

ANNUAL REPORT

2018



CONSTRUCTION
INDUSTRY
LONG SERVICE
LEAVE SCHEME



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CONSTRUCTION
INDUSTRY
LONG SERVICE
LEAVE SCHEME

Hon. Bill Johnston MLA
Minister for Mines and Petroleum;
Commerce and Industrial Relations;
Electoral Affairs; Asian Engagement
9th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Minister

In accordance with section 63 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament, the Annual Report of the Construction Industry Long Service Leave Payments Board for the financial year ending 30 June 2018.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006.

Ms L. Gibbs
Chair

Date: 17/08/2018

Member of the Board

Date: 17 August 2018





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Directory

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

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BANKERS:	Bankwest a division of Commonwealth Bank of Australia
ACTUARY:	Pricewaterhouse Coopers
AUDITORS:	Auditor-General's Office
BUSINESS HOURS:	8.30 am to 5.00 pm Monday to Friday
PUBLICATIONS:	Pamphlets and other material explaining the Scheme are available from the Board's Office and the Board's web site.

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OVERVIEW

Executive Summary

In the financial year ending 30 June 2018 MyLeave strengthened its financial position and delivered a fully funded Balance Sheet with an Accounting Ratio of 148% (assets/liabilities). It is important that MyLeave continues to maintain a very strong financial position due to the steady downturn in the Western Australian construction industry. Furthermore, as investment returns have been positive for the past consecutive nine years, this may indicate a correction in the short / medium term.

In 2018 the number, and value, of payments to workers reduced from the record levels in 2017. In 2018 a total of 5,445 payments (\$43.7M) were made to workers.

MyLeave was pleased to be able to reduce the contribution levy from 1 January 2018 to 1.20% (-0.15%) and Board Members will soon decide the applicable levy for the year commencing 1 January 2019. MyLeave's Actuary, Pricewaterhouse Coopers, will assist Board Members in their determination of the levy for 2019. As detailed in this Annual Report, MyLeave is in a very sound financial position however Board Members need to take a conservative approach to determining the 2019 contribution levy to ensure MyLeave maintains its Mission "To provide a financially sustainable portable Long Service Leave Scheme for eligible Western Australia construction industry employees".

CONTRIBUTION LEVY					
	2014	2015	2016	2017	2018
Levy percentage	1.90%	1.50%	1.35%	1.35%	1.20%
Percentage change	-0.10%	-0.40%	-0.15%	no change	-0.15%

MyLeave statistics for 2018 clearly show the continued industry downturn and also the important place in the industry that MyLeave has in delivering a significant volume and value of worker payments.

WORKERS				
	2015	2016	2017	2018
Total registered	130,151 -1%	127,941 -2%	121,533 -5%	112,245 -8%
Total contributed for (average per quarter)	76,271 +2%	76,592 nom.	68,134 -11%	63,794 -6%
Total days of service (average per quarter)	3,299,286	3,296,013	2,891,334	2,641,243
Number of benefits paid	3,910	5,100	5,808	5,445
Value of benefits paid	\$30.9M	\$39.6M	\$47.4M	\$43.7M

The above data highlights a steady decline in both the number of registered workers and the number of active workers (Total contributed for). The number of active workers has shown a very significant and rapid reduction to 63,794 (-16%) from 2015. In line with the industry downturn, the number of benefits paid is showing a high percentage of terminations, as compared to workers taking long service leave. For 2018 the percentage of termination payments was 59% as compared to 63% in 2017.



Days of service recorded continues to reduce

The reduction in active workers shown in the previous table is translated into the number of days of service recorded for those active workers. The quarterly average number of days of service recorded reduced significantly in 2018 i.e. from 2.891M in 2017 to 2.641M (-9%). This reduced industry activity adversely impacts the value of revenue MyLeave generates from employers from the applicable contribution levy. As shown in the Statement of Comprehensive Income the contribution levy revenue from employers reduced in 2018 to \$41.3M, from the 2017 level of \$47.8M. The reduced contribution levy rate from 1 January 2018 also impacted the levy revenue generated from employers.

As many workers are suffering the impact of the construction industry downturn, MyLeave is very pleased that it is able to provide a financial buffer for those workers who have an unintended or unanticipated break in employment activity. The scheme also continues to provide a significant benefit to workers who take a well-earned long service leave break.

In contrast to the reduction in the total number of registered workers, the average number of registered employers has not shown any material movement over recent years.

EMPLOYERS				
	2015	2016	2017	2018
Total registered (average per quarter)	5,005	5,073	5,049	5,013

In 2018 the investment return percentage achieved by MyLeave was 6.9%, which is less than the 2017 return of 9.0%, however in excess of the 20 year long term average return of 5.7% per annum. MyLeave Board Members are pleased with this 6.9% return and acknowledge that the annual investment performance will fluctuate on a year in / year out basis. As such, the investment portfolio is structured to accommodate, as best as possible, these performance fluctuations.

The 2018 return of 6.9% represents the ninth consecutive year of positive returns and it is important that MyLeave continues to maintain a sound Balance Sheet to address the eventuality of a significant downturn or even a moderate correction in the global investment market. With an investment portfolio of \$569.2M and cash deposits of \$21.9M at 30 June 2018, a negative investment performance translates into a significant dollar value loss impact on MyLeave's Profit & Loss account, and therefore the Balance Sheet Equity Surplus.

The table below shows the significant year in / year out variances in annual investment returns.



The Statement of Comprehensive Income in this Annual Report details that in 2018 the level of net investment income was \$33.2M, which was down from the level of \$48.1M in 2017, and the contribution income from employers was \$41.3M. As previously detailed, the contribution income reduced from the 2017 level of \$47.8M with the reduction being in line with the underlying construction industry activity and reduction in the contribution levy rate from 1 January 2018.

The table below shows the investment portfolio (including cash deposits held by MyLeave) and also the significant revenue / income impact of sound investment returns for MyLeave.

	INVESTMENT PORTFOLIO & INCOME				
	2014	2015	2016	2017	2018
Total portfolio	\$424M	\$490M	\$515M	\$557M	\$591M
Net investment income	\$48.4M	\$34.6M	\$13.1M	\$48.1M	\$33.2M

Continued investment portfolio growth

Whilst significant growth has been recorded in the investment portfolio, this has been necessary to align the portfolio to the Actuary's calculation of the total actuarial liability for worker payments. The investment portfolio is also required to have a financial buffer to cover global investment market downturns. The actuarial calculations are updated annually and reflect the assessment of the worker liability taking into account updated annual data including days of service and the ordinary income of workers as submitted in the quarterly returns by employers.

The table below shows the historical movement in the actuarial liability and in turn this actuarial liability must be reflected in the corresponding asset being the investment portfolio.

	ACTUARIAL LIABILITY				
	2014	2015	2016	2017	2018
Total liability	\$330M	\$375M	\$432M	\$428M	\$411M

Actuarial liability reduces

MyLeave's annual actuarial analysis includes a forecast for the short / medium term future liability and the actuarial liability is forecast to grow to a level of \$440M as at 30 June 2019, and \$464M as at 30 June 2020.

MyLeave continues to utilise the services of the Commonwealth Bank as Investment Advisor and the Advisor has assisted MyLeave in the establishment of a well-structured investment portfolio which is invested in various key asset classes. Furthermore, within those asset classes, MyLeave invests with various individual Fund Managers with investment styles which are designed to provide an optimum level of performance with a reduced level of deviation in the range of performance outcomes over the years.

The next table shows MyLeave's Strategic Asset Allocations (Benchmark and Actual) and the Notes to the Financial Statements provides specific details of the individual Fund Managers as at 30 June 2018. MyLeave, in conjunction with the Investment Advisor, formally reviews the performance of Fund Managers on an annual basis. Furthermore, the Investment Advisor regularly advises MyLeave of any important changes e.g. investment style, key staff movements etc of the individual Fund Managers.



STRATEGIC ASSET ALLOCATION		
Asset Class	Benchmark	Actual 30/06/2018
Cash	15%	15%
Fixed interest	25%	24%
<i>Sub total</i>	<i>40%</i>	<i>39%</i>
Australian equities	32%	33%
International equities	18%	18%
Property & infrastructure	10%	10%
<i>Sub total</i>	<i>60%</i>	<i>61%</i>
Total	100%	100%

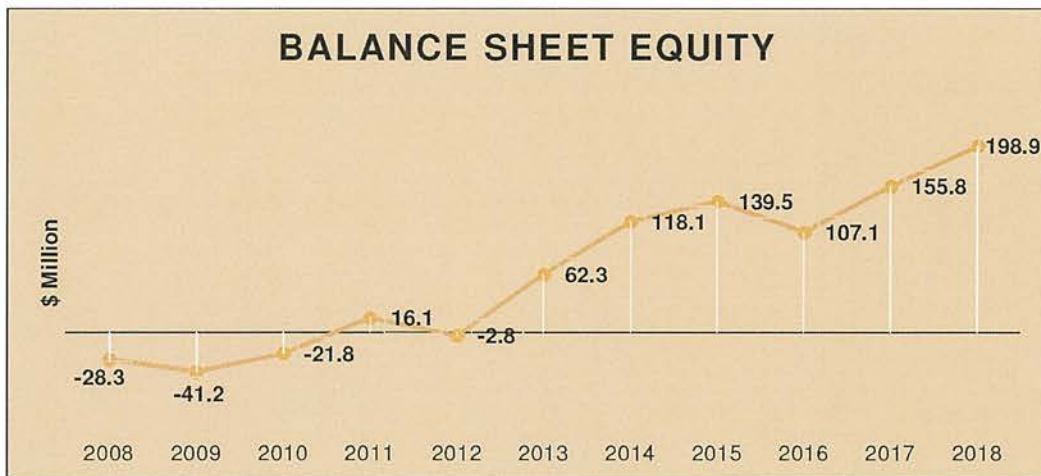
As a result of the factors previously commented on, MyLeave's Balance Sheet records a sound financial position as shown below.

STATEMENT OF FINANCIAL POSITION				
	2015	2016	2017	2018
Assets	\$515.5M	\$541.9M	\$584.7M	\$611.3M
Liabilities	\$376.0M	\$434.8M	\$428.9M	\$412.4M
Equity surplus	\$139.5M	\$107.1M	\$155.8M	\$198.9M
Accounting Ratio (Assets/Liabilities)	137%	125%	136%	148%

The Equity Surplus increase in 2018 was +\$43.1M and this is considered a very sound result. MyLeave endeavours to minimize the movements however there are key impacts, such as Western Australian construction industry activity (with positive / negative impact on the actuarial liability valuation) and global investment market performance, which are well outside of MyLeave's control.



The value of the Balance Sheet Equity (Surplus / Deficiency) and movement since 2008 is shown in the following graph.



The 2018 Balance Sheet Equity Surplus of \$198.9M is in excess of MyLeave's approved Accounting Ratio range of 110% - 130% and it is important that MyLeave retains a prudent coverage ratio to ensure the Balance Sheet Equity can withstand both future global investment market downturns and also any material changes to the actuarial liability for worker payments.

As detailed, the 2018 year was very active for MyLeave and Board Members are pleased with MyLeave's performance and the continued benefit provided by the Scheme to employers and construction industry workers.



OPERATIONAL STRUCTURE

Enabling Legislation

The Construction Industry Long Service Leave Scheme (the Scheme) was established by "The Construction Industry Portable Paid Long Service Leave Act, 1985" (the Act) which was assented to on 13 December 1985.

The Act and the Regulations prescribing the Awards to be included in the Scheme were proclaimed on 19 December 1986. The Scheme commenced by Ministerial Order on the appointed day of 6 January 1987.

Responsible Minister

The Honourable Bill Johnston MLA, Minister for Mines and Petroleum; Commerce and Industrial Relations; Electoral Affairs; Asian Engagement.

Mission

To provide a financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.

Objectives

1. To fully implement the Scheme within the construction industry:-
 - By ensuring all eligible employers are registered and that contributions are being paid for eligible employees; and
 - By registering all eligible construction industry employees.
2. To minimize the contribution rate payable:-
 - By maximizing the rate of return on investment funds; and
 - By minimizing the administrative cost of the Scheme.

Vision

To achieve excellence in the delivery of long service leave entitlements to construction industry employees.

Values

Working together



Establishing and maintaining long term relationships based upon mutual trust, respect and understanding

Honesty & integrity



Being open and honest and acting with integrity in all our dealings

Excellence in service delivery



Exceeding our commitments to stakeholders and understanding and addressing both current and future needs

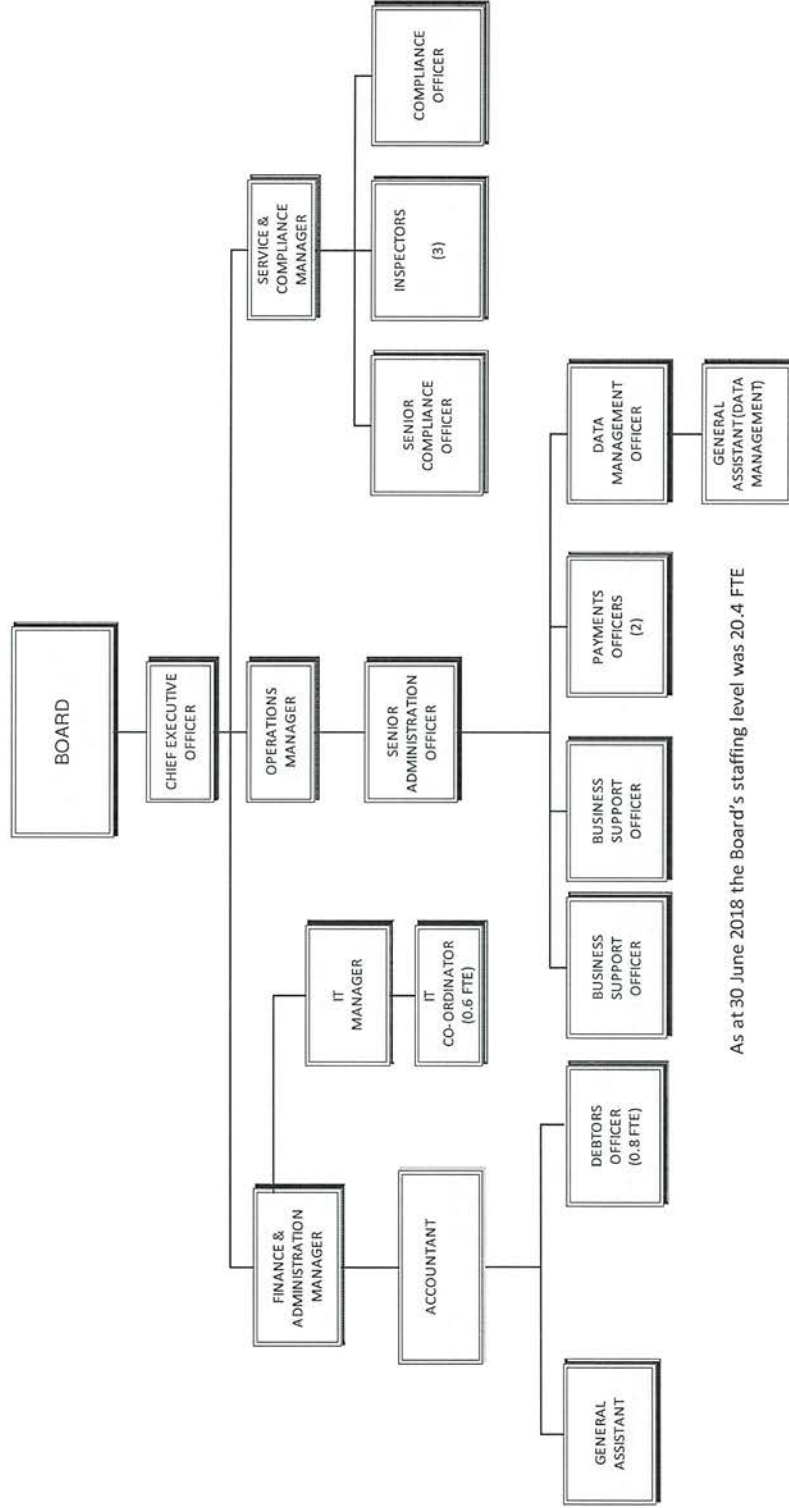
Consistency



Delivery of a consistent approach in terms of legislative requirements in our decision making processes



ORGANISATIONAL CHART



OPERATIONAL STRUCTURE (continued)

The Board

Formal title: Construction Industry Long Service Leave Payments Board (the Board)
Business name: MyLeave

Appointment

The Act provides for the Scheme to be administered by the Board which is a body corporate comprising of seven members. The members of the Board have been appointed by the responsible Minister for a period of two years. Current Board members' appointments end on 24 September 2018.

In accordance with the provisions of the Act, two members representing employers are selected by the responsible Minister from nominations by the Master Builders Association of W.A. and the Chamber of Commerce and Industry of W.A.

To represent employees, two members are selected from nominations by Unions W.A. and the Building Trades Associations of Unions of W.A.

Also in accordance with the Act, as amended 1 April 2012, the Minister appoints:

- one person who in the Minister's opinion represents the interests of employers in the construction industry; and
- one person who in the Minister's opinion represents the interests of employees in the construction industry.

The Chair is a separate appointment by the Minister.

Board Members

CHAIR

Ms L. Gibbs LLB

MEMBERS

Representing Employers:	Representing Employees:
Ms A. Bishop	Mr M. Buchan
Mr W. Edwardes	Mr G. McLaren
Mr M. McLean	Ms M. Saraceni

Board Meetings Attendance

	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Ms L. Gibbs (Chair)	5	5
Ms A. Bishop	5	5
Mr M. Buchan	5	2
Mr W. Edwardes	5	4
Mr G. McLaren	5	5
Mr M. McLean	5	4
Ms M. Saraceni	5	5

Senior Officers

Mr F.J. Youens CPA, F Fin, MAICD	Mr J.B. Flint FCPA, FGIA, FCIS, P.Grad Bus, B.Bus
Chief Executive Officer	Finance & Administration Manager / CFO



**STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018**

Key Legislation Impacting on Activities

Construction Industry Portable Paid Long Service Leave Act 1985
 A New Tax System (Goods and Services Tax Act) 1999
 Auditor General Act 2006
 Crime Corruption Commission Act 2003
 Disability Services Act 1993
 Electoral Act 1907
 Equal Opportunity Act 1984
 Financial Management Act 2006
 Financial Management (Transitional Provisions) Act 2006
 Freedom of Information Act 1992
 Fringe Benefits Tax Assessment Act 1986
 Government Financial Responsibility Act 2000
 Income Tax Assessment Act 1936 (Cth)
 Income Tax Act 1986
 Industrial Relations Act 1979
 Library Board of Western Australia Act 1951
 Minimum Conditions of Employment Act 1993
 Occupational Safety and Health Act 1984
 Payroll Tax Assessment Act 2002
 Public Interest Disclosure Act 2003
 Public Sector Management Act 1994
 State Records Act 2000
 Superannuation Guarantee (Administration) Act 1992
 Taxation Administration Act 2003
 Trustees Act 1962
 Workers Compensation and Injury Management Act 1981

In the financial administration of the Scheme the Board has complied with the requirements of the Financial Management Act 2006 and other relevant written law and exercised controls which provide reasonable assurance that the receipt and expenditure of monies and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing the Board is not aware of any circumstances which would render the particulars included in this statement misleading or inaccurate.





**STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018**

Performance Management Framework

Outcome Based Management Framework

A financially sustainable portable Long Service Leave Scheme for eligible construction industry employees.

Changes to the Outcome Based Management Framework

The Board's Outcome Based Management Framework did not change during 2017/2018.

Shared Responsibilities with Other Agencies

The Board does not share responsibilities with any other agencies.

Report on Operations

Financial Targets: Actual performance compared to the Board's Budget Estimates

FINANCIAL TARGETS: ACTUAL PERFORMANCE COMPARED TO BUDGET ESTIMATES			
	2017-2018 ESTIMATE (a)	2017-2018 ACTUAL	2017-2018 VARIATION
	\$000	\$000	\$000
Contribution From Employers	\$37,396	\$41,284	\$3,888 (b)
Net Investment Income	\$31,672	\$33,194	\$1,522 (c)
Total Equity	\$106,283	\$198,954	\$92,671 (d)

- (a) As per the Board's budget estimates.
- (b) The estimated reduction in industry activity and worker pay rates was not as significant as budgeted.
- (c) Actual Net Investment Income over estimate as a result of the underlying portfolio performance:

NET INVESTMENT INCOME COMPOSITION OF	Amount \$000
Net investment revenue	\$24,176
Interest revenue	\$527
Gains on disposal of investments	\$390
Impairment losses on investments	-
Change in fair value of available-for-sale financial assets	\$8,101

- (d) Equity variance due to:

EQUITY VARIANCE	Amount \$000
Higher opening 01/07/2017 Total Equity than forecast	\$44,222
Lower provision/value for long service leave liability than forecast	\$48,797
Higher number/value of long service leave payments than forecast	(\$6,468)
Higher Net Investment Income than forecast	\$1,522
Higher Contribution From Employers	\$3,888
Lower operating expenses than forecast	\$710



**STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018**

Key Performance Indicators:

Actual performance compared to the Board's Budget Forecast

	2017-18 Estimate *	2017-18 Actual	2017-18 Variation
Outcome: A financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.			
Key Effectiveness Indicators:			
(i) eligible employers who have registered with the Board.	5,049	5,013	(36)
(ii) eligible and registered construction industry employees for whom contributions have been made.	68,134	63,794	(4,340)
(iii) qualifying service profile of construction industry employees for whom contributions have been made:- - Total number of employees qualified for a long service leave benefit	17,649	15,854	(1,795)
(iv) construction industry employees who have received a long service leave payment.	4,035	5,445	1,410
(v) eligible employers long service leave contribution rate.	1.20%	1.28%	0.08%
(vi) annual return derived from the Board's investments.	6.20%	6.89%	0.69%
Service: Management of the Construction Industry Long Service Leave Scheme.			
Key Efficiency Indicators:			
(i) average administrative cost per registered construction industry employee.	\$40.01 p.a.	\$37.01 p.a.	(\$3.00)
(ii) full time equivalent staff employed per thousand of registered Western Australian construction industry employees.	0.17	0.18	0.01

* As per the Board's Budget, internal modelling and actuarial forecasts.



**STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018**

Significant Issues and Trends

Current and emerging issues and trends

The key trend for MyLeave to monitor is the downturn the Western Australian construction industry. As detailed under the heading Executive Summary, the quarterly worker data submitted by employers indicates there was a continued downturn in 2018.

After 3 years of annual declines in the number of housing starts, the Housing Industry Association (“HIA”) forecasts show an increase of +11% (see table below) in 2018/2019. Subsequent to 2018/2019 the outlook is for very modest growth.

HOUSING STARTS			
	Year	Number	Change (%)
Actual	2014-2015	31,690	7%
	2015-2016	25,450	-20%
	2016-2017	19,810	-22%
Forecast	2017-2018	19,230	-3%
	2018-2019	21,280	11%
	2019-2020	22,210	4%

The Australian Construction Industry Forecasting Council (“ACIFC”) has published the following historical Actual results and detailed Forecasts for the value of construction carried out in Western Australia. As shown, the outlook for the period 2018 – 2021 is in line with the results of 2016/2017.

VALUE OF CONSTRUCTION IN WESTERN AUSTRALIA - ACTUAL VALUE (\$MILLION)					
	2012-13	2013-14	2014-15	2015-16	2016-17
Residential building	9,240	10,736	11,680	11,912	9,232
Non-Residential building	6,009	5,703	5,353	4,806	4,521
Engineering construction	46,355	44,933	41,412	36,167	24,341
Total construction	61,604	61,372	58,445	52,885	38,094

VALUE OF CONSTRUCTION IN WESTERN AUSTRALIA - FORECAST VALUE (\$MILLION)					
	2017-18	2018-19	2019-20	2020-21	2021-22
Residential building	8,349	9,006	9,560	10,376	10,807
Non-Residential building	4,934	5,150	5,149	5,166	5,127
Engineering construction	31,585	22,206	22,901	24,019	27,215
Total construction	44,868	36,362	37,610	39,561	43,149



STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018

Current and emerging issues and trends (continued)

As shown in the previous table, the most significant industry activity is in the value of Engineering construction. The previous tables clearly demonstrates peak activity in the period ending 30 June 2013 followed by consecutive years of diminution in the annual value. The forecasts show short / medium term value of Engineering construction at ~\$22Bn which is significantly less than the 2013 peak of \$46Bn.

The continuation by MyLeave of its Objective to "*Minimise the contribution rate payable*", coupled with the industry downturn has the following direct impacts:

- 1) Contribution levy from employers will reduce;
- 2) Probability of an increase in the number of employers having difficulty in meeting their contribution levy obligation; and
- 3) Above average annual number of payments to workers.

These impacts are further commented on below:

1) Contribution levy from employers

MyLeave's budget has incorporated a reduction in the value of contribution levy income and MyLeave's current financial position is very sound. Therefore, the reduction in contribution levy income is not considered a material financial risk to MyLeave.

2) Probability of an increase in the number of employers having difficulty in meeting their contribution levy obligation

As MyLeave collects the contribution levy on a quarterly basis in arrears it is exposed to a greater extent to bad and doubtful debts than a business with a shorter term payment cycle. MyLeave maintains a high degree of monitoring of the timely submission of returns and contribution levy payments by employers. Furthermore, at each Board meeting Board Members consider and approve a formal Prosecution List (of employers) to ensure overdue returns are submitted. Board Members also regularly review MyLeave's Bad & Doubtful debts to ensure active follow up by management.



**STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018**

Current and emerging issues and trends (continued)

3) Above average annual number of payments to workers

The growth, and now downturn, of the industry has resulted in a steady increase (above average) in the number, and value, of payments made per annum. Increased payments will be made to workers as a result of the historic growth of the Scheme and also as workers take leave or termination payments during periods associated with unintended or unanticipated breaks in employment activity. MyLeave's Payments team is appropriately skilled to cater for current payment volumes. In addition, staffing capacity allows for cover over peak seasonal periods and annual leave absences.

MyLeave's liquidity position is carefully monitored as the 2019 forecast approved by the Minister is not cashflow positive i.e. the employer contribution levy revenue will be insufficient to meet administration costs and long service leave payments to workers. Notwithstanding this, MyLeave is still forecast to deliver a sound Balance Sheet and Accounting Ratio as at 30 June 2019. Cashflow shortfalls will be met from drawdown(s) from the investment portfolio.

MyLeave management will continue its close liaison with industry participants and Board Members to ensure emerging risks are identified and considered in a timely manner. In turn, this will ensure MyLeave maintains its financially sound position.

Changes in Written Law

There were no changes in any written law that affect the Board during the financial year.

Likely Developments and forecast results of operations

Nil





STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2018

Disclosure and Legal Compliance


FINANCIAL STATEMENTS


CERTIFICATION OF FINANCIAL STATEMENTS:

The accompanying financial statements of the Construction Industry Long Service Leave Payments Board 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 reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

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.

Signed this^{17th} day of August, 2018


Ms L. Gibbs
Chair


Member of the Board


Mr J. Flint
Chief Finance Officer



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$000	2017 \$000
INCOME			
Revenue			
Contribution from employers		41,284	47,794
Investment revenue	6	24,176	29,121
Interest revenue	7	527	466
Accrued long service leave liability benefit	8	16,490	4,434
Gains			
Net gain on disposal of investments	9	390	-
TOTAL INCOME		82,867	81,815
EXPENSES			
Long service leave payments	8	43,661	47,433
Employee benefits expense	10	2,098	2,011
Supplies and services	11	1,189	1,284
Depreciation and amortisation expense	12	100	113
Finance costs	13	39	42
Accommodation expenses	14	288	291
Loss on disposal of investments	9	-	2,499
Other expenses	15	440	483
TOTAL EXPENSES		47,815	54,156
PROFIT / (LOSS) FOR THE PERIOD		35,052	27,659
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Change in the fair value of available-for-sale financial assets		8,101	20,993
Total other comprehensive income		8,101	20,993
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		43,153	48,652

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.





**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$000	2017 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	24	21,862	25,712
Receivables	16	717	571
Other current assets	18	19,244	26,546
Available-for-sale financial assets	17	569,161	531,384
Total Current Assets		<u>610,984</u>	<u>584,213</u>
Non-Current Assets			
Plant and equipment	19	348	445
Total Non-Current Assets		<u>348</u>	<u>445</u>
TOTAL ASSETS		<u>611,332</u>	<u>584,658</u>
LIABILITIES			
Current Liabilities			
Accrued long service leave benefits liability	8	246,728	249,729
Payables	21	787	752
Provisions	22	506	507
Total Current Liabilities		<u>248,021</u>	<u>250,988</u>
Non-Current Liabilities			
Accrued long service leave benefits liability	8	164,299	177,788
Provisions	22	58	81
Total Non-Current Liabilities		<u>164,357</u>	<u>177,869</u>
TOTAL LIABILITIES		<u>412,378</u>	<u>428,857</u>
NET ASSETS		<u>198,954</u>	<u>155,801</u>
EQUITY			
Fair value reserve	23	38,425	30,324
Retained earnings	23	160,529	125,477
TOTAL EQUITY		<u>198,954</u>	<u>155,801</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Fair Value Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 July 2016		9,331	97,818	107,149
Surplus / (deficit)		-	27,659	27,659
Other comprehensive income		20,993	-	20,993
Total comprehensive income for the period		20,993	27,659	48,652
Balance at 30 June 2017	23	30,324	125,477	155,801
Balance at 1 July 2017		30,324	125,477	155,801
Surplus / (deficit)		-	35,052	35,052
Other comprehensive income		8,101	-	8,101
Total comprehensive income for the period		8,101	35,052	43,153
Balance at 30 June 2018	23	38,425	160,529	198,954

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from employers		43,156	49,253
Interest received		540	428
GST receipts from taxation authority		150	166
Payments			
Employee benefits		(2,123)	(1,973)
Supplies and services		(1,155)	(2,848)
Finance costs		(39)	(42)
Accommodation		(288)	(291)
Payments for long service leave		(43,661)	(47,433)
GST payments on purchases		(150)	(166)
Other payments		(277)	(281)
Net cash (used in) by operating activities	24	(3,847)	(3,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of investments		-	-
Distributions received		-	-
Payments			
Purchase of non-current assets		(3)	(16)
Proceeds from investment fund drawdown		-	10,000
Purchase of investments		-	-
Net cash (used in) / provided by investing activities		(3)	9,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(3,850)	6,797
Cash and cash equivalents at the beginning of period		25,712	18,915
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	24	21,862	25,712

The Statement of Cash Flows should be read in conjunction with the accompanying notes.





NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1. Australian Accounting Standards

General

The Construction Industry Long Service Leave Payments Board's ("the Board") financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Board has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Board cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but are not operative) by the Board for the annual reporting period ended 30 June 2018.

2. Summary of significant accounting policies

(a) General Statement

The Board is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for financial instruments classified as available-for-sale which have been valued at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Board's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

At 30 June 2018 the Board has an excess of assets over liabilities of \$198.9 million (2017: excess of assets over liabilities of \$155.8 million).

(c) Reporting Entity

The reporting entity comprises the Construction Industry Long Service Leave Payments Board. There are no 'Related bodies'.

(d) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Contribution from employers

Contributions from employers are due at the end of each 3 month period. Consequently contributions due in respect of the quarterly period to 30 June 2018 have been accrued.

Investment revenue

Investment revenue comprises distributions received from managed funds investments and is recognised when the Board becomes entitled to receive the distributions.

Interest

Revenue is recognised as the interest accrues.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and gains on redemptions of investments in managed funds.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

(e) Plant and Equipment

Capitalisation/expensing of assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the cost model is used for the measurement of all plant and equipment. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Leasehold improvements	5 years
Furniture and fittings	10 years
Office equipment	3 to 5 years

(f) Intangible Assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$5,000 are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Board have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

(f) Intangible Assets (continued)

Licences 3 to 5 years

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition

(g) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

As the Board is a not-for-profit entity, and the property, plant and equipment is not used for cash generating purposes, where the Board specifically identifies an item of this class which is carried at a value above its recoverable amount, the Board will impair the asset down to the higher of the asset's fair value less costs to sell or its depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at end of each reporting period.

(h) Leases

The Board has entered into a number of operating lease arrangements for the rent of the office building and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Lease payments are expensed on a straight line basis over the lease terms as this represents the pattern of benefits to be derived from the leased property and motor vehicles.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

(i) Financial Instruments

In addition to cash, the Board has the following categories of financial instrument:

- Receivables
- Financial liabilities measured at amortised cost
- Available-for-sale financial assets (includes units in quoted managed investment funds and managed listed shares).

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables
- Units in quoted managed investment funds and managed listed shares
- Term deposits

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material. Fair value of the available-for-sale financial assets are based on current bid prices.

(j) Cash and Cash Equivalents

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.

(k) Accrued salaries

Accrued salaries (see Note 21 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to its fair value.

(l) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Board will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(m) Investments and Other Financial Assets

The Board classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

(m) Investments and Other Financial Assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable units and shares in managed investment funds, are non-derivatives that are either designated in this category or not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on available-for-sale financial assets are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income. The fair value of quoted investments are based on current bid prices.

Purchases and sales of investments are recognised on trade-date – the date on which the Board commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

The Board assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A significant or prolonged decline in the fair value of the portfolio below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale. If there is no objective evidence of impairment then no action is taken at that time. However if there is objective evidence of impairment, then the Board calculates the amount of any loss and recognises it during that reporting period.

(n) Payables

Payables are recognised when the Board 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.

(o) Provisions

Provisions are liabilities of uncertain timing and amount. The Board only recognises a provision where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting period.

Employment on-costs

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Board's 'Employee benefits expense' and the related liability is included in Employment on-costs provision. See Note 10 "Employee benefits expense" and Note 22 "Provisions".



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

(o) Provisions (continued)

Provisions - Employee Benefits

All annual leave and long service provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

Annual leave expected to be settled within 12 months is classified as a current provision on the Statement of Financial Position. Annual leave that is not expected to be settled wholly within 12 months after the end of the reporting period is considered to be a non-current provision. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and period of services. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave expected to be settled within 12 months is classified as a current provision on the Statement of Financial Position. Long service leave that is not expected to be settled wholly within 12 months after the end of the reporting period is considered a non-current provision. Long service leave is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and period of services. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Board does not have an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Board has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation dates.

Eligible employees may contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

(o) Provisions (continued)

Superannuation (continued)

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension Scheme or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund provider.

The Board makes contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Board's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for the Board's purposes because the concurrent contributions (defined contributions) made by the Board to GESB extinguishes the Board's obligations to the related superannuation liability.

The Board has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Board to the GESB.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

(p) Superannuation expense

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), WSS, the GESBS, and other superannuation funds.

(q) Finance costs

Finance costs are comprised of bank charges on the bank accounts held by the Board and are expensed when incurred.

(r) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have significant effect on the amounts recognised in the financial statements. The Board evaluates these judgements regularly.

Operating lease commitments

The Board has entered into leases for building accommodation and motor vehicles. The leases relating to the building and motor vehicles are of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

4. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Accrued Long Service Leave Benefits Liability

Several assumptions are used in calculating the Board's accrued long service leave benefits liability. These include:

- Growth rate (of workers in the industry);
- Participation rate of workers for contribution purposes;
- Participation rate of workers for leave accrual purposes;
- Termination rates (of workers in the industry);
- In-service rates (rate of leave taken by workers whilst in the Scheme);
- Rate of workers' pay increases / decreases; and
- Discount rate (government bond rate) used for the liability calculation.

Changes in the above assumptions may impact on the carrying amount of the accrued long service leave benefits liability.





**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

5. Disclosure of change in accounting policy and estimates

Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. By virtue of a limited exemption, the Board has early adopted AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the Board plans to apply these Australian Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p>Financial Instruments</p> <p>The Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The Board has assessed that recognition of expected credit losses will increase the amount of impairment losses recognised as other expenses in the Statement of Comprehensive Income and thus have an adverse impact on the Board's Surplus/(Deficit) for the period.</p>	1 Jan 2018
AASB 15	<p>Revenue from Contracts with Customers</p> <p>This Standard establishes the principles that the Board shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of the Standard is currently 1 January 2019 after being amended by AASB 2016-7. The Board has not yet determined the potential impact of the Standard.</p>	1 Jan 2019



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

		Operative for reporting periods beginning on/after
AASB 16	<p>Leases</p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$2.62 million worth of non-cancellable operating leases. The Board anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019
AASB 1058	<p>Income of Not-for-Profit Entities</p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or other performance obligation (a promise to transfer a good or service), or, a contribution by owners, related to an asset (such as cash or another asset) received by the Board. The Board anticipates that the application will not materially impact appropriation or untied grant revenues.</p>	1 Jan 2019
AASB 1059	<p>Service Concession Arrangements: Grantors</p> <p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The Board has not identified any public private partnerships within scope of the Standard.</p>	1 Jan 2019



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

		Operative for reporting periods beginning on/after
AASB 2010-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above, the Board is only insignificantly impacted by the application of the Standard.</p>	1 Jan 2018
AASB 2014-1	<p>Amendments to Australian Accounting Standards</p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Board to determine the application or potential impact of the Standard</p>	1 Jan 2018
AASB 2014-5	<p>Amendments to Australian Accounting Standards arising from AASB 15</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Board has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Board has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

		Operative for reporting periods beginning on/after
AASB 2015-8	<p>Amendments to Australian Accounting Standards – Effective Date of AASB 15</p> <p>This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB2014-5. There is no financial impact arising from the Standard.</p>	1 Jan 2018
AASB 2016-3	<p>Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Board has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.</p>	1 Jan 2018
AASB 2016-7	<p>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</p> <p>This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from the Standard.</p>	1 Jan 2018
AASB 2016-8	<p>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</p> <p>This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.</p>	1 Jan 2019

Voluntary changes in Accounting Policy

There have been no significant voluntary changes in accounting policy.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

	2018 \$000	2017 \$000
6. Investment revenue		
Distributions from managed funds	24,176	29,121
	<u>24,176</u>	<u>29,121</u>

7. Interest revenue

Bank account and term deposit interest	527	466
	<u>527</u>	<u>466</u>

8. Accrued long service leave benefits liability

The Scheme's long service leave liability at 30 June 2018 has been calculated by the Actuary as \$411.0 million (as per AASB 119)

Opening balance	427,517	431,951
Decrease in provision	(16,490)	(4,434)
Closing balance	<u>411,027</u>	<u>427,517</u>

The liability is allocated as follows:

Current		
Accrued long service leave benefits liability	246,728	249,729
Non-current		
Accrued long service leave benefits liability	164,299	177,788
Total	<u>411,027</u>	<u>427,517</u>

The two key assumptions applied by the Actuary in calculating the liability are:

- The rate of members' future pay increases is estimated at 5.0% (2017: 5.0%) per annum.
- The discount rate is 2.6% (2017: 2.7%) as quoted by the government bond rate for an 8.3 year term (2017: 9.7 year term).

9. (Losses)/gains on disposal of investments

Costs of disposal of investments	28,253	59,073
	<u>28,253</u>	<u>59,073</u>
Proceeds from disposal of investments	28,643	56,574
Realised (losses)/gains from current period sales	390	(2,499)
	<u>390</u>	<u>(2,499)</u>

10. Employee benefits expense

Wages and salaries ^(a)	1,645	1,576
Superannuation – defined contribution plans ^(b)	223	212
Long service leave	50	67
Annual leave	180	156
	<u>2,098</u>	<u>2,011</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution components.

(b) Defined contribution plans include West State, GESBS and other eligible funds.

Employment on-costs are included at note 15 'Other expenses'. The employment on-costs liability is included at note 22 'Provisions'.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

	2018 \$000	2017 \$000
11. Supplies and services		
Communications	239	261
Consultants and contractors	679	745
Consumables	141	142
Travel	41	33
Other	89	103
	<u>1,189</u>	<u>1,284</u>
12. Depreciation and amortisation expense		
Depreciation		
Furniture and office equipment	59	70
Leasehold improvements	41	41
Total depreciation	<u>100</u>	<u>111</u>
Amortisation		
Intangible assets	-	2
Total amortisation	<u>-</u>	<u>2</u>
Total depreciation and amortisation	<u>100</u>	<u>113</u>
13. Finance costs		
Bank fees	39	42
	<u>39</u>	<u>42</u>
14. Accommodation expenses		
Lease rentals (net of rent abatement)	277	281
Repairs and maintenance	-	1
Light and power	11	9
	<u>288</u>	<u>291</u>
15. Other expenses		
Board members' fees	98	98
Employment on-costs ^(a)	88	77
Doubtful debts expense	162	222
Insurances	53	46
Motor vehicle expenses	39	40
	<u>440</u>	<u>483</u>

(a) Includes payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 22 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

	2018 \$000	2017 \$000
16. Receivables		
Employer debtors	646	581
Allowance for impairment of employer debtors	(162)	(222)
	<u>484</u>	<u>358</u>
Other debtors	233	212
	<u>717</u>	<u>571</u>

Reconciliation of changes in the allowance for impairment of employer debtors:

Balance at start of period	222	262
Doubtful debts expense	162	222
Amounts written off during the period (i)	(222)	(262)
Balance at end of period	<u>162</u>	<u>222</u>

i) \$221,889 of bad debts, where an allowance for impairment was previously raised, were written off during the year directly against employer debtors (2017: \$261,867).

17. Available-for-sale financial assets

At valuation:

- First Wrap Plus Cash Account	4,411	8,720
- Colonial First State Cash	42,451	38,922
- Colonial First Rate Wholesale Saver	40,737	37,278
- Pandal Fixed Interest	29,917	-
- Aberdeen Australian Fixed Income	-	28,551
- PIMCO Wholesale Global Bond	30,519	28,364
- UBS Diversified Fixed Income Fund	47,028	43,708
- AMP Capital Global Property Securities (Hedged)	28,282	25,962
- Schroder Wholesale Australian Equity	23,764	22,151
- Colonial FS Wholesale Equity Income Fund	24,042	21,613
- Vanguard Australian Shares Index fund	55,333	50,798
- Magellan Global Fund (Unhedged)	17,146	15,206
- MFS Global Equity Trust (Unhedged)	28,515	27,827
- Schroder Global Active Value (Unhedged)	28,207	26,407
- Vanguard International Share Index Fund (Hedged)	28,085	28,165
- Celeste Australian Small Companies	21,996	19,301
- RARE Infrastructure Value Fund (Hedged)	26,617	26,744
- Macquarie Income Opportunity Fund	30,221	28,393
- Investors Mutual Australia Shares	30,075	27,023
- Fidelity Australia Equities Fund	31,815	26,253
	<u>569,161</u>	<u>531,384</u>

18. Other current assets

Current		
Accrued contributions	8,175	10,334
Prepayments	56	76
Accrued distributions and Interest	11,013	16,136
	<u>19,244</u>	<u>26,546</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

	2018 \$000	2017 \$000
19. Plant and equipment		
<u>Furniture and fittings</u>		
At cost	260	260
Accumulated depreciation	(63)	(37)
	197	223
<u>Leasehold improvements</u>		
At cost	206	206
Accumulated depreciation	(88)	(47)
	118	159
<u>Office equipment</u>		
At cost	270	266
Accumulated depreciation	(237)	(203)
	33	63
	348	445

Reconciliations of the carrying amounts of Furniture, office equipment and leasehold improvements at the beginning and end of the reporting period are set out below.

	Furniture and fittings \$000	Leasehold improvements \$000	Office equipment \$000	Total \$000
2018				
Carrying amount at start of period	223	159	63	445
Additions	-	-	3	3
Disposals	-	-	-	-
Write-offs	-	-	-	-
Depreciation	(26)	(41)	(33)	(100)
Carrying amount at end of period	197	118	33	348
	Furniture and fittings \$000	Leasehold improvements \$000	Office equipment \$000	Total \$000
2017				
Carrying amount at start of period	236	201	103	540
Additions	12	-	4	16
Disposals	-	-	-	-
Write-offs	-	-	-	-
Depreciation	(25)	(42)	(44)	(111)
Carrying amount at end of period	223	159	63	445





**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

	2018 \$000	2017 \$000
20. Impairment of assets		
There were no indications of impairment to plant and equipment at 30 June 2018.		
There were no surplus assets held at 30 June 2018.		
21. Payables		
Trade payables	522	545
Accrued salaries	23	25
Accrued expenses	242	182
	<u>787</u>	<u>752</u>
22. Provisions		
<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	162	149
Long service leave ^(b)	272	287
	<u>434</u>	<u>436</u>
Other provisions		
Employment on-costs ^(c)	72	71
Total current employee related provisions	<u>506</u>	<u>507</u>
<u>Non-current</u>		
Employee benefits provision		
Long service leave ^(b)	51	71
	<u>51</u>	<u>71</u>
Other provisions		
Employment on-costs ^(c)	7	10
Total non-current employee related provisions	<u>58</u>	<u>81</u>
Total employee related provisions	<u>564</u>	<u>588</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

	2018 \$000	2017 \$000
22. Provisions (continued)		
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of reporting date	113	102
More than 12 months after reporting date	49	47
	<u>162</u>	<u>149</u>
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting date. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of reporting date	119	132
More than 12 months after reporting date	203	226
	<u>322</u>	<u>358</u>
(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 15 'Other expenses'.		

Movement in Other Provisions

Movement in the Employment on-costs provision during the financial year is set out below.

Carrying amount at start of the year	82	83
Additional provision recognised	(3)	(1)
Carrying amount at end of period	<u>79</u>	<u>82</u>

23. Equity

Retained earnings

Balance at start of period	125,477	97,818
Result for the period	35,052	27,659
Balance at end of period	<u>160,529</u>	<u>125,477</u>

Fair Value Reserve

Balance at start of period	30,324	9,331
Movement for the period	8,101	20,993
Balance at end of period	<u>38,425</u>	<u>30,324</u>

Total equity at end of period	<u>198,954</u>	<u>155,801</u>
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

2018
\$000

2017
\$000

24. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	21,862	25,712
	<u>21,862</u>	<u>25,712</u>

Reconciliation of net cost of services to net cash flows (used in) / provided by operating activities

Profit/(loss) for the period	23,331	27,659
<u>Non-cash items:</u>		
Depreciation and amortisation expense	100	113
Investment income reinvested (i)	(13,188)	(29,121)
Doubtful debts expense	162	222
Net (loss)/profit on sale of investments (i)	(390)	2,499
<u>(Increase)/decrease in assets:</u>		
Current receivables	(308)	(203)
Other current assets	2,905	1,562
Prepayments	20	25
<u>Increase/(decrease) in liabilities:</u>		
Current payables	35	(1,529)
Current provisions	(1)	25
Non-current provisions	(23)	(5)
Accrued LSL benefits liability	(16,490)	(4,434)
Net cash provided by operating activities	<u>(3,847)</u>	<u>(3,187)</u>

Non-cash Investing

- (i) The Board has invested in fund accounts maintained by its Investment Advisor. Cash distributions from investments and proceeds from sale of investments are reinvested back into the fund account and do not result in any cash outflow or inflow through the operating account of the Board. The distributions from investments for 30 June 2018 amounted to \$24.176 million (2017: \$29.121 million) and the proceeds from sale of investments amounted to \$28.643 million (2017: \$56.574 million).

25. Commitments

Non-cancellable operating lease commitments
Commitments for minimum lease payments are payable as follows:

Within 1 year	245	224
Later than 1 year and not later than 5 years	1,613	1,016
Later than 5 years	760	1,316
	<u>2,618</u>	<u>2,556</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

25. Commitments (continued)

The property lease is a non-cancellable lease with a ten-year term and a further five-year option to extend, with rent payable monthly in advance. Contingent rent provisions within the lease agreement requires that the rent is increased by 3.5% pa except at the end of the fifth year when the rent will be reviewed up or down to market value. The lease agreement provides for the rent to be increased by 3.5% pa for year's six to ten.

The motor vehicle leases are generally considered non-cancellable and it is assumed that the leases will continue for the assigned lease term. Scheduled termination of leases are between 15 December 2017 and 15 July 2021.

The communication leases are generally considered non-cancellable and it assumed that the leases will continue for the three year term. The leases will terminate 9 April 2019.

The commitments below are inclusive of GST	2018 \$000	2017 \$000
Other expenditure commitments contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
<i>Advertising</i>		
Within 1 year	5	12
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	5	12

26. Related Party Transactions

The Construction Industry Long Service Leave Payments Board is a Western Australian statutory authority established to administer a portable long service leave scheme for Western Australian construction industry workers. In conducting its activities the Board is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Board include:

- Board members 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;
- The Government Employees Superannuation Board (GESB)

Significant transactions with government related entities

Significant transactions include:

- Superannuation payments to GESB (Note 10)
- Vehicle lease rentals payments to State Fleet & payroll tax to the Department of Finance (Note 14 and 15)
- Insurance payment to Riskcover fund (Note 15)
- Remuneration for services provided by the Auditor General (Note 34)

Material transactions with related parties

The Board has no material related party transactions with its board members or its senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

27. Contingent liabilities and contingent assets

There were no significant contingent liabilities or contingent assets existing at reporting date.

28. Events occurring after the end of the reporting date

There were no significant events occurring after the balance sheet date that require disclosure.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

29. Explanatory statement

This statement provides details of significant variances between estimates (original budget) and actual results for 2018 and between the actual for 2018 and 2017.

Narratives are provided below.

Significant variances between estimates and actual results for 2018 and 2017

	Variance Note	Estimate 2018	Actual 2018	Actual 2017	Variance between Estimate and Actual 2018	Variance between Actual result for 2018 and 2017
		\$000	\$000	\$000	\$000	\$000
Income						
Contribution from employers	1	37,396	41,284	47,794	3,888	(6,510)
Net investment income	2	31,672	33,194	48,081	1,522	(14,887)
TOTAL INCOME		69,068	74,478	95,875	5,410	(21,397)
Expenses						
Long service leave payments	3	37,193	43,661	47,433	6,468	3,772
Employee benefits expense	4	2,103	2,098	2,011	(5)	(87)
Supplies and services	5	1,504	1,189	1,284	(315)	95
Depreciation & amortisation expense	6	112	100	113	(12)	13
Finance costs	7	60	39	42	(21)	3
Accommodation expenses	8	285	288	291	3	3
Accrued long service leave liability expense/(benefits)	9	32,307	(16,490)	(4,434)	(48,797)	12,056
Other expenses	10	759	440	483	(319)	43
TOTAL EXPENSES		74,323	31,325	47,223	(42,998)	15,898

Estimates (2018) and Actual (2018) Variance Narratives

- 1) The estimated reduction in industry activity and worker pay rates was not as significant as budgeted.
- 2) Actual net investment income was greater than the estimate as a result of more favorable underlying portfolio performance. Refer to the note on page 10 for a breakdown of the net investment income.
- 3) Long service leave payments were higher than estimated as a result of an above forecast increase in the number of leave and termination payments to employees.
- 4) Actual employee benefits was lower than estimated cost as estimated employee benefits was determined at 20.4 FTE during the whole year.
- 5) Supplies and services decreased because there was no spending on special IT projects; referrals to Illion Australia (formally trading as Dun & Bradstreet) were less than anticipated; legal opinions were less than anticipated; thirty party mail cost higher than estimated; printing/stationery/training was lower than anticipated.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

29. Explanatory statement (continued)

- 6) Depreciation & amortisation is in line with estimates.
- 7) Finance costs are lower than estimated costs due to process changes.
- 8) Accommodation expenses as per estimate.
- 9) Change in the underlying data as noted by the Actuary mainly due to the face value of entitlements being lower than expected; lower number of workers and lower average rate of pay for benefit purposes (per day).
- 10) Provision for doubtful debts were estimated at \$350,000 but actual amount provided for 2018 was \$162,391 and lower motor vehicle costs were incurred.

Actual (2018) and Actual (2017) Variance Narratives

- 1) Variance reflects the reduction in active construction workers in the industry which translates into a lower number of service days and the reduced contribution levy revenue from employers. Levy rate reduction from 01/01/18 also impacted variance.
- 2) Investment return for 2018 was 6.89% as compared to 2017 9.02%. Please refer to page 10 for details of the individual components of net investment income.
- 3) Long service leave payments were lower in 2018 (5,445) as compared to 2017 (5,808). In 2017 many workers suffered the impact of the downturn as construction projects came to an end.
- 4) The increase in employee benefits expense variance between (2018) actual and (2017) actual is a result of Board staff cashing out their long service leave entitlements in 2018. Also, in 2017 the Board had not filled two positions which have been filled in 2018.
- 5) Supplies and services decreased because of lower spending on legal opinions/computer consultancy/staff training.
- 6) Lower depreciation costs in 2018 as compared to 2017.
- 7) Finance costs for 2018 are almost on par with 2017.
- 8) Accommodation costs for 2018 are almost on par with 2017.
- 9) The liability reduced due to the face value of entitlements being lower than expected; lower number of employees from 121,533 to 112,245 and lower average rate of pay for benefit purposes (per day) from \$336 to \$328.
- 10) Provision for doubtful debts for 2018 was \$162,391 as compared to \$221,889 in 2017.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

30. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Board are cash and cash equivalents, term deposits, available-for-sale financial assets, receivables, accrued distributions and interest and payables. The Board has limited exposure to financial risks. The Board's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Board's receivables defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 31(c) 'Financial instruments disclosures' and note 16 'Receivables'.

The Board trades only with recognised, creditworthy third parties and invests with counterparties that have a high credit rating. Receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is minimal. At the end of the reporting period there are no significant concentrations of credit risk.

Board procedure is to contact debtors with debts outstanding at 30 days. If payment is not received within the following 7 days the debt is passed to a commercial collection agency for collection.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 16 'Receivables'.

Liquidity risk

The Board is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Board is unable to meet its financial obligations as they fall due.

The Board's objective is to maintain a positive cash flow. The Board has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Board's income or the value of its holdings of financial instruments. The Board does not trade in foreign currency. Other than as detailed in the interest rate sensitivity analysis table at Note 31(c), the Board has limited exposure to interest rate risk because it is not permitted to have borrowings.

Equity price risk arises from available-for-sale equity securities held for meeting the Board's long service leave obligations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the fund manager.

The primary goal of the Board's investment strategy is to maximize investment returns in order to meet the Board's long service leave obligations.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

30. Financial Instruments (continued)

	2018	2017
	\$000	\$000
Financial Assets		
Cash and cash equivalents	21,862	25,712
Receivables	717	571
Available-for-sale financial assets	569,161	531,384
Financial Liabilities		
Payables	787	752

(c) Financial Instrument disclosures

Credit risk

The following table discloses the Board's maximum exposure to credit risk and the ageing analysis of financial assets. The Board's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Board.

The Board does not hold any collateral as security or other credit enhancement relation to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
			Up to 1 Months	1-3 Months	3 months- 1 Year	1-5 Years	More than 5 Years	
2018	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	21,862	21,862	-	-	-	-	-	-
Receivables ^(a)	717	404	79	86	147	-	-	-
Available-for-sale financial assets	569,161	569,161	-	-	-	-	-	-
	591,740	591,427	79	86	147			
2017								
Cash and cash equivalents	25,712	25,712	-	-	-	-	-	-
Receivables ^(a)	571	437	10	36	88	-	-	-
Available-for-sale financial assets	531,384	531,384	-	-	-	-	-	-
	557,667	557,533	10	36	88			

(a) The amount of receivables includes the GST recoverable from the ATO (statutory receivable).



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

30. Financial Instruments (continued)

(c) Financial Instrument disclosures

Liquidity risk and interest rate exposure

The following table details the Board's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. Maturity analysis section includes interest and principal cash flows. The interest rate exposure section only the carrying amount of each item.

Interest rate exposures and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying amount \$000	Interest rate exposure				Total Nominal Amount \$000	Maturity dates				
			Fixed Interest Rates \$000	Variable Interest Rate \$000	Non- Interest Bearing \$000			Up to 1 Months \$000	1-3 Months \$000	3 Months to 1 Year \$000	1-5 Years \$000	More than 5 Years \$000
2018												
<u>Financial Assets</u>												
Cash and cash equivalents	1.89	21,862	-	21,862	-	21,862	21,862	-	-	-	-	-
Receivables ^(a)		717	-	-	717	717	404	165	147	-	-	-
Available-for-sale financial assets	1.45	569,161	-	522,298	46,863	569,161	-	-	-	-	-	-
		591,740	-	544,160	47,580	591,740	22,266	165	147	-	-	-
<u>Financial liabilities</u>												
Payables		787	-	-	-	787	787	-	-	-	-	-
		787	-	-	-	787	787	-	-	-	-	-
2017												
<u>Financial Assets</u>												
Cash and cash equivalents	2.08	25,712	-	25,712	-	25,712	25,712	-	-	-	-	-
Receivables ^(a)		571	-	-	571	571	437	46	88	-	-	-
Available-for-sale financial assets	1.46	531,384	-	45,997	485,387	531,384	-	-	-	-	-	-
		557,667	-	71,709	485,958	557,667	26,149	46	88	-	-	-
<u>Financial liabilities</u>												
Payables		752	-	-	-	752	752	-	-	-	-	-
		752	-	-	-	752	752	-	-	-	-	-

(a) The amount of receivables includes the GST recoverable from the ATO (statutory receivable).



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

30. Financial Instruments (continued)

(c) Financial Instrument disclosures

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Board's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 100 basis points in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2018					
<u>Financial Assets</u>					
Cash and cash equivalents	21,862	(218)	(218)	218	218
Total Increase/(Decrease)		(218)	(218)	218	218
		-100 basis points		+100 basis points	
	Carrying amount \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2017					
<u>Financial Assets</u>					
Cash and cash equivalents	25,712	(257)	(257)	257	257
Total Increase/(Decrease)		(257)	(257)	257	257



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

30. Financial Instruments (continued)

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

31. Fair Value Measurement

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Assets measured at fair value		Level 1	Level 2	Level 3	Fair value at end of period
2018		\$000	\$000	\$000	\$000
Available-for-sale-financial-assets	(Note 17)	569,161			569,161
		569,161	-	-	569,161

There were no transfers between levels 1, 2, 3 during the period

Assets measured at fair value		Level 1	Level 2	Level 3	Fair value at end of period
2017		\$000	\$000	\$000	\$000
Available-for-sale-financial-assets	(Note 17)	531,384	-	-	531,384
		531,384	-	-	531,384

There were no transfers between levels 1, 2, 3 during the period



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

32. Compensation of Key Management Personnel

The Board has determined key management personnel to include Board Members and Senior Officers of the Board. The Board does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The Total fees, salaries, superannuation, non-monetary benefits and other benefits for Senior Officers of the Board for the reporting period are presented within the following bands:

Compensation of Members of the Accountable Board

Compensation Band (\$)	2018	2017
0 - 5,000	1	4
10,001 - 15,000	-	2
15,001 - 25,000	5	3
25,001 - 35,000	1	1
	\$000	\$000
Short term employee benefits	107	108
Post-employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Total compensation of members of the Accountable Board:	107	108

No members of the Accountable Board are members of the Pension Scheme.

Compensation of Senior Officers

Compensation Band (\$)	2018	2017
170,001 - 180,000	1	-
190,001 - 200,000	-	1
270,001 - 280,000	-	1
280,001 - 290,000	1	-
	\$000	\$000
Short term employee benefits	417	434
Post-employment benefits	22	7
Other long term benefits	26	26
Termination benefits	-	-
Total compensation of Senior Officers:	465	467

Total compensation includes the superannuation expense incurred by the Board in respect of Senior Officers.

No Senior Officers are members of the Pension Scheme.





**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

33. Remuneration of auditor

2018	2017
\$000	\$000

Remuneration paid or payable to the Auditor General in respect of the audit for the current reporting period is as follows:

Auditing the accounts, financial statements controls and key performance indicators	29	28
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34. Supplementary financial information

Write-offs

Bad debts written off by the Board members during the financial year	222	262
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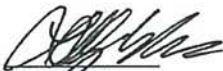




CERTIFICATION OF KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDING 30 JUNE 2018

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Construction Industry Long Service Leave Payments Board's performance and fairly represent the performance of the Construction Industry Long Service Leave Payments Board for the financial year ended 30 June 2018.

Signed this^{17th}..... day of August 2018


Ms L. Gibbs
Chair


Member of the Board



ANNUAL REPORT 2018





**KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDING 30 JUNE 2018**

DESIRED OUTCOME

A financially sustainable portable Long Service Leave Scheme for eligible construction industry employees.

The Board has developed six Key Effectiveness Indicators (KEI) which when interpreted together provide evidence of the level of achievement of the Desired Outcome.

KEI (i) is the number of employers registered with the Board. In 2018 there was a small decrease in conjunction with the downturn in the Western Australian construction industry. KEI (ii) is the number of employees for whom contributions have been made. In line with the industry downturn there is a high number of employees terminating.

KEI (v) shows the number of registered employees and number of employees paid a benefit. In regards to the number of registered employees KEI (vi) shows the number of employees which qualify for a benefit under the Scheme.

Notwithstanding the industry downturn, the sound coverage of employees and employers sustains contribution levy receipts to assist in the maintaining of a Balance Sheet within the Board's approved Accounting Ratio range of 110% - 130% (assets / liabilities). As detailed, the Accounting Ratio range includes a suitable buffer to ensure the financial sustainability of the Scheme.

Achievement of the Accounting Ratio range (as recorded as at balance date) enables the Board to critically assess the contribution levy payable by employers. This assessment is undertaken in conjunction with the Actuary's forecast of the future long service leave liability obligations to employees.

As evidenced in KEI (iii), the Board considered the rate of 1.20% (from 1 January 2018) to be sufficient to maintain the Balance Sheet within the Board approved Accounting Ratio range.

Over the past nine consecutive years, as per KEI (iv), the Board has generated a positive investment return and in particular with recent years 2013, 2014, 2015, 2017 and 2018 in excess of the long term (20 year) average. MyLeave Board Members are pleased with the 6.9% return for 2018 however acknowledge that the annual investment performance will fluctuate on a year in / year out basis.

Finally, the Board's financial sustainability is further evidenced with the ability to continue to grow the investment portfolio and, in need, utilise portfolio drawdowns to meet the high number and value of long service leave payments to employees.

The Key Efficiency Indicators are significantly less than Other State Schemes (average) and this is partly a result of the number of Registered Employees coupled with the containment of administrative expenses and business efficiency measures implemented by the Board.

KEY EFFECTIVENESS INDICATORS

(i) **CONSTRUCTION INDUSTRY EMPLOYERS WHO HAVE REGISTERED WITH THE BOARD.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Registered Employers – Average for the year (Number)	5,049	5,013	5,049	5,073	5,005
Change in average number of Registered Employers		(0.7%)	(0.5%)	1.4%	1.8%
Growth in Firms in the Industry (IBISWORLD Pty Ltd)		*	3.7%	(1.1%)	(0.3%)

* 2017/2018 statistics were not available at the time of preparation of this Report.



**KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDING 30 JUNE 2018**

(ii) **ELIGIBLE AND REGISTERED CONSTRUCTION INDUSTRY EMPLOYEES FOR WHOM CONTRIBUTIONS HAVE BEEN MADE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Employees contributed for - Average for the year. (number)	68,134	63,794	68,134	76,592	76,271
Change in average number of Employees contributed for. (%)		(6.4%)	(11.0%)	0.4%	2.5%
Change in number of Employees in the industry. (%) *		13.0%	1.9%	2.7%	2.1%

* Based on construction industry employment statistics published by the ABS. (Based on a rolling four quarters average of ANZSIC'06, by industry division and by major group quarter ending February 2018). Occupations: Technicians and Trades Workers plus Machinery Operators and Drivers).

(iii) **CONSTRUCTION INDUSTRY EMPLOYERS LONG SERVICE LEAVE CONTRIBUTION RATE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Contribution Rate. (%)	1.20%	1.28% (a)	1.35%	1.43% (b)	1.70% (c)

(a) The contribution rate was decreased from 1.35% to 1.20% with effect from 1 January 2018

(b) The contribution rate was decreased from 1.50% to 1.35% with effect from 1 January 2016

(c) The contribution rate was decreased from 1.90% to 1.50% with effect from 1 January 2015

(iv) **ANNUAL RETURN DERIVED FROM THE BOARD'S INVESTMENTS.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Board's Investment Return (%)	6.20%	6.89%	9.02%	1.91%	10.17%
Investment Return - (Average) Composite Index (%)		8.34%	8.28%	4.02%	8.11%

Investment return of 6.89% (2017: 9.02%) was in line with underlying portfolio performance driven by world markets.

(v) **CONSTRUCTION INDUSTRY EMPLOYEES WHO HAVE RECEIVED A LONG SERVICE LEAVE PAYMENT.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Employees Registered in the Scheme. (number)	121,533	112,245	121,533	127,941	130,151
Number of Employees paid a benefit. (number)	4,035	5,445	5,808	5,100	3,910

Benefits paid totaling 5,445 (2017: 5,808) was driven by underlying construction industry activity.





**KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDING 30 JUNE 2018**

(vi) **QUALIFYING SERVICE PROFILE OF CONSTRUCTION INDUSTRY EMPLOYEES FOR WHOM CONTRIBUTIONS HAVE BEEN MADE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018 Target	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Employees Registered in the Scheme. (number)	121,533	112,245	121,533	127,941	130,151
Employees with <i>less</i> than the required minimum of 7 years of qualifying service to obtain a benefit. (number)	103,884	96,391	106,634	113,207	116,326
Employees qualified for a pro rata long service leave benefit - 7 to 10 years of service. (number)	8,846	7,954	7,716	7,906	7,371
Employees qualified for a long service leave benefit - more than 10 years of service. (number)	8,803	7,900	7,183	6,828	6,454

SERVICE

Management of the Construction Industry Long Service Leave Scheme.

KEY EFFICIENCY INDICATORS

(i) **AVERAGE ADMINISTRATIVE COST PER REGISTERED CONSTRUCTION INDUSTRY EMPLOYEE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018	2017	2016	2015
W.A. Scheme Cost per Employee (\$)	\$37.01	\$34.76	\$35.13	\$31.88
Other State Schemes (average) (\$)	*	\$50.36	\$52.95	\$51.38

* 2017/2018 figures not available at the time of preparation of the Report.

(ii) **FULL TIME EQUIVALENT STAFF EMPLOYED PER THOUSAND OF REGISTERED WESTERN AUSTRALIAN CONSTRUCTION INDUSTRY EMPLOYEES.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2018	2017	2016	2015
Staff per thousand employees. (number)	0.18	0.17	0.14	0.14
Other State Schemes (average) (number)	*	0.34	0.33	0.31

* 2017/2018 figures not available at the time of preparation of the Report.





**MINISTERIAL DIRECTIVES
OTHER FINANCIAL DISCLOSURES
GOVERNANCE DISCLOSURES
FOR THE YEAR ENDING 30 JUNE 2018**

MINISTERIAL DIRECTIVES

No Ministerial directives were received during the financial year.

OTHER FINANCIAL DISCLOSURES

Capital Works

No capital projects were completed during 2017-2018.

Employment and Industrial Relations

Staff Profile	2018	2017
Full time permanent	19.0	19.0
Part time measured on a FTE basis	1.4	1.4
Total	20.4	20.4

Staff Development

The Board encourages its employees to maintain and improve their skills and to that end funds appropriate training courses and the membership of professional bodies.

Workers Compensation

No compensation claims have been made in this or the previous financial year.

GOVERNANCE DISCLOSURES

Contracts with Senior Officers

Other than normal contracts of employment, no Senior Officers or firms of which Senior Officers are members or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with the Board.

Insurance premiums paid to indemnify members of the Board

An insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liability of Directors) Act 1996. The amount of the insurance paid for 2017/2018 was \$19,652.





**OTHER LEGAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2018**

OTHER LEGAL DISCLOSURES

Unauthorised Use of Credit Cards

Officers of the Board hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Board's credit card policy, one employee inadvertently utilized the corporate credit card for taxi services not on Board business. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	2018
	\$
Personal use expenditure for the reporting period	26
Personal use expenditure settled by the due date (within 5 working days)	26
Personal use expenditure settled by the due date (after 5 working days)	-
Personal use expenditure outstanding at balance date	-

Compliance with Public Sector Standards & Ethical Codes

(Public Sector Management Act 1994, Section 31 (1))

The Board complies with the provisions of the Public Sector Management Act and has no compliance issues or breaches to report.

Advertising

(Electoral Act 1907, Section 175ZE)

The Board has not incurred any expenditure required to be reported under this section.

Recordkeeping Plan

(State Records Act 2000, Section 61)

The Board is committed to ongoing compliance with the State Records Act 2000 and to sound recordkeeping practices. The Board's current Recordkeeping Plan was formally approved on 2 August 2013 and the next review is due by 2 August 2018. This review was submitted to the State Records Commission on 23 May 2018. The Board utilizes the services of an external consultant to ensure compliance with the State Records Act 2000. New employees receive induction training and education on recordkeeping.





**OTHER LEGAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2018**

OTHER LEGAL DISCLOSURES (continued)

Occupational Safety and Health
(Occupational Safety & Health Act 1984)

The Board has developed an Occupational Safety and Health Manual which contains policies and procedures for all workplace related health and safety matters. The Board places the highest priority on the well-being and safety of its staff at all times and confirms compliance with injury management requirements of the Workers' Compensation and Injury Management Act 1981 (including a formal return to work plan).

The reportable statistics for the year are:

REPORTABLE STATISTICS FOR 2018		
	Target for 2017/2018	Actual for 2017/2018
Number of fatalities	Zero	Zero
Lost time injury	Zero	Zero
Lost time injury severity rate	Zero	Zero

Disability Access and Inclusion
(Disability Services Act 1993, Section 2)

The Board's information, services available to the public, access to the office and opportunity to make complaints and participate in public consultation are all fully available to people with disabilities.

Corruption Prevention

The Board's policies and procedures relating to the financial management processes it follows, the management of its computer information systems data, its risk management plan, the extensive use of independent external advisors and auditors together with regular Board oversight of operations fosters a strong corporate culture of accountability across the organisation which minimises the risk of misconduct and corrupt behaviour.

Substantive Equality

The Board is an Equal Opportunity Employer and encourages Indigenous Australians, young people, people from culturally diverse backgrounds and women to apply for advertised positions. The Board has an Equal Employment Opportunity Management Plan. The Board is committed to providing its services free from any form of discrimination.

Public Interest Disclosure
(Public Interest Disclosure Act 2003)

Information on the requirements of the Public Interest Disclosure Act 2003 are included in the Induction Checklist for staff. All staff have intranet access to detailed internal procedures and guidelines on lodging disclosures, investigation, reporting and protecting informants.





**OTHER LEGAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2018**

OTHER LEGAL DISCLOSURES (continued)

Freedom of Information

(Freedom of Information Act 1992)

There was one Freedom of Information application received for 2017/18 financial year.

Information Enquiries

Requests for access to documents should be made, in the first instance, to the Board's public counter at Level 3, 50 Colin Street West Perth. Often material may be made available without the need to formalize a request under Freedom of Information. A formal FOI application is required to access documents that are not available as part of the normal course of business.

Receipt of FOI Applications

FOI applications, payments, correspondence and general enquiries should be directed to:

Chief Executive Officer

MyLeave

PO Box 1333

West Perth WA 6872

Telephone: (08) 9476 5400

Facsimile: (08) 9321 5404

Government Policy Requirements

Government Building Contracts. At balance date, there have been no contracts subject to the Government Building Training Policy awarded.





ANNUAL ESTIMATES

The Minister has approved the following Estimates for the 2018/2019 financial year:

ANNUAL ESTIMATES 2018/19	
Income	\$000
Contribution from employers	33,229
Net investment income	34,414
Other Income	0
Total income	67,643
Expenses	\$000
Long service leave payments	39,135
Employee benefits expense	2,377
Supplies and services	1,321
Depreciation and amortisation	102
Finance costs	40
Accommodation expenses	304
Increase in long service leave liability	32,806
Other expenses	544
Total expenses	76,629





Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

Report on the Financial Statements

Opinion

I have audited the financial statements of the Construction Industry Long Service Leave Payments Board which comprise the Statement of Financial Position as at 30 June 2018, 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 Construction Industry Long Service Leave Payments Board for the year ended 30 June 2018 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 Board 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 Board.

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 Construction Industry Long Service Leave Payments Board. The controls exercised by the Board 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 Construction Industry Long Service Leave Payments Board 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 2018.

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 Construction Industry Long Service Leave Payments Board for the year ended 30 June 2018. 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 Construction Industry Long Service Leave Payments Board are relevant and appropriate to assist users to assess the Board's performance and fairly represent indicated performance for the year ended 30 June 2018.

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 Construction Industry Long Service Leave Payments Board for the year ended 30 June 2018 included on the Board's website. The Board's management is responsible for the integrity of the Board's website. This audit does not provide assurance on the integrity of the Board'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.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 August 2018

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CONSTRUCTION
INDUSTRY
LONG SERVICE
LEAVE SCHEME