total liabilities	253
Total net assets (liabilities) transferred	(253)

Office of the South Australian Productivity Commission
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 OSAPC include the Premier, Chief Executive and the Executive team, who have responsibility for the strategic direction and management of the OSAPC.

Total compensation for key management personnel was \$0.403 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Premier and Ministers receive. The Premier's and Ministers' 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*.

	2019
	\$'000
Compensation	
Salaries and other short term employee benefits	368
Post-employment benefits	35
Total	403

Transactions with key management personnel and other related parties

There were no significant related party transactions based on initial assessment.

2.2. Employee benefits expenses

	2019
	\$'000
Salaries and wages	765
Long service leave	118
Annual leave	78
Skills and experience retention leave	3
Employment on-costs - superannuation	197
Employment on-costs - other	56
Reduction in workers compensation	(33)
Other employee related expenses	11
Total employee benefits expenses	1 195

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the Office's contributions to superannuation plans in respect of current services of current employees.

Executive remuneration

Due to the commencement of operations of the Office of the SA Productivity Commission on 22 October 2018, no employee received remuneration equal to or greater than the base executive remuneration level during the year.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2.3. Employee benefits liability

	2019 \$'000
Current	
Accrued salaries and wages	31
Annual leave	93
Long service leave	23
Skills and experience retention leave	3
Total current employee benefits	<u>150</u>
Non-current	
Long service leave	226
Total non-current employee benefits	<u>226</u>
Total employee benefits	<u><u>376</u></u>

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

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

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

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 10.1.

3. Expenses

Employee benefits expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019 \$'000
IT and computing charges	32
Accommodation	11
Temporary staff	12
General administration and consumables	17
Promotion and marketing	4
Consultants	20
Intra government transfer	81
Other	15
Total supplies and services	<u><u>192</u></u>

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.1. Supplies and services (continued)

Consultants

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

	No.	2019 \$'000
\$10 000 or above	1	20
Total consultants	1	20

4. Income

4.1. Net revenues from SA Government

	2019 \$'000
Revenues from SA Government	
Intra government transfers	1 475
Net revenues from SA Government	1 475

5. Financial assets

5.1. Cash

	2019 \$'000
Deposits with the Treasurer	337
Total cash	337

Deposits with the Treasurer

The Office has a general operating account with the Treasurer. The OSAPC does not earn interest on its deposits with the Treasurer.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

6. Liabilities

6.1. Payables

	2019 \$'000
Current	
Trade payables	2
Accrued expenses	76
Employment on-costs	22
Total current payables	<u>100</u>
Non-current	
Employment on-costs	21
Total non-current payables	<u>21</u>
Total payables	<u><u>121</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has been assessed as 41% and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8%. These rates are used in the employment on-cost calculation.

6.2. Provisions

	2019 \$'000
Current	
Provision for workers compensation	2
Total current provisions	<u>2</u>
Non-current	
Provision for workers compensation	3
Total non-current provisions	<u>3</u>
Total provisions	<u><u>5</u></u>

	2019 \$'000
Provision for workers compensation movement	
Net transfer from administrative restructures	37
(Decrease) in provision recognised	(32)
Carrying amount at the end of the period	<u>5</u>

Provision for workers compensation

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

6.2. Provisions (continued)

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

The office is responsible for the payment of workers compensation claims.

7. Other disclosures

7.1. Cash flow

Cash flows are included in the Statement of Cash Flows are exclusive of GST. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows of the Department of the Premier and Cabinet, not OSAPC.

8. Changes in accounting policy

8.1. 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.

9. Outlook

9.1. Unrecognised contractual commitments

Expenditure commitments

	2019
	\$'000
Within one year	30
Total expenditure commitments	30

The Office expenditure commitment relates to inquiry into Local Government Costs and Efficiency.

9.2. Contingent assets and liabilities

The Office is not aware of any contingent assets or liabilities as at 30 June 2019.

Office of the South Australian Productivity Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

9.3. Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

10. Measurement and risk

10.1. Long service leave liability – measurement

AASB 119 Employee Benefits contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service.

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

The actuarial assessment performed by the Department of Treasury and Finance applied a salary inflation rate of 4% for long service leave liability.

The non-current portion of long service leave reflects the estimate of leave to be taken in greater than 12 months.

For more information

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