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2019

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019



RURAL BUSINESS DEVELOPMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Rural Business Development Corporation

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Photography by Peter Maloney, Department of Primary Industries and Regional Development.



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STATEMENT OF COMPLIANCE


For year ended 30 June 2019

HON ALANNAH MACTIERNAN


MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Rural Business Development Corporation for the reporting period ended 30 June 2019.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Rural Business Development Corporation Act 2000*.



Andrew Clark
Chairman Rural Business Development Corporation
Date: 1/8/2019.



David Williams
Director Rural Business Development Corporation
Date: 1/8/2019.

OVERVIEW OF THE AGENCY ABOUT THE RBDC

The Rural Business Development Corporation (RBDC) is an independent statutory authority of the Government of Western Australia (WA), established in 2000 under the *Rural Business Development Corporation Act 2000* (RBDC Act). The RBDC Act preserved and continued the body corporate established by the *Rural Adjustment and Finance Corporation Act 1993*.

What we do

The role of the RBDC is to properly and fairly administer approved assistance schemes for the rural sector on behalf of the WA Government and deliver services for the benefit of rural industry.

This is achieved by providing advice, guidance and support that will help the sector to be sustainable from an economic, social and environmental perspective.

The RBDC works directly with primary producers, fishers and foresters, and liaises with industry organisations to ensure evidence supports its advice and actions.

Through these and other avenues, the RBDC raises awareness of the importance of viable primary production and small businesses in rural and regional WA and encourages ongoing economic growth and cohesive communities.



Responsible minister

At 30 June 2019, the Honourable Alannah MacTiernan MLC, Minister for Regional Development; Agriculture and Food, has responsibility for the RBDC.

Enabling legislation

The *Rural Business Development Corporation Act 2000* makes provision for the establishment of the RBDC Board and Chief Executive Officer.

Our strategic intent

VISION		
The Rural Business Development Corporation contributes to a strong primary industries sector for Western Australia.		
MISSION		
Provide trusted independent advice and governance to the WA government for investment in and support of primary industries.		
OBJECTIVES		
<ol style="list-style-type: none"> 1. Improve the long-term profitability and viability of primary industries and businesses. 2. Administer, develop and evaluate the functions of the RBDC under the objectives of the Act. (Industry relevance, innovation, governance.) 3. Provide evidence-based advice to inform policy that supports growth of primary industries and regional development. (Commission research, acceptance/adoption of policy recommendations and scheme uptake.) 		
STRATEGIES		
1. Provide governance, develop and manage primary industry schemes of assistance for economic development.	2. Inform government investment for growth in primary industry and regional development.	3. Research to inform policy development.

EXECUTIVE SUMMARY

CHAIRMAN'S OVERVIEW



On behalf of the Rural Business Development Corporations (RBDC) Board, it is my pleasure to introduce this year's annual report, detailing how the Corporation is remaining adaptive and responsive in meeting the needs of Western Australian farming and fishing businesses, their families and the rural communities and small businesses that support the sector.

The State's public sector continues to work through a period of review and consolidation, and this has empowered the Corporation to review its strategic direction and innovate our approach to designing and delivering schemes of assistance that support rural and regional Western Australians.

The ongoing challenges facing some farming sectors in the Eastern parts of Australia saw the Prime Minister convene a National Drought Summit in October 2018 and establish the Joint Agency Drought Taskforce to develop a new national drought policy. The RBDC worked with the Joint Agency Drought Taskforce to ensure the policy framework was applicable to the different climatic zones across Australia and the many different types of farming and fishing that occur. Western Australia is unique as our farming and fishing sectors extend from the Southern Ocean temperate zone to the Timor Sea tropics, while also encompassing the Indian Ocean Mediterranean zone and extending to the dry inland desert region.

During the past year there has been a significant shift in community expectation and understanding in relation to the commercial financial sector, animal welfare and environmental sustainability. These are all issues that farming, fishing and industry support businesses are increasingly exposed to and are likely to need some help with, if they are to manage them effectively and maintain a profitable and viable business. Identifying the opportunities that may arise from the issues are equally important, such as the broader availability of carbon farming initiatives.

While the external operating environment has continued to change, the RBDC has remained efficient and effective, delivering the best and most appropriate outcomes for the

Government's investment, in a rapidly changing operating environment.

The RBDC has continued to strengthen partnerships and collaborations with State Government agencies, Australian Government agencies and the Not-for Profit sector. Our collaboration with the Small Business Development Corporation to deliver the only early intervention farm debt mediation model in Australia has resulted in very few forced farm sales in Western Australia compared to other States and Territories.

Similarly, our close working relationship with the Rural Financial Counselling Service of Western Australia (RFCSWA) has meant the RBDC was able to quickly support an equivalent free financial counselling service for the small community businesses that suffer financially when farm businesses reduce their spending during dry seasons. Supporting these small businesses is essential in helping to maintain the social fabric within these rural and regional communities.

I would like to acknowledge the staff and resources provided by the Department of Primary Industries and Regional Development and the continued hard work and dedication to the sector. This contribution is appreciated and the Board looks forward to continuing our close working relationship so that farm and fishing families and rural communities continue to adapt and prosper throughout Western Australia.

I also recognise and thank all members of the Board for their interest and commitment over the past year. They continue to provide trusted, independent advice to the Minister and Government, and they are ready to develop, design and implement initiatives that will ensure Western Australia continues to have a dynamic and sustainable rural sector.

Andrew Clark
Chair

OPERATIONAL STRUCTURE

RBDC BOARD

The RBDC is governed by an independent Board, drawn from the private sector under the auspices of the RBDC Act.

Directorship as at 30 June 2019.



Andrew Clark (Chairman)

Andrew brings over a quarter of a century of financial and banking experience to the RBDC. Having grown up in a family farming business in the central wheatbelt of WA, Andrew went on to study Agricultural Business and Commerce before entering the world of banking. He is passionate and tenacious in his commitment to farming and regional businesses across WA and continues to volunteer his time to many Boards and Committees, including a number focused on the wellbeing of people living and working in regional WA.



David Williams (Director)

David is a managing partner in BJW Agribusiness (formerly Bedbrook Johnson Williams), a leading provider of agricultural management services to progressive farmers in Western Australia. David is a professional with expert knowledge and broad experience in farm business management and agronomy. David is the Chair of the RBDC Internal Audit and Risk Committee, is an active member of the Australian Association of Agricultural Consultants (WA) and is a Professional Member of the Australian Institute of Management.



Amanda McLean (Director)

Amanda is an experienced and successful farm business owner and managing partner of an agricultural consulting business. She spent a number of years working as a Rural Financial Counsellor in the Central agricultural region, using her expertise in finance and farm business management to assist farm businesses in financial stress.

Tara Chambers (Director)

Tara was appointed to the Board on 10 June 2019, bringing expertise in finance and business law to the Board. Tara works in community banking in the eastern parts of the wheatbelt and is an active member of the community. She is currently the Treasurer of the Wheatbelt Business Network Inc and a Committee member of Girl Guides Western Australia Finance Committee.

Natalie Purdy (Director)

Natalie was appointed to the Board on 10 June 2019, bringing a range of experience and skill developed while working in local government and the banking sector. For the past decade Natalie has worked in banking in regional WA. She is also a member of the GRDC Regional Cropping Solutions Network for Kwinana East Zone and Agricultural Wheatbelt Women's East Board Member.

Leon Ryan and Stephanie Carstairs resigned as Directors effective 25 January 2019, serving 8 and 3 years respectively on the Board.

ORGANISATIONAL STRUCTURE

RBDC OPERATIONS



Ralph Addis (CEO)

Ralph was appointed Chief Executive Officer (CEO) of the RBDC upon his appointment as the current Director General of the Department of Primary Industries and Regional Development (DPIRD). Ralph was formerly Director General of the Department of Regional Development and in this capacity delivered reforms across the portfolio and the Royalties for Regions program. He has a natural affinity for regional WA having grown up on a farm at Cranbrook and spent much of his career in Aboriginal development in the East Kimberley, where he contributed to significant innovation in housing, jobs and training, and welfare reform. Ralph was chairman of the Kimberley Development Commission and has held a range of commercial, not-for-profit and local government board positions. Ralph is a Chartered Accountant, holds a Master of Economic Studies and is a graduate member of the Australian Institute of Company Directors.

The CEO of the RBDC is responsible for administering the day to day operations. Historically the Director General and Chief Finance Officer (CFO) of the appropriate public sector agency have been appointed the CEO and CFO of the RBDC under Section 9 of the Rural Business Development Corporation Act 2000.

The services of the RBDC are delivered by DPIRD under agreement with the Board. DPIRD provides the resources, including appropriately skilled staff, that are necessary for the RBDC to fulfill its role and function. DPIRD is responsible for the personal and professional development of its staff as the employer, and will meet annual reporting requirements in relation to all services it provides to the Corporation.

This includes compliance with the range of key legislation applicable to the public sector and public officers.

ORGANISATIONAL NEW STRUCTURE

MINISTER Hon Alannah MacTiernan

CHAIR Andrew Clark

DIRECTORS David Williams Amanda McLean Natalie Purdy Tara Chambers

Terms of appointment remuneration

NAME	GENDER	POSITION ON BOARD	REMUNERATION \$ AMOUNT P.A.	SECTION OF ACT	FIRST APPOINTMENT DATE	TERM OF APPOINTMENT (COMMENCING & EXPIRING)	
Andrew CLARK	Male	Chairman	\$32,432.00	Section 12	25/01/17	25/01/17	24/01/22
David WILLIAMS	Male	Director	\$16,276.00	Section 12	30/09/14	25/01/17	24/01/20
Amanda MCLEAN	Female	Director	\$16,276.00	Section 12	30/09/14	25/01/17	24/01/20
Natalie PURDY	Female	Director	\$16,276.00	Section 12	10/06/19	10/06/19	24/01/22
Tara CHAMBERS	Female	Director	\$16,276.00	Section 12	10/06/19	10/06/19	24/01/21

Ceased members 2018 - 2019

NAME OF DIRECTOR	GENDER	DATE CEASED	REASON
Leon RYAN	Male	24/01/19	Term of office expired – did not seek re-appointment
Stephanie CARSTAIRS	Female	24/01/19	Term of office expired – did not seek re-appointment

ADMINISTERED LEGISLATION

The Rural Business Development Corporation does not administer any subsidiary, related or affiliated legislation.

OTHER KEY LEGISLATION IMPACTING ON THE RBDCS ACTIVITIES

The RBDC does not employ staff. DPIRD provides all services under a Memorandum of Understanding (MoU), including the provision of resources and staff to enable the RBDC to undertake its functions.

As the employer of staff, DPIRD is responsible for the personal and professional skills development of the employees, including the Public Sector and Occupational Safety, Health and Injury Management annual reporting requirements.

In the performance of its functions, the RBDC complies with the following relevant written laws:

- Auditor General Act 2006
- Disability Services Act 1993
- Financial Management Act 2006
- Freedom of Information Act 1992
- Occupational Safety and Health Act 1984
- Workers Compensation and Injury Management Act 1981
- Public Sector Management Act 1994
- State Records Act 2000
- State Supply Commission Act 1991

- Equal Opportunity Act 1984
- The Legal Deposits Act 2012
- Electoral Act 1907

Freedom of Information Act 1992

The RBDC is required under the Freedom of Information Act (FOI) to prepare and publish an Information Statement on its activities in regard to Freedom of Information issues.

This Annual Report forms part of the required Information Statement. The DPIRD FOI Coordinator deals with all FOI applications in relation to RBDC clients. Clients may access files and documents outside the FOI guidelines where the documentation or file refers particularly to a client's personal dealings with the Corporation.

Client information may be available to other parties. Documents which have reference to third parties may require editing before release is considered. There were no FOI requests made to the RBDC during the financial year.

State Records Act 2000

The MOU with DPIRD stipulates DPIRD is responsible for the provision of an efficient and effective record-keeping system, records management training, the review of training and provision of an induction program that addresses employee roles and responsibilities in regards to their compliance with their record keeping plans.

Auditor Generals Act 2006

The RBDC Internal Audit Committee was established by the Board to provide a monitoring mechanism for the review of the performance of the internal audit function and management audit reports. The RBDC appoints independent professionals to undertake the internal audit of

RBDC schemes and governance. DPIRD is responsible for internal audit functions in relation to its delivery of services.

PERFORMANCE MANAGEMENT FRAMEWORK

Outcome-based management framework

Government goal:

Stronger Focus on the Regions: Greater focus on service delivery, infrastructure and economic development to improve the overall quality of life in remote and regional areas.

Desired Outcome	Effectiveness indicators	Service	Efficiency indicators
Improved ecologically sustainable development of agri-industry.	The extent which recipients were satisfied with the way schemes are administered by the Corporation.	Farm business development	<ul style="list-style-type: none"> The proportion of administrative expenditure of loan value advanced. The administration cost per loan advanced amount.

The service **Farm Business Development** provides financial assistance to farmers who have been significantly impacted by exceptional adverse seasonal events such as droughts, floods and cyclones. The RBDC exists to provide industry support within guidelines and to maximise the protection and sustainability of the natural resources associated with the agri-industries.

Changes to outcome-based management framework

The RBDCs outcome-based management framework did not change during 2018-19.

Shared responsibilities with other agencies

- The RBDC shares responsibility for its Farm Debt Mediation Scheme (FDMS) with the Small Business Development Corporation.
- The RBDC shares responsibility for its delivery of the Farm Finance and Drought Concessional Loans Schemes with the Department of Primary Industries and Regional Development (DPIRD).



AGENCY PERFORMANCE

REPORT ON OPERATIONS

Farm Finance Concessional Loans Scheme (FFCLS)

The Commonwealth Government established the FFCLS in 2013 to provide viable farm businesses finding it increasingly difficult to service debt with low interest loans to enhance on-farm productivity or to restructure their debt. Applications for FFCLS closed on 30 June 2015. A total of 122 applications were received and 45 applications were approved at a total value of \$15.04 million. Of the 45 approved applications, three loans were refinanced with a new loan, with 12 loans having been repaid in full.

At 30 June 2019 there were 30 active loan accounts with total principal outstanding of just over \$10.35 million.

Of the 45 approved applications, three loans were refinanced with a new loan, with 12 loans having been repaid in full.

Drought Concessional Loans Scheme (DCLS)

The DCLS was established by the Australian Government in 2014 to help farm businesses affected by drought to recover, prepare for future droughts and return to viability in the longer term. Applications for DCLS closed on 30 June 2017. A total of 37 applications were received with 8 applications approved at a total value of \$4.15 million. Two of the loans have been repaid in full.

At 30 June 2019 there were 6 active loan clients with total principal outstanding of just over \$3.48 million.

Farm Debt Mediation Scheme (FDMS)

The Western Australian Government and RBDC established the Farm Debt Mediation Scheme in June 2015. The FDMS provides an opportunity for farmers or pastoralists and their financial institution to resolve commercial debt disputes through the SBDC's mediation service. The FDMS relies on the voluntary participation of parties and SBDC provides mediation services under agreement with the RBDC. A total of 9 applications for farm debt mediation were submitted during the financial year, bringing the total scheme uptake to 35. At 30 June 2019 there were 8 applications under case management.

Summary of key performance indicators

A Customer Satisfaction Survey for the RBDC is undertaken specifically to generate the effectiveness and quality indicator for use in the 2018-19 annual report. Clients under the Farm Finance and Drought Concessional Loans Schemes were surveyed.

Qualitative comments are gathered as a part of the survey and this information is used for continuous improvement in scheme administration and probity. Quantitative data is used to generate the Customer Satisfaction Index presented in this report.

In August 2014 the Office of Auditor General (OAG) advised the Commonwealth Concessional Loan schemes are an administered activity of the RBDC and as such audited KPI's are not required for each scheme.

In 2018-19 surveying was conducted among loan clients that had completed an annual review as no new applications were processed. Client satisfaction for 2018-19 was 88.6%, slightly below the target of 90%.

SIGNIFICANT ISSUES IMPACTING THE RBDC

CURRENT AND EMERGING ISSUES AND TRENDS

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The Commonwealth Government is seeking a nationally consistent approach to farm debt mediation via a legislative approach as adopted by New South Wales, Victoria, Queensland and South Australia. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry recommended a national scheme be developed, enacted and funded by the Commonwealth Government.

The approach taken in Western Australia is voluntary for both financiers and primary producer businesses, and is consistent with the nationally agreed principles for farm debt mediation. The WA approach encourages earlier adoption of the mediation process than the legislated models, allowing farm businesses to preserve equity and resolve issues before legal action has been taken by financiers.

The RBDC would consider the continuance of a voluntary, early intervention approach should the Commonwealth Government establish a national scheme, as the outcome of the existing scheme indicates it is quicker and less costly for all parties.

National drought program

State participation in the implementation of the National Drought Agreement (December 2018) and the Future Drought Fund may result in new programs and projects for drought affected businesses and communities.

Climate outlook

There is an ongoing watching brief, as conditions have been drier and warmer than average. Models predict that conditions will continue to have lower seasonal rainfall in 2019.

The RBDC is monitoring conditions and business outcomes, with a focus on the Great Southern where businesses may be exposed to two sequential years of growing season rainfall deficiency.

Changes in written law

There have been no changes during the financial year.

Likely developments and forecast results of operations

The RBDC continues to manage the maturation of the Commonwealth Government's loans under the Drought and Farm Finance Concessional Loans Schemes.



Our Ref: 5650-03

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469 Wellington Street, Perth

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Rural Business Development Corporation
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Dear Sir

FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2019

The Office has completed the annual audit of the financial statements, controls and key performance indicators for your agency. We enclose a copy of the opinion of the Auditor General, together with a set of the audited financial statements and key performance indicators. We have forwarded the audit opinion, financial statements and key performance indicators to the Minister for Agriculture for tabling in Parliament.

The result of the audit was satisfactory. Please note that the purpose of our audit was to express an opinion on the financial statements, controls and key performance indicators. The audit included consideration of internal control relevant to the preparation of the financial statements and key performance indicators in order to design audit procedures that were appropriate in the circumstances. It also included consideration of internal control for the purpose of expressing an opinion on the effectiveness of internal control in ensuring compliance with requirements prescribed by the *Financial Management Act 2006* and Treasurer's Instructions.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that agencies provided their financial statements to Audit has been recorded for purposes of reporting to Parliament. I advise that the date recorded for the receipt of your financial statements was 10 July 2019.

This letter has been provided for the purposes of the Rural Business Development Corporation and the relevant Minister and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of your agency for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7683 if you would like to discuss these matters further.

Yours faithfully



KIEN NEOH
DIRECTOR
FINANCIAL AUDIT

7 August 2019

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

RURAL BUSINESS DEVELOPMENT CORPORATION

Report on the Financial Statements

Opinion

I have audited the financial statements of the Rural Business Development Corporation which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Rural Business Development Corporation for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Board for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists,
- I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, 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 my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Rural Business Development Corporation. The controls exercised by the Corporation are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Rural Business Development Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

The Board's Responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Rural Business Development Corporation for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Rural Business Development Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2019.

The Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Rural Business Development Corporation for the year ended 30 June 2019 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



VINCE TURCO
SENIOR DIRECTOR
FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
7 August 2019

DISCLOSURES AND LEGAL COMPLIANCE

FINANCIAL STATEMENTS

Certification of financial statements

For the year ended 30 June 2019

The accompanying financial statements of the Rural Business Development Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2019 and the financial position as at 30 June 2019.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Mandy Taylor	Andrew Clark	David Williams
Chief Financial Officer	Chairman	Director Rural Business
Rural Business Development Corporation	Rural Business Development Corporation	Rural Business Development Corporation
1 August 2019		

STATEMENT OF COMPREHENSIVE INCOME

		2019	2018
	Notes	\$	\$
Cost of services			
Expenses			
Supplies and services	2.3	64,570	65,621
Grants and subsidies	2.1	-	5,000
Department of Primary Industries and Regional Development (DPIRD) contracted services	2.2	400,188	472,718
Other expenses	2.3	21,637	39,636
Board director fees		91,838	106,496
Total cost of services		578,233	689,471
Income			
Revenue			
Interest revenue		105,915	105,281
Total revenue		105,915	105,281
Total income other than income from state government		105,915	105,281
Net cost of services		(472,318)	(584,190)
Income from state government			
Service appropriation	3.1	235,000	235,000
Services received free of charge		-	-
Total income from state government		235,000	235,000
Deficit for the year		(237,318)	(349,190)
Other comprehensive income		-	-
Total comprehensive loss for the year		(237,318)	(349,190)

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	4,837,612	5,046,508
Receivables	4.1	<u>23,491</u>	<u>29,362</u>
Total current Assets		<u>4,861,103</u>	<u>5,075,870</u>
Total assets		<u>4,861,103</u>	<u>5,075,870</u>
Liabilities			
Current liabilities			
Payables	4.2	<u>54,240</u>	<u>31,689</u>
Total current liabilities		<u>54,240</u>	<u>31,689</u>
Total liabilities		<u>54,240</u>	<u>31,689</u>
Net assets		<u>4,806,863</u>	<u>5,044,181</u>
Equity			
Accumulated surplus		<u>4,806,863</u>	<u>5,044,181</u>
Total equity		<u>4,806,863</u>	<u>5,044,181</u>

The Statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Accumulated surplus	Total equity
	\$	\$
Balance at 1 July 2017	5,393,371	5,393,371
Deficit for the year	(349,190)	(349,190)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(349,190)	(349,190)
Balance at 30 June 2018	5,044,181	5,044,181
Balance at 1 July 2018	5,044,181	5,044,181
Deficit for the year	(237,318)	(237,318)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(237,318)	(237,318)
Balance at 30 June 2019	4,806,863	4,806,863

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Notes	2019 \$	2018 \$
Cash flows from state government			
Service appropriations		235,000	235,000
Net cash provided by state government		<u>235,000</u>	<u>235,000</u>
Utilised as follows:			
Cash flows from operating activities			
Payments			
Supplies and services		(42,019)	(63,912)
DPIRD contracted services		(400,188)	(472,718)
Grants and subsidies		-	(5,000)
GST payments on purchases		(2,400)	(3,410)
Board director fees		(91,838)	(106,496)
Other payments		(21,600)	(24,000)
Receipts			
Interest received		111,549	100,129
GST receipts from taxation authority		237	1,846
Other receipts		2,363	72,404
Net cash used in operating activities		<u>(443,896)</u>	<u>(501,157)</u>
Net decrease in cash and cash equivalents		(208,896)	(266,157)
Cash and cash equivalents at the beginning of the year		5,046,508	5,312,665
Cash and cash equivalents at the end of year	5.1	<u>4,837,612</u>	<u>5,046,508</u>

The Statement of financial position should be read in conjunction with the accompanying notes.

SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES

NOTES TO THE FINANCIAL STATEMENTS

SUBJECT	DISCLOSURE NOTE	TITLE OF THE POLICY AND/OR DISCLOSURE NOTE
Basis of preparation	1	Statement of compliance
	1	Judgements and estimates
	1	Contributed equity
Use of our funding	2.1	Grants and subsidies
	2.2	DPIRD contracted service costs
	2.3	Other expenditure
Our funding sources	3.1	Income from State Government
Other assets and liabilities	4.1	Receivables
	4.2	Payables
Financing	5.1	Cash and cash equivalents
	5.2	Commitments
Financial instruments and contingencies	6.1	Financial instruments
	6.2	Contingent assets and liabilities
Other disclosures	7.1	Events occurring after the end of the reporting period
	7.2	Initial application of Australian Accounting Standards
	7.3	Key management personnel
	7.4	Related parties
	7.5	Related bodies
	7.6	Affiliated bodies
	7.7	Commonwealth Concessional Loan Scheme
	7.8	Remuneration of auditors
	7.9	Supplementary financial information
	7.10	Explanatory statement

Note 1. Basis of preparation

The Rural Business Development Corporation ("Corporation") is a statutory authority established under Section 5 of the Rural Business Development Corporation Act 2000. The entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Corporation on 05 September 2019.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

1. The Financial Management Act 2006 (FMA)
2. The Treasurer's Instructions (the Instructions or TI)
3. Australian Accounting Standards (AASs) – Reduced Disclosure Requirements
4. Where appropriate, those AAS paragraphs applicable for not for profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest dollar.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by T1 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

Note 2: Use of our funding**Expenses incurred in the delivery of services**

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Corporation in achieving its objectives and the relevant notes are:

		2019	2018
	Notes	\$	\$
Grants and subsidies	2.1	-	5,000
DPIRD contracted services	2.2	400,188	472,718
Other expenses	2.3	86,207	105,257

2.1 Grants and subsidies

	2019	2018
	\$	\$
Grants		
Farm Business Assessment	-	5,000
	-	5,000

Transactions in which the Corporation provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

2.2 DPIRD Contracted Service Costs

	2019	2018
	\$	\$
DPIRD contractors and service overheads		
DPIRD contractors	230,657	273,005
Contractor related expenses (mileage, transfer costs, training)	13,242	6,353
Service agreement overheads	156,289	193,360
	<u>400,188</u>	<u>472,718</u>

2.3 Other expenditure

	2019	2018
	\$	\$
Supplies and services		
Services and contracts	63,442	64,010
Supplies consumed	1,128	1,611
Total supplies and services expenses	<u>64,570</u>	<u>65,621</u>
Other expenditures		
Doubtful debts (recovery)/expense	(2,363)	15,636
Audit fees	24,000	24,000
Total other expenditures	<u>21,637</u>	<u>39,636</u>
Total other expenses	<u>86,207</u>	<u>105,257</u>

Supplies and services: Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Doubtful debt expense: Doubtful debt expense was recognised as the movement in the allowance for doubtful debts. From 2018-19, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected

credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 4.1.1 Movement in the allowance for impairment of receivables.

Other: Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Note 3: Our funding sources**How we obtain our funding**

This section provides additional information about how the Corporation obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Corporation and the relevant notes are:

3.1 Income from State Government

	2019	2018
	\$	\$
Appropriation received during the period		
Service appropriation ^(a)	235,000	235,000
	<u>235,000</u>	<u>235,000</u>

There were no services received free of charge from other State government agencies during the period.

(a) Service appropriations are recognised as revenues at fair value in the period in which the Corporation gains control of the appropriated funds. The Corporation gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. Service appropriations fund the net cost of services delivered.

Note 4: Other assets and liabilities

This section sets out those assets and liabilities that arose from the Corporation's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2019 \$	2018 \$
Receivables	4.1	23,491	29,362
Payables	4.2	54,240	31,689

4.1 Receivables

	2019 \$	2018 \$
Trade receivables	14,600	17,200
Allowance for impairment of trade receivables	(14,600)	(17,200)
Accrued interest	22,164	27,798
GST receivable	1,327	1,564
	<u>23,491</u>	<u>29,362</u>

Trade receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

4.2 Payables

	2019 \$	2018 \$
Accrued expenses	54,240	31,689
	<u>54,240</u>	<u>31,689</u>

Payables: Payables are recognised at the amounts payable when the Corporation becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Note 5: Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the Corporation.

	Notes
Cash and cash equivalents	5.1
Commitments	5.2
Capital commitments	5.2.1
Other expenditure commitments	5.2.2

5.1 Cash and cash equivalents

	2019 \$	2018 \$
Rural Business Development Corporation General Operating Funds	<u>4,837,612</u>	<u>5,046,508</u>
	<u>4,837,612</u>	<u>5,046,508</u>

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

5.2 Commitments

5.2.1 Capital commitments

There are no known capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements.

5.2.2 Other expenditure commitments

There are no known other expenditure commitments contracted for at the reporting date, not otherwise provided for in these financial statements.

Note 6: Financial instruments and contingencies

This note sets out the key risk management policies and measurement techniques of the Corporation.

	Notes
Financial instruments	6.1
Contingent liabilities and contingent assets	6.2

6.1 Financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2019	2018
	\$	\$
Financial assets not measured at fair value		
Cash and cash equivalents	4,837,612	5,046,508
Loans and receivables ^(a)	22,164	27,798
	<u>4,859,776</u>	<u>5,074,306</u>
Financial liabilities not measured at fair value		
Other liabilities: Payables	54,240	31,689

(a) The amount of loans and receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

6.2 Contingent assets and liabilities

There were no contingent liabilities or contingent assets which would affect the Corporation.

Note 7: Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

Notes

Events occurring after the end of the reporting period	7.1
Initial application of Australian Accounting Standards	7.2
Key management personnel	7.3
Related Parties	7.4
Related bodies	7.5
Affiliated bodies	7.6
Commonwealth Concessional Loan Scheme	7.7
Remuneration of the auditor	7.8
Supplementary financial information	7.9
Explanatory statement	7.10

7.1 Events occurring after the end of the reporting period

There have been no events after reporting date which would cause the financial statements to be misleading.

7.2 Initial application of Australian Accounting Standards**AASB 9 Financial instruments**

AASB 9 Financial instruments replaces AASB 139 Financial instruments: Recognition and Measurements for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Corporation applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the classification and measurement only with no impact on amounts recognised in the financial statements.

7.2 Initial application of Australian Accounting Standards (continued)

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Corporation's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Corporation's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Corporation. The following are the changes in the classification of the Corporation's financial assets:

- *Trade receivables* classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 July 2018.
- The Corporation did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, the Corporation had the following reclassifications as at 1 July 2018:

AASB 9 category				
	\$'000	Amortised cost \$'000	Fair value through OCI \$'000	Fair value through P/L \$'000
AASB 139 category				
Loans and receivables	27,798	27,798	-	-
Trade receivables	-	-	-	-
	27,798	27,798	-	-

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Corporation's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Agency to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Agency did not recognise any additional impairment on the Corporation's *Trade receivables* as they are already fully impaired.

7.3 Key management personnel

The Corporation has determined that key management personnel include Cabinet Ministers and senior officers of the Corporation. However, the Corporation is not obligated to reimburse for the compensation of Ministers and therefore no disclosure is required. The disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation of senior officers of the Corporation for the reporting period is presented within the following bands:

Compensation band (\$)	2019	2018
30,001 – 40,000	1	1
20,001 – 30,000	-	-
10,001 – 20,000	2	4
0 – 10,000	2	-
	\$	\$
Total compensation of senior officers	91,838	106,496

Total compensation includes the superannuation expense incurred by the agency in respect of senior officers.

7.4 Related parties

The Corporation is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Corporation include:

- all Cabinet Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Material transactions with other related parties

There were no other material transactions with other related parties.

7.5 Related bodies

There were no related bodies with the Corporation.

7.6 Affiliated bodies

There are no affiliated bodies with the Corporation.

7.7 Commonwealth Concessional Loans Scheme

The Rural Business Development Corporation is acting as an agent for the Commonwealth, therefore, amounts collected on behalf of and passed on to the Commonwealth is not revenue of the Corporation. As the Corporation does not control the funds obtained from the Commonwealth and is required to return all such funds, be it funds not advanced to farmers, or funds advanced to farmers and subsequently collected, the Corporation does not recognise an asset, nor does it record a liability. However, we disclose below these funds held in Trust.

Farm Finance Concessional Loans Scheme

On 12 December 2013, the Commonwealth and the Corporation entered into an agreement whereby the Commonwealth would make available \$50 million for loans for eligible farm businesses in WA which are considered viable in the longer term but are experiencing financial difficulties and require assistance to enhance productivity. The Scheme closed on 30 June 2015.

	2019	2018
	\$	\$
Monies to ultimately be returned to the Commonwealth comprising:		
Cash held with WA Treasury Corporation	32	734
Monies advanced to farmers under the Concessional Loans Scheme	10,350,044	13,038,294
Interest receivable	112,184	133,687
	<u>10,462,260</u>	<u>13,172,715</u>

In accordance with the terms of the agreement, the balance of the Commonwealth monies not paid nor committed to farmers at 30 June 2019 is required to be returned to the Commonwealth. At 30 June 2019, there were no commitments under the Scheme (2018: \$nil) to loan recipients.

Drought Concessional Loans Scheme

On 19 September 2014, the Commonwealth and the Corporation entered into an agreement whereby the Commonwealth would make available \$20 million for loans for eligible farm businesses in WA impacted by drought but considered to be experiencing financial difficulties and require assistance to restructure existing eligible debt (including a Farm Finance Concessional Loan) and/or provide new debt for operating expenses or drought recovery and preparedness activities. On 12 April 2016, the 2015-16 Drought Concessional Loans Scheme was opened in WA to assist those farmers impacted by drought to access concessional interest rate loans. The Scheme closed on 30 June 2017.

	2019	2018
	\$	\$
Monies to ultimately be returned to the Commonwealth comprising:		
Cash held with WA Treasury Corporation	-	265
Monies advanced to farmers under the Concessional Loans Scheme	3,486,100	3,648,600
Interest receivable	27,527	32,218
	3,513,627	3,681,083

The Commonwealth advanced \$10 million to the Corporation for purposes of the 2015-16 Drought Concessional Loans Scheme ("DCLS"). At 30 June 2019, there were no further commitments under this Scheme leaving a balance of \$nil (2018: \$nil).

7.8 Remuneration of auditors

Remuneration payable to the Office of the Auditor General in respect of the audit for the current financial year is as follows:

	2019	2018
	\$	\$
Auditing the accounts, financial statements and key performance indicators	24,000	24,000

7.9 Supplementary financial information

During the financial year, \$Nil (2018: \$Nil) was written off in bad debts under the authority of the accountable authority.

7.10 Explanatory statement

Significant variances between estimates and actual results for 2019 and between the actual results for 2019 and 2018 are shown below. Significant variances are considered to be those greater than 5% and \$11,565.

Statement of Comprehensive Income

	Variance note	2019 Original budget	2019 Actual	2018 Actual	Variance between estimate and actual	Actual for 2019 and 2018
COST OF SERVICES						
Expenses						
Supplies and services	1	107,000	64,570	65,621	(42,430)	(1,051)
Grants and subsidies	2	150,000	-	5,000	(150,000)	(5,000)
DPIRD contracted services	3, a	278,500	400,188	472,718	121,688	(72,530)
Other expenses	4, b	-	21,637	39,636	21,637	(17,999)
Board member fees	5, c	107,500	91,838	106,496	(15,662)	(14,658)
Total cost of services		643,000	578,233	689,471	(64,767)	(111,238)
Income						
<i>Revenue</i>						
Interest revenue		98,000	105,915	105,281	7,915	634
Total revenue		98,000	105,915	105,281	7,915	634
Total income other than income from state government		98,000	105,915	105,281	7,915	634
Net cost of services		(545,000)	(472,318)	(584,190)	72,682	111,872
Income from state government						
Service appropriation		235,000	235,000	235,000	-	-
Services received free of charge		-	-	-	-	-
Total income from state government		235,000	235,000	235,000	-	-
Deficit for the year		(310,000)	(237,318)	(349,190)	72,682	111,872
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		(310,000)	(237,318)	(349,190)	72,682	111,872

7.10 Explanatory statement (continued)

Significant variances between estimates and actual results for 2019 and between the actual results for 2019 and 2018 are shown below. Significant variances are considered to be those greater than 5% and \$97,222.

Statement of Financial Position

	Variance note	2019 Original budget	2019 Actual	2018 Actual	Variance between estimate and actual	Actual for 2019 and 2018
Assets						
Current assets						
Cash and cash equivalents	6, d	4,606,000	4,837,612	5,046,508	231,612	(208,896)
Receivables		88,000	23,491	29,362	(64,509)	(5,871)
Other assets		23,000	-	-	(23,000)	-
Total current assets		4,717,000	4,861,103	5,075,870	144,103	(214,767)
Total assets		4,717,000	4,861,103	5,075,870	144,103	(214,767)
Liabilities						
Current liabilities						
Payables		30,000	54,240	31,689	24,240	22,551
Total current liabilities		30,000	54,240	31,689	24,240	22,551
Total liabilities		30,000	54,240	31,689	24,240	22,551
Net assets		4,687,000	4,806,863	5,044,181	119,863	(237,318)
Equity						
Accumulated surplus	7, e	4,687,000	4,806,863	5,044,181	119,863	(237,318)
Total equity		4,687,000	4,806,863	5,044,181	119,863	(237,318)

7.10 Explanatory statement (continued)

Significant variances between estimates and actual results for 2019 and between the actual results for 2019 and 2018 are shown below. Significant variances are considered to be those greater than 5% and \$11,565.

Cash Flow Statement

	Variance note	2019 Original budget	2019 Actual	2018 Actual	Variance between estimate and actual	Actual for 2019 and 2018
Cash flows from state government						
Service appropriations		235,000	235,000	235,000	-	-
Net cash provided by state government		235,000	235,000	235,000	-	-
Utilised as follows:						
Cash flows from operating activities						
Payments						
Supplies and services	8, f	(83,000)	(42,019)	(63,912)	40,981	21,893
Grants and subsidies	9	(150,000)	-	(5,000)	150,000	5,000
DPIRD contracted services	10, g	(278,500)	(400,188)	(472,718)	(121,688)	72,530
GST payments on purchases		-	(2,400)	(3,410)	(2,400)	1,010
Other payments		(24,000)	(21,600)	(24,000)	2,400	2,400
Board director fees	11, h	(107,500)	(91,838)	(106,496)	15,662	14,658
Receipts						
Interest received	12	98,000	111,549	100,129	13,549	11,420
GST receipts from taxation Corporation		-	237	1,846	237	(1,609)
Other receipts	i	-	2,363	72,404	2,363	(70,041)
Net cash used in operating activities		(545,000)	(443,896)	(501,157)	101,104	57,261
Net increase/(decrease) in cash and cash equivalents		(310,000)	(208,896)	(266,157)	101,104	57,261
Cash and cash equivalents at the beginning of the period		4,916,000	5,046,508	5,312,665	130,508	(266,157)
Cash and cash equivalents at the end of year		4,606,000	4,837,612	5,046,508	231,612	(208,896)

7.10 Explanatory statement (continued)

Major Estimate and Actual (2019) Variance Narratives – Statement of Comprehensive Income

- 1 Supplies and services – variance of \$42,430. The decrease on estimate relates to reduced general expenditure. The Corporation participates in the streamlined budget process – this permits the Corporation to maintain the existing budget for the out years and receive a financial incentive as a result thereof, provided the Corporation does not make any amendments to the budget as originally submitted.
- 2 Grants and subsidies – variance of \$150,000. The decrease on estimate was due to no new schemes of assistance being announced during the financial year.
- 3 DPIRD contracted services – variance of \$121,688 relates to the administration of the Farm Finance and Drought Concessional Loans Schemes and Farm Debt Mediation Scheme which were not sufficiently provided for in the original 2018-19 estimates. The Corporation participates in the streamlined budget process and therefore cannot make changes to the budget.
- 4 Other Expenses – variance of \$21,637. The increase on estimate relates to audit expense offset by the collection of impaired trade receivables which were not included in the original 2018-19 estimates. The Corporation participates in the streamlined budget process and therefore cannot make changes to the budget.
- 5 Board Director fees – variance of \$15,662. The decrease on estimate is a result of two director members finishing their term of office in January 2019, with new board directors appointed by Cabinet in June 2019.

Major Actual (2019 and Comparative (2018) Variance Narratives - Statement of Comprehensive Income

- a. DPIRD contracted services – variance of \$72,530. This is mainly due to a decrease in Service Agreement overhead costs associated with the Concessional Loans Schemes and Farm Debt Mediation Scheme.

- b. Other expenses – variance of \$17,999. The decrease on the 2018 actual mainly relates to the impairment of trade receivables due to uncollectible amounts.
- c. Board Director fees – variance of \$14,658. The decrease on estimate is a result of two board directors finishing their term of office in January 2019, with new board directors appointed by Cabinet in June 2019.

Major Estimate and Actual (2019) Variance Narratives – Statement of Financial Position

- 6 Cash and Cash equivalents – variance of \$231,612. The decrease on estimate relates to a reduced deficit for the year and hence a reduction in expected cash outflows, in addition to an estimated opening cash balance less than the 2017-18 closing cash balance.
- 7 Accumulated surplus – variance of \$119,863. The increase on estimate relates to a reduced deficit for the year and hence a higher accumulated surplus.

Major Actual (2019) and Comparative (2018) Variance Narratives - Statement of Financial Position

- d. Cash and Cash equivalents – variance of \$208,896. The decrease on last year arises from the use of cash balances to fund the deficit for the financial year.
- e. Accumulated surplus – variance of \$237,318. The decrease in the accumulated surplus arises as a result of a deficit in 2018-19.

Major Estimate and Actual (2019) Variance Narratives – Cash Flow Statement

- 8 Supplies and services – variance of \$40,981. The decrease on estimate relates to reduced general expenditure. The Corporation participates in the streamlined budget process – this permits the Corporation to maintain the existing budget for the out years and receive a financial incentive as a result thereof, provided the Corporation does not make any amendments to the budget as originally submitted.



- 9 Grants and subsidies – variance of \$150,000. The decrease on estimate was due to no new schemes of assistance being announced during the financial year.
- 10 DPIRD contracted services – variance of \$121,688 relates to the administration of the Farm Finance and Drought Concessional Loans Schemes and Farm Debt Mediation Scheme which were not sufficiently provided for in the original 2018-19 estimates. The Corporation participates in the streamlined budget process and therefore cannot make changes to the budget.
- 11 Board Director fees – variance of \$15,662. The decrease on estimate is a result of two board directors finishing their term of office in January 2019, with new board directors appointed by Cabinet in June 2019.
- 12 Interest received – variance of \$13,549. The increase on estimate is a result of higher cash balances over the financial year as a result of lower than budgeted expenditure.

Major Actual (2019) and Comparative (2018) Variance Narratives – Cash Flow Statement

- f. Supplies and services – variance of \$21,893. The decrease on the prior relates to an increase in payables at balance date.
- g. DPIRD contracted services – variance of \$72,530. This is mainly due to a decrease in Service Agreement overhead costs associated with staff required to manage the Concessional Loans Schemes.
- h. Board Director fees – variance of \$14,658. The decrease on estimate is a result of two board director finishing their term of office, with new board directors only approved by Cabinet in June 2019.
- i. Other receipts – variance of \$70,041. The decrease in Other receipts relates to a refund paid to the Corporation in 2017-18 for the overpayment of administration costs for the Schemes in FY 2016-17.

AUDITED KEY PERFORMANCE INDICATORS


CERTIFICATION OF KEY PERFORMANCE INDICATORS

RURAL BUSINESS DEVELOPMENT CORPORATION


30 June 2019

Certification of Key Performance Indicators

We hereby certify the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Rural Business Development Corporation's performance, and fairly represent the performance of the Rural Business Development Corporation for the financial year ended 30 June 2019.



Andrew Clark
Chairman Rural Business Development Corporation
Date: 1/8/2019.



David Williams
Director Rural Business Development Corporation
Date: 1/8/2019.

DETAILED INFORMATION IN SUPPORT OF KEY PERFORMANCE INDICATORS

Government Goal

Stronger Focus on the Regions: Greater focus on service delivery, infrastructure and economic development to improve the overall quality of life in remote and regional areas.

Desired Outcome

Improved ecologically sustainable development of agri-industry.

This outcome is met by administering schemes of support to Western Australian rural industry on behalf of the State.

YEAR OF SURVEY	SCHEME	SAMPLE SIZE	MAINTAIN AT LEAST A 90% LEVEL OF SATISFACTION WITH SERVICES PROVIDED BY THE CORPORATION (%)
The extent which recipients were satisfied with the way schemes are administered by the Corporation			
2016-2017	Drought Concessional Loans Scheme 2016	4	*34.50%
2017-2018	Drought Concessional Loans Scheme Annual Reviews 2017-2018	55	**88.55%
2018-2019	Drought Concessional Loans Scheme Annual Reviews 2018 -2019	23	88.61%

*Surveying in 2016-17 was conducted on applications received in this period.

**In 2017-18, those only Drought Concessional loans with an approved review submission were surveyed. The last Drought Concessional Loan Scheme was closed to new applicants on 30 June 2017.

The response rate from the survey of the scheme operating in 2018-19 is as follows:

SCHEME	SAMPLE SIZE	POPULATION	SAMPLING ERROR	CONFIDENCE LEVEL	RESPONSE RATE
Farm Finance and Drought Concessional Loans Schemes	23	23	4.17%	95%	96%

The low customer satisfaction index in 2016-17 reflects changes to the rating methodology. In 2016-17 surveyed customers were asked 5 questions with a satisfaction scale of 1 to 5 where 1 is very dissatisfied, 5 very satisfied and 3 a neutral response. It was later required that the survey be recalculated based on asking four questions (without a neutral response).

The recalculation meant that neutral responses were reclassified as a negative response and the satisfaction rating decreased from 89% to 34.5% in 2016-17 survey. From 2017-18 onwards the survey questions were asked with a satisfaction rating of 1 to 4, where 1 is very dissatisfied and 4 is very satisfied, with the top 2 responses representing a satisfied result.

Client satisfaction is 88.61% in 2018-19 and 88.5% for 2017-18, slightly below the required 90% target. The slightly lower result is due to some client dissatisfaction with the amount of information required to be submitted to complete the annual review of their loan account. This resulted in a decrease in satisfaction with services.

Service: Farm Business Development

Develop and administer innovative and cost effective assistance measures to benefit Western Australian rural industries.

KEY EFFICIENCY INDICATOR	TARGET	UNIT	2016 - 2017	2017- 2018	2018- 2019	2018- 2019 TARGET
The proportion of administrative expenditure of loan value advanced	Reduction in the activity costs to administer the schemes of assistance	%	1.20	1.40	1.16	1.20
The administration cost per loan advanced amount	Reduction in the activity costs to administer schemes of assistance	\$	4,267	4,972	\$4,124	\$5,000

The main administered activity of the RBDC has been the Commonwealth Farm Finance and Drought Concessional Loans Schemes. The administration cost per loan advanced and the proportion of administrative expenditure of loan value advanced were below the targets set for 2018-19. The reduction in administrative cost per loan advanced reflects improved operating efficiencies delivered by the Corporation in administering and managing loans.

The target for 2019-2020 has been reduced from \$5,000 to \$4,074 for the proportion of administrative of loan value advanced. The administration cost per loan advanced amount has been reduced from 1.2% to 1.15%. The revised targets were approved by the Department of Treasury through the 2019-2020 budget process and are detailed in the Corporation's Resource Agreement.



OTHER STATUTORY INFORMATION

MINISTERIAL DIRECTIVES

No Ministerial directives were received during the financial year.

OTHER FINANCIAL DISCLOSURES

Pricing Policies of Services Provided

The RBDC does not charge for goods and services rendered unless there is a contractual requirement to charge fees in relation to a specific scheme.

Capital works

No capital projects were completed during the financial year.

Employment and Industrial Relations

STAFF PROFILE	2019	2018
Board Member	5	5
	5	5

Staff development

The RBDC has a commitment to the development of Directors. Our strategies are to maintain a highly skilled, professional Board with the ability to adapt to the changing business needs and environment.

During the year Directors attended 48 hours of professional training.

Directors are required to complete the Australian Institute of Company Director's (AICD) course. Andrew Clark, David Williams, and Amanda McLean are currently Graduates of AICD, and the two recently appointed Directors will complete the AICD course as soon as is practical.

Workers Compensation

There were no compensation claims during the financial year.

Unauthorised use of credit cards

Directors of the RBDC do not hold corporate credit cards. All functions warranting the use of this type of facility are performed by DPIRD.

GOVERNANCE DISCLOSURES

Freedom of Information Act 1992

The Corporation is required under the *Freedom of Information Act 1992* to publish an information statement on its activities in regard to Freedom of Information (FOI) issues.

- Clients may access files and documents outside the FOI guidelines where the documentation or file refers specifically to a client's personal dealings with the Corporation.
- Client information may be available to other parties in some circumstances, however references to third parties will be reviewed (and redacted if necessary) before release is considered.

The DPIRD FOI Coordinator manages FOI applications relating to RBDC schemes and/or clients. No applications were received during 2018 -19.

State Records Act 2000

The Corporation's agreement with the Department of Primary Industries and Regional Development (DPIRD) stipulates that DPIRD is responsible for the provision of an efficient and effective record-keeping system, records management training, the review of training and provision of an induction program that addresses employee roles and responsibilities in regards to their compliance with their record keeping plans.

Directors of the Corporation are provided with a copy of the Public Sector Commission's Good Governance Guide (2018) for Recordkeeping as part of their induction pack.

Internal audit function (Auditor General Act 2006)

The RBDC Internal Audit Committee is a sub-committee of the Corporation Board and is responsible for leading and providing oversight of the governance, probity and performance audits undertaken by the Corporation and to review audit reports. The RBDC utilises the services of appropriately qualified professionals available under the whole of government Common Use Arrangement to undertake the internal audit of RBDC schemes and operations. DPIRD is responsible for all audit functions in relation to its operations.

Induction pack for Corporation directors

The induction pack for Corporation directors was reviewed and updated during the year to incorporate the Public Sector Commission's good governance guides and key publications relevant to public sector boards and committees.

Electoral Act 1907

In relation to advertising, market research, polling, direct mail and media advertising, the RBDC reports the following in compliance with section 175ZE of the Electoral Act 1907;

- Total Expenditure for 2018-19 was \$Nil.
- RBDC has not incurred expenditure of this nature.

GOVERNMENT POLICY REQUIREMENTS

Government building contracts

The RBDC has a commitment to the Government Building Training Policy, and will include appropriate clauses in tender documentation and monitored compliance of in scope building, construction or maintenance contractors for projects with a duration of greater than 3 months and a value of greater than \$2 million.

Number of contracts in scope of the Government Building Training Policy:

MEASURE	BUILDING AND CONSTRUCTION 2019	MAINTENANCE PROJECTS 2019
Awarded	0	0
Reported on		
Commenced reporting	0	0
Continued reporting from previous reporting period	0	0
Target training rate		
Met or exceeded	0	0
Did not meet	0	0
Granted a variation	0	0

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