



“Excellence in the delivery of  
long service leave entitlements to  
construction industry employees”

[myleave.wa.gov.au](http://myleave.wa.gov.au)

**ANNUAL REPORT**  
**2021-2022**

## CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

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## CONTENTS

Statement of Compliance	...1	Annual Estimates	...33
Overview	...3	Financial Statements	...36
Year in Review	...6	Disclosures and Legal Compliance	37
Operational Structure	...16	Statement of Comprehensive Income	38
Performance Management Framework	...25	Statement of Financial Position	39
Board Performance	...26	Statement of Changes in Equity	40
Significant Issues Impacting the Board	...28	Statement of Cash Flows	41
Other Statutory Information	...30	Notes to the financial statements	42
		Audited Key Performance Indicators	...71
		Independent Auditor's Report	...76
		Contact Information	...81





## STATEMENT OF COMPLIANCE

For year ended 30 June 2022

Hon Bill Johnston MLA  
Minister for Industrial Relations

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 reporting period ended 30 June 2022.

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

The financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.



**Susan Barrera**

Chair

MyLeave

26 August 2022



**John Gelavis**

Member of the Board

MyLeave

26 August 2022







## OVERVIEW

### Chair's Foreword

The ongoing progress of the COVID pandemic during the past financial year has resulted in unanticipated effects on the responsibilities of the MyLeave Board. In particular, the impact of the pandemic on the construction workforce was not as severe as anticipated. In fact, the building and construction industry has experienced significant labour shortages not dissimilar to those in other segments of the economy. Cost increases and labour shortages remain challenges for employers.



During the year the number of registered workers increased as did the number of apprentices.

Compared to last year, there were increases in the number of LSL payments made, the total amount of LSL payments and the average size of LSL payments. There were also increases in the number of registered employers.

The Board continues to keenly monitor the Scheme's financial health. It is a testament to ongoing prudent stewardship of the Scheme's funds and the investment portfolio that the Board has full confidence, supported by actuary advice, that the future liabilities and fluctuations in financial markets can be managed. The current low level of employer contributions can, with careful monitoring, and based on actuarial advice, be maintained for the time being, despite losses in the investment portfolio.

The Board is pleased to note that some significant milestones have been reached:

- Instances where the legislation has not kept pace with changes in the nature of work and the way that work is done have been identified, and a proposal to review certain aspects of the legislation has been developed. Some provisions of the Act have been demonstrated not to reflect the contemporary industry and uncertainty and lengthy litigation can be the outcome.
- The design stage of the project to update the Customer Relationship Management system has been completed and we are poised to move to the next stage. Despite the challenges, the need to update our CRM is well recognised and an essential step in improving our ability to meet our business needs and provide better customer interface.

- Our compliance work continues to ensure that employers and employees are aware of and abide by the requirements of the Scheme. We work hard to ensure that our staff interact with all stakeholders in a way which is fair, reasonable and transparent. Enforcement via prosecution is the last resort in the event of non-compliance.

The Board has benefited from a stable membership, having welcomed Lisa Judge as a new Board member in September 2021. Current board members possess a wealth of experience and knowledge in all aspects of the industry. As Chair I would like to recognise and express my gratitude for the constructive approach Board members adopt for matters which come to the Board for consideration. I would also like to thank the CEO, his Executive Team and all employees of MyLeave for their efforts in making the Scheme work for the benefit of employees and employers.

**Susan Barrera**

Chair

MyLeave Board

## OVERVIEW CONTINUED

### Chief Executive's Report

**The construction industry has seen a recovery in the last year with high demand for workers which has seen industry wages reported to MyLeave increasing by almost 15% to \$3.6 billion, with 11.4 million days of service worked by construction workers. The increase in wages reflects both wage growth, and an 8.5% increase in workers contributed for each quarter.**



The number of construction workers receiving long service leave payments also increased by around 16% to 4,242 payments at a total of \$36 million. The increase includes a surge in claims for payment in April in anticipation of the Western Australian borders opening allowing for travel following the relaxation of COVID-19 restrictions.

A significant milestone was reached by MyLeave in the March quarter with \$500 million in long service leave payments made to over 65,000 construction workers since the Board commenced operations in 1987. This achievement demonstrates the importance and value of the long service leave scheme for construction workers in Western Australia. In achieving this milestone, I wish to acknowledge past and current MyLeave Board members and staff for their commitment to the objectives of the scheme and assisting construction workers during their working life.

The Board maintains a sound financial position, and based on the Board's funding position at June 2021, the employer contribution levy was reduced from 0.5% to 0.1% from 1 January 2022, at its lowest level (excluding the COVID relief levy) in 20 years. This is equivalent to \$80 annually, or \$20 per quarter for a worker earning \$80,000 per annum. The reduced levy has provided a saving to the industry of \$25 million below the long term cost of the scheme.

The financial markets have performed poorly in the second half of the financial year with declines in both equities and fixed interest investments. The negative performance in those asset classes was offset to some extent by the Board's cash holdings. This net result was a negative return of 7.1% on the Board's investment portfolio for the year. Notwithstanding this negative result, the Board's investments have achieved an average positive 7% return per year over the last ten years.

With a low contribution rate and negative investment returns, the Board's net assets reduced by \$60 million. Total assets are now \$599 million with liabilities of \$382 million maintaining a healthy financial position with net assets at \$217 million.

During the year, the design phase of the transformation of MyLeave's customer relationship management system was completed. This has been a very significant undertaking by staff in finalising all the business processes and design elements of the new system which will provide benefits to workers and employers in doing business with MyLeave. It is expected that development work will commence soon and the system available for use later in 2023.

My continuing thanks and appreciation to staff for their ongoing support and efforts servicing the needs of our customers. We often receive positive feedback from customers, and particularly workers when they receive payment for their service and loyalty to the construction industry that they would not otherwise receive. It is pleasing to receive this feedback to acknowledge the great work of our staff.

Board members continue to provide guidance and support assisting the team meet objectives and improve the overall business of MyLeave. I would like to acknowledge Board members for their participation and help over the last year.

#### Jason Buckley






















Chief Executive Officer  
MyLeave



## OVERVIEW CONTINUED

## Performance Highlights

Performance activities are shown below with a comparison to last year as a percentage.

WORKERS					
	<b>4,242</b> LSL payments to workers <b>↑ 15.6%</b>		<b>\$36.1 Million</b> LSL payments to workers <b>↑ 24.1%</b>		<b>\$8,506</b> Average LSL payment (gross) <b>↑ 7.4%</b>
	<b>111,281</b> Registered workers <b>↑ 4.7%</b>		<b>6,113</b> Apprentices* <b>↑ 2.8%</b> <small>* no charge to employers</small>		<b>2,852</b> Interstate workers <b>↑ 1.8%</b>
	<b>19,312</b> Workers with vested LSL benefits <b>↑ 5.5%</b>		<b>11.4 Million</b> Service days <b>↑ 10.6%</b>		<b>1,252</b> Days of service queries <b>↔</b>
EMPLOYERS					
	<b>5,215</b> Registered employers <b>↑ 3.2%</b>		<b>97.7%</b> Average employer returns received <b>↔</b>		<b>\$3.6 Billion</b> Industry wages <b>↑ 14.8%</b>
	<b>0.3%</b> Average Levy <b>↑ 0.05%</b> <small>0.5% Levy - Jul to Dec 0.1% Levy - Jan to Jun</small>		<b>\$12.3 Million</b> Employer contributions* <b>↑ 26.4%</b> <small>* includes prior year adjustments</small>		<b>\$25 Million</b> Contribution levy below long term cost <b>↑ 4.3%</b>
MYLEAVE OPERATIONS					
	<b>\$596 Million</b> Investment assets <b>↓ 10.8%</b>		<b>\$379 Million</b> LSL liabilities <b>↓ 3.6%</b>		<b>157%</b> Liability cover <b>↓ 7.6%</b>
	<b>\$5.2 Million</b> Operational expenses <b>↓ 1.8%</b>		<b>-7.1%</b> <b>-\$45 Million</b> Investment Return <b>↓ 23.2%</b>		<b>\$14.2 Million</b> Reduction in LSL liabilities <b>↓ 3.6%</b>

**↔** less than 1% change

## YEAR IN REVIEW

In the financial year ending 30 June 2022, MyLeave delivered a fully funded Balance Sheet with an Accounting Ratio of 157% (assets/liabilities). It is important that MyLeave continues to maintain a strong financial position to be able to meet long service leave liabilities and withstand fluctuations in the financial markets and the construction industry over the longer term.

The investment return was negative with a result of -7% driven by world markets and events. The last six months have been very challenging in the investment markets with inflation pressures and interest rate increases, as well as worldwide supply chain issues.

## Scheme Operations

In 2022 the number, and value, of payments to workers was 4,242 totaling \$36 million.

The contribution levy was 0.5% in 2021 and the Board of MyLeave was pleased to be able to reduce the contribution levy from 1 July 2022 to 0.1% due to the strong financial position of the Board at June 2021. The long term cost of the scheme is estimated at 1%, and with industry wages at \$3.56 billion for the year, the reduced levy provided a saving to the industry of \$25 million.

Board Members will soon decide the applicable levy for the year commencing 1 January 2023. MyLeave's Actuary, Pricewaterhouse Coopers, will assist Board Members in their determination of the levy for 2023. As detailed in this Annual Report, MyLeave is in a sound financial position however Board Members need to ensure in determining the 2023 contribution levy, that MyLeave maintains its Mission "To provide a financially sustainable portable Long Service Leave Scheme for eligible Western Australia construction industry employees".

CONTRIBUTION LEVY						
	Jan 2018	Jan 2019	Jan 2020	Jul 2020	Jan 2021	Jan 2022
Levy percentage	1.20%	1.10%	1.00%	0.01%	0.5%	0.1%
Percentage change	-0.15%	-0.10%	-0.10%	-99%	+0.49%	-0.4%

MyLeave statistics for 2022 show an increase of workers in the construction industry driven by strong demand in the construction sector and labour shortages.

WORKERS					
	2018	2019	2020	2021	2022
Total registered	112,245 -8%	107,873 -4%	106,392 -1%	106,287 -0.1%	111,281 4.7%
Total contributed for (average per quarter)*	63,794 -6%	62,420 -2%	62,191 0%	62,392 0.3%	67,721 8.5%
Total days of service (average per quarter)*	2,641,243 -8.6%	2,556,098 -3.2%	2,588,099 1.2%	2,580,505 -0.3%	2,853,811 10.6%
Number of benefits paid	5,445 -6.2%	5,808 6.7%	5,275 -9.2%	3,670 -30.4%	4,242 15.6%
Value of benefits paid	\$43.7 m -7.8%	\$44.5 m 1.8%	\$40.9 m -8.1%	\$29.1 m 28.9%	\$36.1 m 24.1%

\* Three quarter average from September to March.

The above data highlights the increase of 8.5% of registered workers and active workers (Total contributed for) over the last year with the number being steady in the preceding years. The number of active workers has shown an increase of 6% to 67,721 from 2018.



## YEAR IN REVIEW CONTINUED

A significant milestone was reached by MyLeave in the March quarter with **\$500 million** in long service leave payments made to over 65,000 construction workers since the Board commenced operations in 1987. This achievement demonstrates the importance and value of the long service leave scheme for construction workers in Western Australia. It is interesting to note that it took nearly 30 years from the Board's establishment to achieve \$250 million in payments in 2015/2016, but only around 6 years to double that amount by 2022. Long service leave payments are currently being made to 4,000 to 5,000 construction workers annually. At this rate, the total payments made will double to \$1 billion in about 12 years from now.

The quarterly average number of days of service has increased in 2022 from 2.58 million in 2021 to 2.85 million (10.6%).

The contribution levy revenue from employers increased in 2022 to \$12.3 million, from the 2021 level of \$9.7 million. This was primarily due to the increase in industry wages to \$3.6 billion up from \$3.1 billion in 2021.

In accordance with its vision, MyLeave is very pleased that it can 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.

The average number of registered employers has shown a marginal increase in the last year with no material movement in the preceding years.

Days of service  
recorded  
increases

EMPLOYERS					
	2018	2019	2020	2021	2022
Total registered (average for the year)	5,013	4,992	4,958	5,052	5,215
Contribution levy amount	\$41.3 m -13.6%	\$37.7 m -8.7%	\$32.7 m -13.2%	\$9.7 m -70.3%	\$12.3 m 26.8%
Total industry wages	\$3.24 b -8.6%	\$3.28 b 1.3%	\$3.02 b -7.9%	\$3.10 b 2.7%	\$3.56 b 14.8%



## YEAR IN REVIEW CONTINUED

### Compliance Activities

Our Compliance and Advisory Team, work with the goal of delivering fair, sustainable and accountable management of MyLeave operations.

The MyLeave compliance and advisory function aims to work together with industry and employees to resolve issues to the satisfaction of all involved. We demonstrate our commitment to honesty and integrity by following fair and robust policies and procedures, acting impartially in all of our interactions.

We strive for excellence in service delivery by providing quality advice and guidance, doing all we can to ensure compliance with legislative, policy and regulatory requirements. Our Team works within our regulatory framework and aims provide accountable and consistent advice, ensuring that complex issues are resolved as efficiently as possible.



**579 Employers identified**

#### Proactive Compliance

It is noted that there was a decrease in enquiries and requests for assistance by both employees and employers over the preceding reporting period. The reduction from 2020/2021 (738 employers identified) a variation of 22%, resulted in less avenues for enquiry but allowed for increased effort in other compliance activity as detailed below. This figure compares to results from 2019/2020 (561 employers identified). Proactive compliance activity identified 579 potential employers we initiated contact with. A total of 218 employer questionnaires were distributed, a reduction of 81 from 2020/2021 (27%).



**567 new employers registered for the Scheme**

#### Employer Registration Assessments

In 2021/2022 there were 567 new employers that were assessed as eligible and registered with the Scheme.



**Days of service queries remains steady**

#### Days of Service Queries

In 2021/2022, 1,252 service queries were received from employees. 60% were resolved by communicating with the employer and 18% were referred for further inspection. The remainder are currently being examined.



**On average 97.7% of Employer Returns were received**

#### Employers Return Compliance Activities

MyLeave did not receive 4,202 Employer Returns by the specified statutory date which required on average 1,051 compliance intervention per quarter.

Quarter	% Returns Received P/Quarter	
	2021	2022
Quarter 1	98.5%	98.5%
Quarter 2	98.0%	98.4%
Quarter 3	97.6%	97.6%
Quarter 4	96.4%	96.4%
<b>Average</b>	<b>97.6%</b>	<b>97.7%</b>



**284 adjustments to employee records**

#### Assessments/Adjustments

As a result of compliance activity in monitoring the accuracy of information reported on employer returns, 284 adjustments were made to employee records. An increase from 198 adjustments from 2020/2021 (43%)



## YEAR IN REVIEW CONTINUED



257 initiated and 430  
Inspections completed

### Inspections

The inspection program continued to use remote inspection methodology as in-person inspections provided challenges with worker safety and pandemic restrictions. To sustainably manage compliance and inspection workloads, a change in methodology occurred from the previous reporting period. Inspections are presently not being automatically initiated on registration of an employer. A demand reduction strategy of utilising an intelligence and risk assessment approach is currently adopted until resourcing and capability is restored to manage service demands. A positive outcome was noted with a 73% increase in completed inspections.



165 prosecutions commenced

### Enforcement

MyLeave commenced 165 Employer prosecutions, an increase of 31%, 13 are waiting to be heard, and all other Employers have now fully complied.

### WAIRC Review

During the year, four matters were heard and finalised by the WAIRC and one matter remains to be resolved.

### Compliance Summary

Compliance operations have continued to be impacted by the priorities of staff safety and restrictions in attending sites and workplaces in the context of both government policies and private sector workplace restrictions. MyLeave has continued to develop and enhance the balance of providing safe workplaces and systems of work with resourcing capacity and operational necessities.

Development continues on improved information technology systems which will enable streamlined compliance activity and considerable efficiency dividends in education, proactive intervention, self-service capabilities and consistent outcomes. Progress on review, interpretation and application of our regulatory framework continues with a view to resolving significant challenges and providing positive results for both employees and employers whilst satisfying regulatory requirements.

## Legislation

During the year MyLeave completed an amendment in November 2021 to the *Construction Industry Portable Paid Long Service Leave Regulations 1986* (the Regulations) covering a change to the employer contribution levy and updating prescribed Awards as detailed below.

- Following consideration of the annual actuarial review, assessing the sufficiency of funds to meet liabilities, considered by the Board in August 2022, it was decided to reduce the contribution levy from 0.5% that was set for the 2021 year to 0.1% for 2022. This is the lowest contribution rate (excluding the COVID relief rate from July to December 2020) in the last 20 years (since 2002).
- The Board undertook a thorough review of all awards listed in Schedule 1 of the Regulations to ensure the Prescribed Awards are contemporary, reflect the award modernisation process and ensure that all employees, currently performing work in the construction industry, are eligible to accrue entitlements to long service leave. The list of Prescribed Awards was updated to address the results of the review.

Consultation was undertaken on the proposed amendment to accommodate construction workers who work on ships and were excluded by a decision of the Western Australian Industrial Relations Commission in 2016. Invitation to comment was sent to approximately 60 stakeholders including industry representatives from both employees and employers. A number of submissions were received that are undergoing evaluation.

It is also proposed to amend the legislation to rectify an anomaly whereby construction workers are not able to accumulate service if they are stood down. The proposed amendments were initially introduced into the Legislative Assembly on 15 October 2020 and passed on 10 November 2020 but did not commence passage into the Legislative Council prior to Parliament being prorogued before the March 2021 election. It is likely these amendments will be introduced into Parliament at the same time as any amendment required to accommodate construction workers who work on ships.

Consideration is being given to undertake a review of the Act to determine whether the overarching intent of the Act is being met for the contemporary construction industry and its workers. The industrial

## YEAR IN REVIEW CONTINUED

relations environment in Western Australia has evolved since the commencement of the Act over 35 years ago, and it is important to examine whether it reflects the modern construction workforce, and the Act operates as intended. An external reviewer is to be appointed to conduct the review which will include stakeholder engagement on matters affecting the industry.

The Board is undertaking a review of some statutory interpretations which may affect contributions made by employers and entitlements for workers. Whilst this review is in progress, there are no definitive outcomes at this stage.

## ICT Transformation Project

The design phase of the transformation of MyLeave's customer relationship management (CRM) system was completed during the year. The CRM will be based on the Microsoft Dynamics 365 platform configured to support employers and workers with their leave submissions and balances and providing a modern system for MyLeave's employees to interact with and support such transactions.

The objective is to transform MyLeave's business to a fully digital, secure, cloud-based operation that is cost effective, focuses on meeting the business needs whilst providing its customers with the best possible user experience. The transformation will involve replacing a very complex legacy system and redesigning processes to achieve more reliable and efficient business activities.

MyLeave will shortly be seeking proposals from suppliers on the State Government ICT Common User Agreement with Microsoft Dynamics 365 credentials to develop and implement the new CRM.

This project will continue to be a major undertaking by staff over the next twelve months.





## YEAR IN REVIEW CONTINUED

### Investment

In 2022 the investment return percentage achieved by MyLeave was -7.1%, which is lower than the 2021 return of 16.1%, and lower than the 20 year long term average return of 6.2% per annum. MyLeave Board Members 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 possible, these performance fluctuations.

The 2022 return of -7.1% is the lowest return over the last in ten years. The negative return is contrasted against the annual indices of various asset classes as follows:

- Australian fixed interest -10.51%
- International fixed interest (hedged) -9.33%
- Australian equities -6.47%
- International equities (hedged) -12.51%
- International equities (unhedged) -6.52%

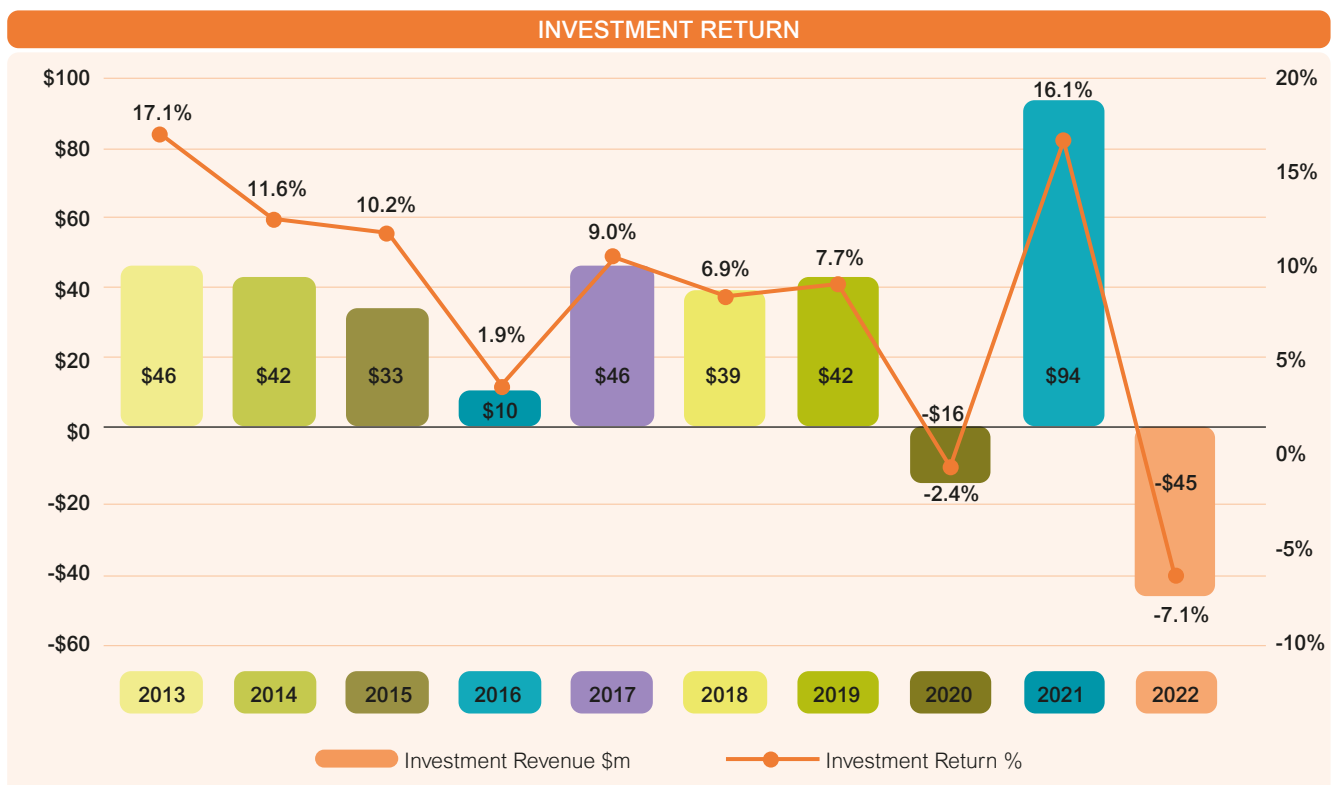
Source: Morningstar

This illustrates the impact on the investment portfolio when defensive assets such as fixed interest have declined in value due to rising interest rates at the same time equity markets fall. The negative returns from these asset classes are offset to some extent by cash investments held by MyLeave.

MyLeave takes a longer term view of investment returns and has set its strategy to match the long term liability profile of worker entitlements. MyLeave may experience negative returns in some years, but this will be offset by positive returns so that in the longer term investment objectives are met.

It is important that MyLeave continues to maintain a sound Balance Sheet to address downturns in the investment markets.

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



## YEAR IN REVIEW CONTINUED

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

**Investment portfolio has a negative result**

INVESTMENT ASSETS & INCOME					
	2018	2019	2020	2021	2022
Investment assets	\$591 m	\$623 m	\$595 m	\$668 m	\$596 m
Investment income	\$38.3 m	\$42.3 m	-\$16.0 m	\$93.8 m	-\$45.2 m
Investment return	6.9%	7.7%	-2.4%	16.1%	-7.1%

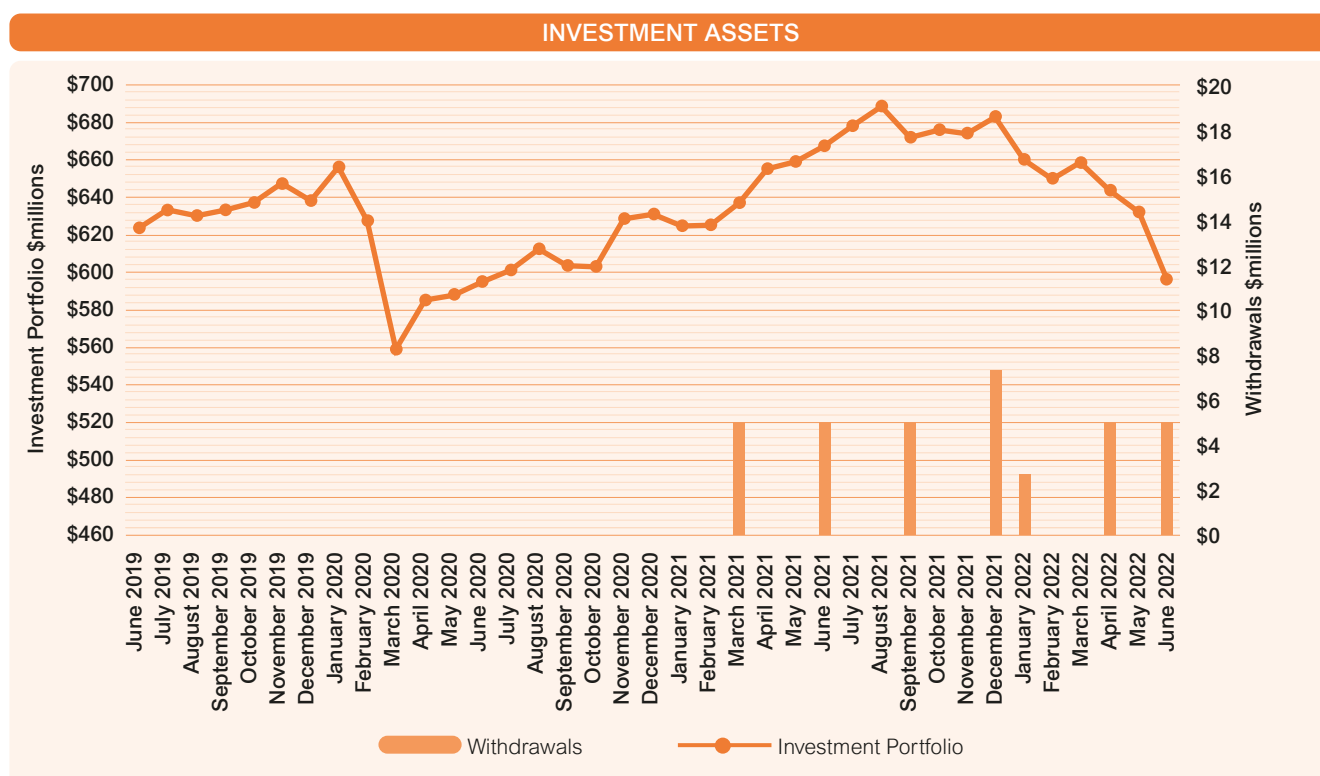
Whilst, over recent years, significant growth has been recorded in the investment portfolio, this aligns the portfolio to the Actuary's calculation of the total actuarial liability for worker payments. The investment portfolio is also required to have a financial buffer to cover global investment market downturns as has been recently experienced.

The Statement of Comprehensive Income in this Annual Report details that in 2022 the level of net investment income was negative \$45 million, and the contribution income from employers was \$12.3 million. As previously detailed, the contribution income was slightly more than the 2021 level of \$9.7 million.

The Board's investment assets initially recovered from the economic impact of COVID-19 experienced in 2020, but there has been a substantial negative impact on the value of the portfolio since its peak at \$689 million in August 2021. The investment assets at 30 June 2022 are \$596 million.

It is also noted that the Board has withdrawn \$35 million from the portfolio to fund long service leave payments and operation expenses over the last two years. This is due to the low contribution levy that has been in place over the last two years.

The following chart shows the total investment assets by month over the last three years.





## YEAR IN REVIEW CONTINUED

MyLeave continues to utilise the services of the Commonwealth Bank as Investment Advisor and the Advisor has assisted MyLeave in the establishment of an 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.

As part of its investment approach, the MyLeave Board adopted a set of Investment Beliefs that guides its decision making in all matters related to structuring and implementing its investment strategy. The objectives of these beliefs are:

1. *The Construction Industry Long Service Leave Payments Board (Board) considers the preservation of capital as a primary goal, to the extent the Construction Industry Long Service Scheme's purpose is to fund long service leave liabilities.*
2. *The Board has a long term investment time horizon and therefore investment decisions need to be considered in the context of a long term investor.*
3. *The Strategic Asset Allocation is the long term determinant of return and risk for the Long Term Earnings Fund and will therefore establish and review the strategic asset allocation that is commensurate with MyLeave's risk capacity.*

The average investment return over the last ten years has been 7.1% per year, and long term returns of 6.2% per year over 20 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 2022.

STRATEGIC ASSET ALLOCATION			
Asset Class	Benchmark	Range	Actual 30 June 2022
Cash	15%	5%-25%	16.0%
Fixed interest	25%	15%-35%	22.1%
<b>Sub total</b>	<b>40%</b>	<b>30%-50%</b>	<b>38.1%</b>
Australian listed equities	30%	10%-35%	32.0%
International listed equities	23%	10%-35%	22.3%
Property & infrastructure listed equities (international)	7%		7.6%
<b>Sub Total</b>	<b>60%</b>	<b>50%-70%</b>	<b>61.9%</b>
<b>Total</b>	<b>100%</b>		<b>100%</b>



## YEAR IN REVIEW CONTINUED

### Financial Position

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

STATEMENT OF FINANCIAL POSITION					
	2018	2019	2020	2021	2022
Assets	\$600 m	\$632 m	\$605 m	\$674 m	\$599 m
Liabilities	\$412 m	\$406 m	\$375 m	\$397 m	\$382 m
Equity surplus	\$188 m	\$226 m	\$230 m	\$277 m	\$217 m
Accounting Ratio (Assets/Liabilities)	146%	156%	161%	170%	157%

The actuarial calculations are updated annually and reflect the assessment of the worker liability considering 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  
decreases

LONG SERVICE LEAVE LIABILITIES					
	2018	2019	2020	2021	2022
Vested LSL liability	\$247 m	\$260 m	\$253 m	\$277 m	\$284 m
Unvested LSL liability	\$164 m	\$144 m	\$119 m	\$116 m	\$95 m
<b>Total LSL liability</b>	<b>\$411 m</b>	<b>\$404 m</b>	<b>\$372 m</b>	<b>\$393 m</b>	<b>\$379 m</b>
Workers with vested LSL benefits	15,854	16,675	17,545	18,310	19,312

The decrease in MyLeave's actuarial liability from last year was due to an increase in the government bond rate used to determine the present value of anticipated long service leave payments, which was partially offset by the increase in average pay and other changes in worker statistics. The annual actuarial analysis includes a forecast for the short/medium term future liability and the actuarial liability is forecast to grow from \$379 million as at 30 June 2022 to \$402 million as at 30 June 2026.

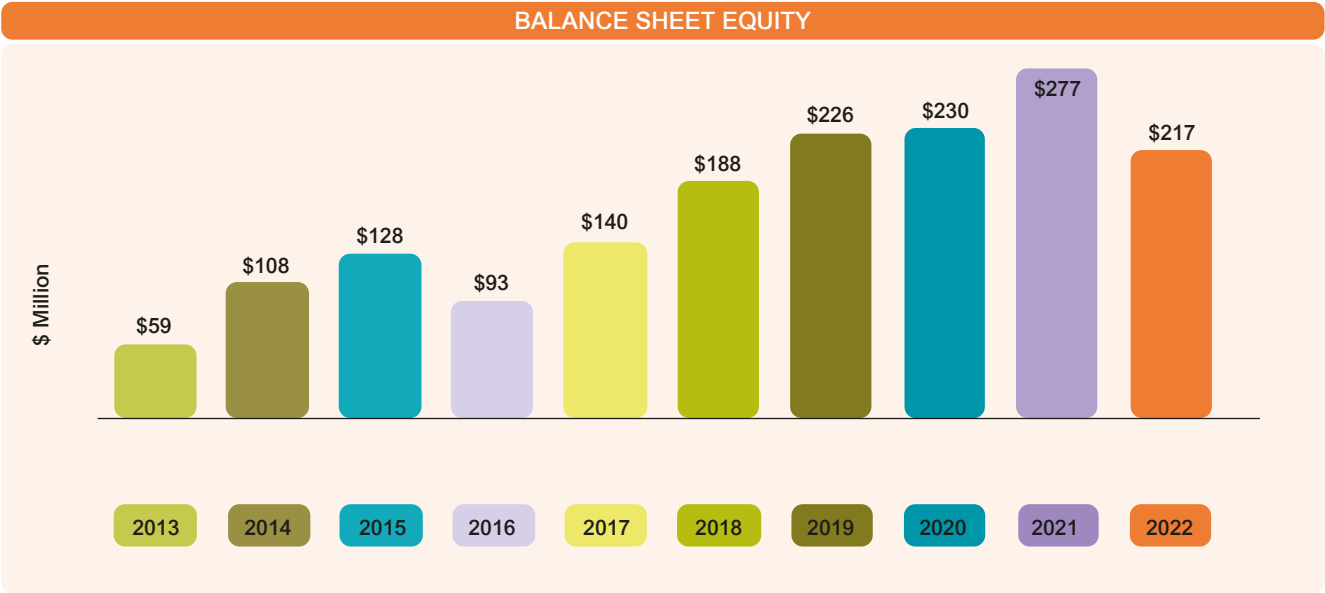
The equity surplus movement in 2022 was -\$59 million. MyLeave endeavours to minimise the movements however there are key impacts, such as Western Australian construction industry activity (with positive/negative impact on the actuarial liability valuation), government bond rate movement, and global investment market performance, which are outside of MyLeave's control.





YEAR IN REVIEW CONTINUED

The value of the Balance Sheet Equity (surplus/deficiency) and movement for the last ten years is shown in the following graph.



The 2022 Balance Sheet Equity Surplus of \$217 million with an accounting ratio of 157% is more than MyLeave’s approved range of 110% - 130%. 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 any material changes to the actuarial liability for worker payments.



## 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.

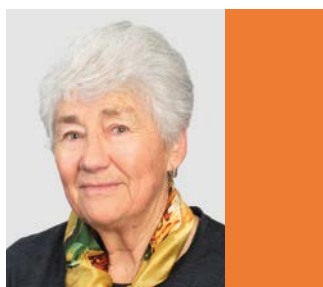
### Responsible Minister

The Honourable Bill Johnston MLA, Minister for Industrial Relations

### Board Members

**Formal title:** Construction Industry Long Service Leave Payments Board (the Board)

**Business name:** MyLeave



#### Susan Barrera (Chair)

Appointed to the Board as Chair in September 2018.

Susan worked for over 30 years in senior positions in the State Government including Executive Director Labour Relations and Director General Department of Communities. Susan is a consultant for The Nexus Network specialising in organisational change management.

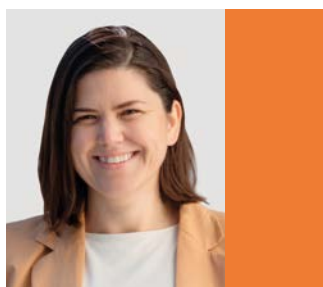
### Representing Workers



#### Mick Buchan

Appointed to the Board in December 2012.

Mick is the State Secretary of the CFMEU Construction and General Division (WA) since 2012. Mick has more than 30 years' experience in the construction industry working for a range of construction firms and on various construction projects.



#### Lisa Judge

Appointed to the Board in September 2021.

Lisa is the Assistant Secretary of UnionsWA, the state's peak union body, representing over 30 affiliated unions. Lisa previously held positions at CPSU/CSA and advisory positions with the ACT Government



#### Steve McCartney

Appointed to the Board in May 2009 to September 2016.  
Reappointed to the Board in September 2018.

Steve is the State Secretary of the Australian Manufacturing Workers Union since 2009. Steve previously held positions of State President and has worked for the Australian Manufacturing Workers Union since 2001.



## OPERATIONAL STRUCTURE CONTINUED

### Representing Employers



#### **Jo Alilovic**

Appointed to the Board in September 2018.

Jo is Director and founder of 3D HR Legal. Jo is an HR lawyer and did her training in the largest independent law firm in Perth.



#### **John Gelavis**

Appointed to the Board in September 2020.

John has 30 years' experience within the building and construction industry including sales, marketing, management, advocacy, and leadership roles. John is the Executive Director of Master Builders Association of WA and was previously the Executive Director of the Housing Industry Association for six years.



#### **Kate Schick**

Appointed to the Board in September 2018.

Kate is Principal advisor with the Construction Services Division at the Chamber of Commerce and Industry WA. Kate has had extensive experience in the major engineering, construction and maintenance industries having spent time working for both employer groups and contractors since 1996.



## OPERATIONAL STRUCTURE CONTINUED

### 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 three years. Current Board members' appointments end on 24 September 2023. In accordance with the provisions of the Act:

- Two members, representing employers, are selected by the Minister from nominations by the Master Builders Association of W.A. and the Chamber of Commerce and Industry of W.A.
- Two members, represent employees, are selected by the Minister from nominations by Unions W.A. and the Building Trades Associations of Unions of W.A.
- 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 Meeting Attendance

Attendee	Number of meetings eligible to attend	Number of meetings attended
Susan Barrera (Chair)	6	6
Jo Alilovic	6	6
Mick Buchan	6	6
John Gelavis	6	4
Lisa Judge	4	4
Steve McCartney	6	6
Kate Schick	6	6

### Audit and Risk Committee Attendance

Attendee	Number of meetings eligible to attend	Number of meetings attended
Andrew Cox (Independent Chair)	4	4
Susan Barrera	4	4
Mick Buchan	4	4
John Gelavis	4	3



## OPERATIONAL STRUCTURE CONTINUED

### Board Remuneration

In accordance with section 9 of the Act, the Chair and Board members are entitled to such fees and allowances as the Minister for Industrial Relations determines after consultation with the Public Sector Commissioner.

Member	Position	Type of remuneration	Period of membership	Term of appointment	Gross/actual remuneration
Susan Barrera	Chair	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$33,881 #
Jo Alilovic	Member	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$21,891 #
Mick Buchan	Member	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$19,901 *
John Gelavis	Member	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$19,901 *
Lisa Judge	Member	Board Payment	25/09/2021 to 30/06/2022	24 September 2023	\$17,083 *
Steve McCartney	Member	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$19,901 *
Kate Schick	Member	Board Payment	1/07/2021 to 30/06/2022	24 September 2023	\$21,891 #
					<b>\$154,449</b>

# Includes superannuation

\* Remuneration paid directly to employer (excludes superannuation)



## OPERATIONAL STRUCTURE CONTINUED

### Organisational Structure

#### Vision

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

#### 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 minimise the contribution rate payable:-**
  - By optimising the rate of return on investment funds having regard to risk; and
  - By minimising the administrative cost of the Scheme.

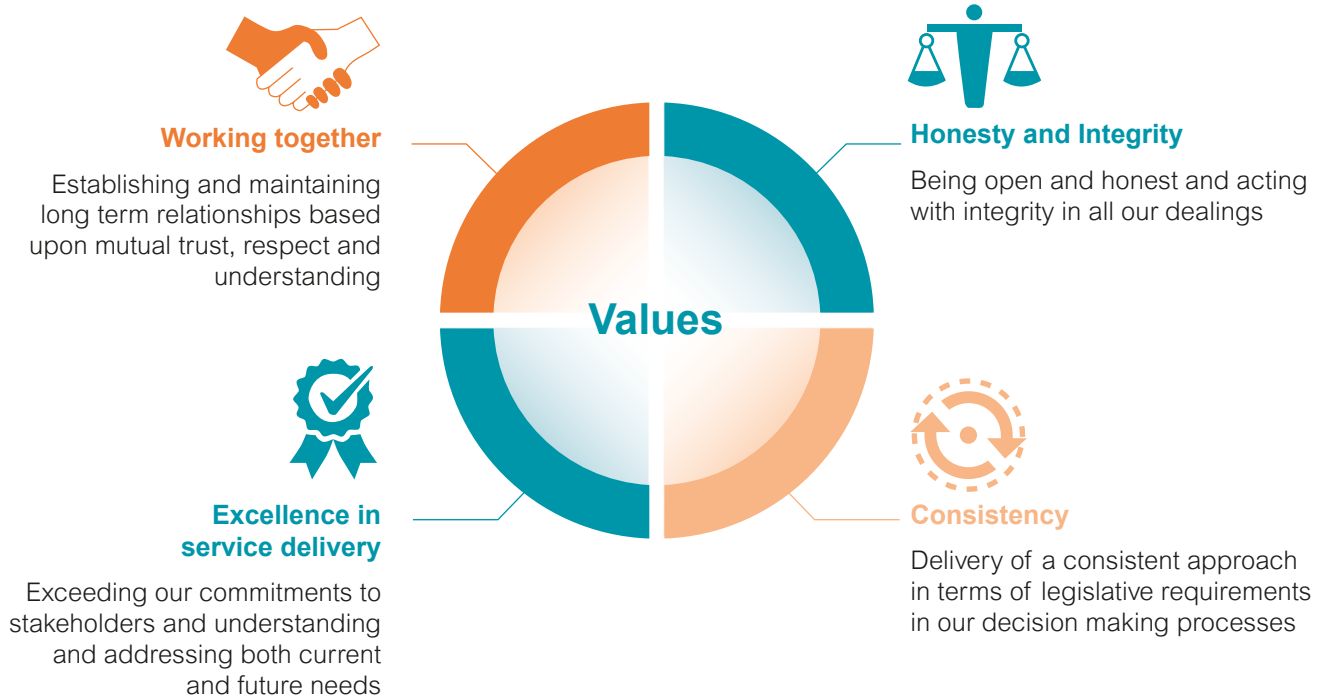
### Strategic Plan

The Strategic Plan 2022-25 includes 18 strategies within five key focus areas as follows:

<b>1</b>	<b>My Service:</b>	Customer focused and efficient organisation ensuring employees receive LSL benefits
<b>2</b>	<b>My Team:</b>	Capable people that are engaged, resilient and results orientated
<b>3</b>	<b>My Systems:</b>	'Digital-first' processes that deliver accurate and efficient results using reliable systems
<b>4</b>	<b>My Investment:</b>	Manage investment funds to meet liabilities and minimise the contribution rate
<b>5</b>	<b>My Oversight:</b>	Strong governance across all facets of the operations and decision making

## OPERATIONAL STRUCTURE CONTINUED

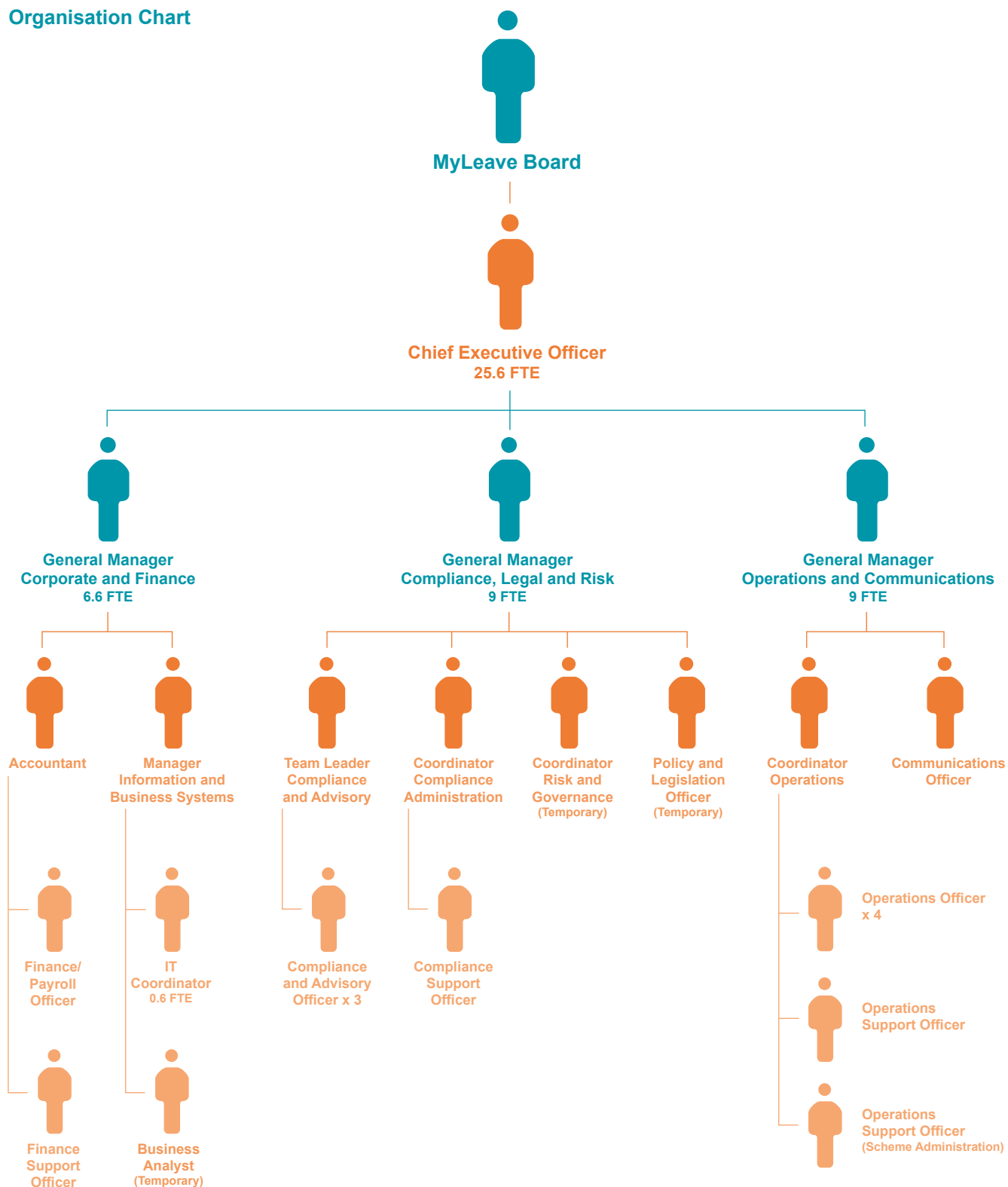
### Values





## OPERATIONAL STRUCTURE CONTINUED

### Organisation Chart



As at 30 June 2022, MyLeave's staffing level was 25.6 FTE.

## OPERATIONAL STRUCTURE CONTINUED

### Senior Officers



#### **Jason Buckley**

Chief Executive Officer

Jason joined MyLeave in July 2019.

Jason is responsible for assisting the Board in meeting its strategic objectives and administering the Act with the support of the General Managers and MyLeave employees.



#### **James Dew**

General Manager  
Corporate and Finance

James commenced with MyLeave in January 2021.

James leads the corporate teams which deliver the finance, information technology, human resources, records and procurement functions.



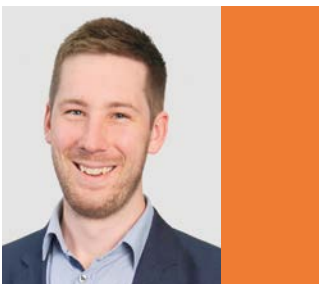
#### **Brandon Shortland**

General Manager  
Compliance, Legal and Risk

Brandon joined MyLeave in May 2022.

Brandon leads the compliance team who work with employers to ensure construction workers receive their correct long service leave entitlements. The team also review and interpret the statutory legislation. Other areas of responsibility include internal compliance, audit and risk management.

Note: **Eileen McCaffrey**, General Manager Compliance, Legal and Risk to 11 February 2022.



#### **Daniel Kelly**

General Manager  
Operations and Communications

Daniel was employed by MyLeave in September 2018.

Daniel leads the operations team who assess and process long service leave claims for construction workers, and the data from returns lodged by employers recording service entitlements for their workers. Daniel also oversees communications and stakeholder engagement.

## OPERATIONAL STRUCTURE CONTINUED

### Administered Legislation

The Board assists the Minister for Industrial Relations in administering the *Construction Industry Portable Paid Long Service Leave Act 1985* and the *Construction Industry Portable Paid Long Service Leave Regulations 1986*.

### Other Key Legislation Impacting on Activities

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

*A New Tax System (Goods and Services Tax Act) 1999*  
*Auditor General Act 2006*  
*Contaminated Sites Act 2003*  
*Crime Corruption Commission Act 2003*  
*Disability Services Act 1993*  
*Electoral Act 1907*  
*Equal Opportunity Act 1984*  
*Financial Management 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*  
*Procurement Act 2020*  
*Public Interest Disclosure Act 2003*  
*Public Sector Management Act 1994*  
*State Records Act 2000*  
*Statutory Corporations (Liability of Directors) Act 1996*  
*Superannuation Guarantee (Administration) Act 1992*  
*Taxation Administration Act 2003*  
*Trustees Act 1962*  
*Work Health and Safety Act 2020*  
*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.





# PERFORMANCE MANAGEMENT FRAMEWORK

## Outcome Based Management Framework

### 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
- (ii) Eligible and registered construction industry employees for whom contributions have been made (average per quarter)
- (iii) Qualifying service profile of construction industry employees for whom contributions have been made
- (iv) Construction industry employees who have received a long service leave payment
- (v) Eligible employers long service leave contribution rate
- (vi) Annual return derived from the Board's investments

### SERVICE

Management of the Construction Industry Long Service Leave scheme

#### Key Effectiveness indicators

- (i) Average administrative cost per registered construction industry employee
- (ii) Full time equivalent staff employed per thousand of registered Western Australian construction industry employees

## Changes to the Outcome Based Management Framework

The Board's Outcome Based Management Framework did not change during 2021/2022.

## Shared Responsibilities with Other Agencies

The Board does not share responsibilities with any other agencies.



## BOARD PERFORMANCE

### Report on Operations

#### Actual results versus budget targets

FINANCIAL TARGETS	2022 TARGET <sup>(1)</sup> (\$000)	2022 ACTUAL (\$000)	VARIATION <sup>(2)</sup> (\$000)
Total cost of services (expense limit) (details from Statement of comprehensive income)	5,909	5,212	(697) <sup>(a)</sup>
Net cost of services (details from Statement of comprehensive income)	27,097	(50,382)	(77,479) <sup>(b)</sup>
Total equity (sourced from Statement of Financial Position)	227,377	217,284	(10,093) <sup>(c)</sup>
Agreed salary expense level	2,884	2,822	(62)
Agreed borrowing limit (where applicable)	-	-	-

(1) As specified in the Budget Statements.

(2) Further explanations are contained in Note 8.9 'Explanatory statement' to the financial statements.

- (a) This variation is primarily due to lower amortisation of IT development costs due to a change in accounting treatment, and a lower level of doubtful debt than expected due to robust industry activity and a reduction to the contribution rate.
- (b) The net cost of service is a deficit due to negative earnings on investments made on the Board's funds. The underlying portfolio performance was estimated at 5.33% and actual -7.1%. Performance was below expectations due to adverse domestic and international markets.
- (c) Total equity increased greater than anticipated due to the following factors:

	(\$000)
• Higher opening 1 July 2021 total equity than forecast	55,948
• Higher number/value of long service leave payments than forecast	(1,083)
• Higher other income than forecast	8
• Lower investment income than forecast	(78,184)
• Lower provision/value for long service leave liability than forecast	15,229
• Lower contribution from employers than forecast	(2,708)
• Lower operating expenses than forecast	697

#### Equity Variance

(10,093)



## BOARD PERFORMANCE CONTINUED

### Summary of key performance indicators

#### Outcome:

A financially sustainable portable long service leave scheme for eligible Western Australian construction industry employees.

Key Effectiveness Indicators:	2022 Target <sup>(1)</sup>	2022 Actual	Variation <sup>(2)</sup>
(i) eligible employers who have registered with the Board.	5,052	5,215	163
(ii) eligible and registered construction industry employees for whom contributions have been made (average per quarter).	62,392	67,701	5,309
(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	20,570	19,312	(1,258)
(iv) construction industry employees who have received a long service leave payment.	3,670	4,242	572
(v) eligible employers long service leave contribution rate.	0.5%	0.3%	(0.2%)
(vi) annual return derived from the Board's investments.	5.33%	(7.10%)	(12.43%)

#### Service:

Management of the Construction Industry Long Service Leave scheme.

Key Efficiency Indicators:	2022 Target <sup>(1)</sup>	2022 Actual	Variation <sup>(2)</sup>
(i) average administrative cost per registered construction industry employee.	\$60.31 p.a.	\$46.84 p.a.	(\$13.47 p.a.)
(ii) full time equivalent staff employed per thousand of registered Western Australian construction industry employees.	0.24	0.20	(0.04)

<sup>(1)</sup> As specified in the Budget Statements, internal modelling, and actuarial forecasts.

<sup>(2)</sup> Further explanations for the variations between target and actual results are presented in the 'Audited Key Performance Indicators' section following the financial statements.



## SIGNIFICANT ISSUES IMPACTING THE BOARD

### Current and emerging issues and trends

The key trend for MyLeave to monitor is the activity in the Western Australian construction industry. As detailed under the 'Year in Review' section, the quarterly worker data submitted by employers indicates there has been an increase of 8.5% in employee numbers.

The Western Australian economy continues to be very robust following the impacts of the pandemic. The construction industry is encountering difficulties with supply chain issues in terms of delays and price increases, as well as labour shortages. These factors are putting pressure on builders to deliver projects within agreed timeframes and within reasonable profit margins having regard to fixed price contracts. This may affect the economic viability of some construction businesses.

Following a substantial uplift of 74% in 2020-2021 in the number of housing starts, the Housing Industry Association ("HIA")<sup>1</sup> forecasts show a reduction of 11% in 2021-2022 and being steady for the following out years (see table below). The forecast shows around 21,000 or 22,000 housing starts in the next three years and this level is around one third higher than 2017 to 2020. This demonstrates continuing strong demand for housing construction in the next few years.

HOUSING STARTS			
	Year	Number	Change (%)
Actual	2017-2018	18,300	-7%
	2018-2019	15,500	-15%
	2019-2020	13,580	-12%
	2020-2021	23,680	74%
Forecast	2021-2022	21,160	-11%
	2022-2023	22,430	6%
	2023-2024	21,430	-5%

<sup>(1)</sup> HIA State Outlook (Western Australia) - Autumn Edition 2022 (page 36)

The Australian Construction Industry Forecasting Council ("ACIF") has published the following historical Actual results and detailed Forecasts for the value of construction in Western Australia as at May 2022<sup>2</sup>. Total building and construction activity grew by 7.4% in 2020-21 to \$31.1 billion. This was driven by a strong rebound in engineering construction (13.5% growth). Total building and construction activity is expected to experience a significant increase in 2021-22 of 6.9%, driven predominantly by strong results in all three major sectors. Activity is expected to peak in 2023-24, before levelling off.

VALUE OF CONSTRUCTION IN WESTERN AUSTRALIA - ACTUAL VALUE (\$MILLION)					
	2017	2018	2019	2020	2021
Residential building	9,000	8,830	8,353	7,259	7,405
Non-Residential building	4,640	4,785	3,848	4,025	3,644
Engineering construction	26,718	34,050	17,040	17,671	20,048
<b>Total construction</b>	<b>40,358</b>	<b>47,665</b>	<b>29,241</b>	<b>28,955</b>	<b>31,097</b>

VALUE OF CONSTRUCTION IN WESTERN AUSTRALIA - FORECAST VALUE (\$MILLION)					
	2022	2023	2024	2025	2026
Residential building	7,854	8,099	8,048	7,760	7,222
Non-Residential building	3,969	3,691	3,620	3,701	3,702
Engineering construction	21,430	22,529	23,259	22,327	22,483
<b>Total construction</b>	<b>33,252</b>	<b>34,319</b>	<b>34,928</b>	<b>33,788</b>	<b>33,407</b>

<sup>(2)</sup> Australian Construction Market Report - May 2022 Table 10.3 (page 98)

## SIGNIFICANT ISSUES IMPACTING THE BOARD CONTINUED

The continuation by MyLeave of its Objective to “Minimise the contribution rate payable”, coupled with a strong financial position has the following impacts:

- 1) Contribution levy from employers can remain low for the present time;
- 2) Wage inflation and potential increase in construction workers increasing LSL liabilities;
- 3) Draw down of capital from the investment portfolio to fund LSL payments and operations; and
- 4) Stabilisation of annual number of payments to workers.

These impacts are further commented on below:

- 1) Contribution levy from employers can remain low for the present time  
The returns on investment portfolio, at the average long term return, has the potential to meet the annual long service leave payments to workers as well as meeting MyLeave’s operational expenses. Although the investment returns were negative this year, it is possible this will be achievable for now and will enable the Board to maintain the contribution levy at a lower level than the long term cost of the scheme. This will result in lower contribution income from employers and is not considered a material financial risk. Also, because of the lower contribution levy, the risk of default from employers is reduced.
- 2) Wage inflation and potential increase in construction workers increasing LSL liabilities  
The construction sector is in a period of strong demand, and with a shortage of skilled workers, there is a high likelihood for upwards pressure on wages. If this results in substantial increases in wages paid to construction workers over a sustained period, LSL liabilities will increase. This may impact the Board’s funding ratio, however, given the strong financial position, any increase in liabilities will be managed without making sudden adjustments to the contribution levy. Any increase in the levy could be smoothed out.

- 3) Draw down of capital from the investment portfolio to fund LSL payments and operations  
Due to reduced contribution income from a lower levy, it will be necessary to draw down funds from the investment portfolio to fund long service leave payments to workers and to fund MyLeave’s operations to administer the scheme. The investment portfolio will be supplemented by earnings that have the potential to offset the redemption of funds.

- 4) Stabilisation of annual number of payments to workers  
The number and value of payments made per annum has reduced compared to the five year average. It is anticipated the level of payments has stabilised and will be maintained at this current level. It is also anticipated that the higher level of payments over the previous five years may have materialised due to the maturity of entitlements from automatic registration introduced by legislative changes in 2012.

The Board is undertaking a review of some statutory interpretations which may affect contributions made by employers and entitlements for workers. Whilst this review is in progress, there are no definitive outcomes at this stage.

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.

## Economic and Social Trends

There is an expectation in society that services delivered by the Board will be enhanced to take advantage of technological advances.

## 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



## OTHER STATUTORY INFORMATION

### Ministerial Directives

No Ministerial directives were received during the financial year.

### Other Financial Disclosures

#### Capital Works

No capital projects were completed during 2021-2022. However, expenses of \$731,000 have been incurred for an IT transformation project to replace core systems. Although a non-recurrent expenditure, this amount is not regarded as capital due to the application of accounting standards.

#### Employment and Industrial Relations

Employees are employed under the provisions of the *Government Officers' Salaries, Allowances and Conditions Award 1989* and the *Public Sector CSA Agreement 2021*. Staffing arrangements at 30 June 2022 compared with previous years is listed in the table below.

Staff Profile	2022	2021
Full time permanent	21.0	19.0
Full time contract	1.0	2.0
Part time measured on a FTE basis	1.4	1.4
On secondment	1.0	1.0
<b>Total</b>	<b>24.4</b>	<b>23.4</b>

#### Staff Development

The Board encourages its employees to maintain and improve their skills and to that end funds appropriate training courses.

#### 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 2021/2022 was \$19,985.



## OTHER STATUTORY INFORMATION CONTINUED

### Other Legal Requirements

#### Unauthorised Use of Credit Cards

Officers of the Board hold corporate credit cards where their functions warrant usage of this facility. Each cardholder is reminded of their obligations under the Board's credit card policy.

There was no personal usage for the 2021/22 financial year.

#### Advertising, market research, polling, and direct mail

In accordance with section 175ZE of the *Electoral Act 1907*, the Board incurred the following expenditure in advertising, market research, polling, direct mail, and media advertising. Total expenditure for 2020/21 was \$74,943.

Expenditure was incurred in the following areas.

Expenditure	Organisation	Amount (\$)	Total (\$)
Advertising	State Law Publisher	\$1,223	<b>\$1,223</b>
Direct mail	Zipform <sup>(1)</sup>	\$67,674	<b>\$67,674</b>
Media advertising	Ark Media	\$1,900	<b>\$8,670</b>
	Branch Media	\$3,990	
	Business Promotion Australia	\$2,780	
Recruitment advertising	Seek	\$610	<b>\$610</b>
<b>Grand total</b>			<b>\$78,177</b>

<sup>(1)</sup> Direct mail of notices and notifications to employers and workers registered with MyLeave.

#### 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 1994* and has no compliance issues or breaches to report.

#### 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 10 August 2018 and the next review is due by 2 August 2023. The Board utilises the services of an external consultant to ensure compliance with the *State Records Act 2000*.

#### 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 high priority on the well-being and safety of its staff 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 2021/2022		
	Target	Actual
Number of fatalities	<b>Zero</b>	<b>Zero</b>
Lost time injury	<b>Zero</b>	<b>Zero</b>
Lost time injury severity rate	<b>Zero</b>	<b>Zero</b>



## OTHER STATUTORY INFORMATION CONTINUED

### 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.

### WA Multicultural Policy Framework

A multicultural plan for the 2021/22 financial year has not been submitted and is to be developed.

### Public Interest Disclosure

*(Public Interest Disclosure Act 2003)*

Information on the requirements of the *Public Interest Disclosure Act 2003* is 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.

### Freedom of Information

*(Freedom of Information Act 1992)*

There were no Freedom of Information applications received for 2021/22 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 formalise 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.

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

FOI Coordinator  
MyLeave  
PO Box 1333  
West Perth WA 6872  
Telephone: (08) 9476 5400  
Email: [hi@myleave.wa.gov.au](mailto:hi@myleave.wa.gov.au)

### Internal audit

In compliance with Section 53(1)(d) of the *Financial Management Act 2006* and *Treasurer's Instruction 1201*, the Board has established an internal audit function to improve governance, risk management and internal controls. The role of the internal audit is contained in the Audit and Risk Committee Charter as endorsed by the Audit and Risk Committee and approved by the Board. To comply with revised *Treasurer's Instruction 1201(3)*, the Committee is independently chaired by a suitably qualified person who is not employed by MyLeave.

## Government Policy Requirements

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

## ANNUAL ESTIMATES

(Treasurer's Instructions 945, 945P and 953)

The Minister for Industrial Relations, Hon Bill Johnston MLA, approved the following Budget Estimates for the 2022/2023 financial year on 4 April 2022 under section 40 of the *Financial Management Act 2006*.

STATEMENT OF COMPREHENSIVE INCOME	
INCOME	Estimate \$'000
Investment income	35,800
<b>TOTAL INCOME</b>	<b>35,800</b>
EXPENSES	
Employee benefits expense	(3,401)
Supplies and services	(1,489)
Depreciation and amortisation expense	(211)
Finance costs	(91)
Accommodation expenses	(125)
Other expenses	(373)
Non-recurring project expenses	(2,900)
<b>TOTAL EXPENSES</b>	<b>(8,590)</b>
<b>NET RESULT FROM OPERATING ACTIVITIES</b>	<b>27,210</b>
NET CHANGE IN ACCRUED LSL LIABILITIES	
Contribution income from employers	3,900
Long service leave payments	(38,500)
(Increase)/decrease in LSL provision	(200)
<b>NET CHANGE</b>	<b>(34,800)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(7,590)</b>

## ANNUAL ESTIMATES CONTINUED

STATEMENT OF FINANCIAL POSITION	
ASSETS	Estimate \$000
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	1,060
Receivables	376
Other current assets	850
Financial assets	634,612
<b>TOTAL CURRENT ASSETS</b>	<b>638,898</b>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	120
Right-of-use assets	1,167
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,287</b>
<b>TOTAL ASSETS</b>	<b>638,185</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued long service leave benefits liabilities	278,747
Payables	509
Lease liabilities	151
Employee related provisions	525
<b>TOTAL CURRENT LIABILITIES</b>	<b>279,932</b>
<b>NON-CURRENT LIABILITIES</b>	
Accrued long service leave benefits liabilities	116,880
Lease liabilities	1,278
Employee related provisions	241
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>118,399</b>
<b>TOTAL LIABILITIES</b>	<b>398,331</b>
<b>NET ASSETS</b>	<b>239,854</b>
<b>EQUITY</b>	
Retained earnings	239,854
<b>TOTAL EQUITY</b>	<b>239,854</b>



## ANNUAL ESTIMATES CONTINUED

STATEMENT OF CASH FLOWS	
CASH FLOWS FROM OPERATING ACTIVITIES	Estimate \$000
<b>RECEIPTS</b>	
Receipts from employers	3,710
Interest received	4
GST receipts from taxation authority	166
<b>PAYMENTS</b>	
Employee benefits	(3,401)
Supplies and services	(4,335)
Finance costs	(22)
Accommodation	(125)
Payments for long service leave	(38,500)
GST payments on purchases	(219)
Other payments	(375)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>(43,097)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>RECEIPTS</b>	
Proceeds from sale of investments	41,000
Distributions received	17,900
<b>PAYMENTS</b>	
Purchase of financial assets	(15,710)
Purchase of non-current assets	(59)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>(43,097)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Principal elements of lease payments	(217)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>(217)</b>
Net increase/(decrease) in cash and cash equivalents	(183)
Cash and cash equivalents at the beginning of the period	1,243
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,060</b>

## FINANCIAL STATEMENTS

The Board has pleasure in presenting its audited general purpose financial statements for the reporting period ended 30 June 2022 which provides users with information about the Board's stewardship of resources entrusted to it. The financial information is presented in the following structure:

<b>Disclosures and Legal Compliance .....</b>	<b>37</b>	<b>8. Other disclosures .....</b>	<b>62</b>
<b>Certification of financial statements.....</b>	<b>37</b>	8.1 Events occurring after the end of the reporting period.....	62
<b>Statement of Comprehensive Income .....</b>	<b>38</b>	8.2 Changes in accounting policy.....	62
<b>Statement of Financial Position .....</b>	<b>39</b>	8.3 Key management personnel .....	63
<b>Statement of Changes in Equity .....</b>	<b>40</b>	8.4 Related party transactions .....	64
<b>Statement of Cash Flows.....</b>	<b>41</b>	8.5 Related bodies .....	64
<b>1. Basis of preparation .....</b>	<b>42</b>	8.6 Affiliated bodies.....	64
<b>2. Our funding sources .....</b>	<b>43</b>	8.7 Remuneration of auditors .....	64
22.1 Investment revenue.....	43	8.8 Supplementary financial information .....	64
2.2 Analysis of net change in fair value of investments .....	43	8.9 Explanatory statement (Controlled Operations) .....	65
2.3 Interest revenue .....	43	8.9.1 Statement of Comprehensive Income Variances .....	65
2.4 Other income .....	43	8.9.2 Statement of Financial Position Variances .....	67
<b>3. Use of our funding.....</b>	<b>44</b>	8.9.3 Statement of Cash Flows Variances.....	69
3.1(a) Employee benefits expenses.....	44	<b>Audited Key Performance Indicators .....</b>	<b>71</b>
3.1(b) Employee related provisions .....	45	<b>Certification of Key Performance Indicators .....</b>	<b>71</b>
3.2 Other expenditure.....	47	<b>Key Performance Indicators .....</b>	<b>72</b>
<b>4. Key assets.....</b>	<b>48</b>	<b>Key Effectiveness Indicators .....</b>	<b>73</b>
4.1 Property, plant and equipment .....	48	<b>Service .....</b>	<b>75</b>
4.2 Right-of-use assets.....	50	<b>Key Efficiency Indicators .....</b>	<b>75</b>
<b>5. Other assets and liabilities .....</b>	<b>51</b>	<b>Independent Auditor's Report.....</b>	<b>76</b>
5.1 Receivables .....	51		
5.2 Other assets .....	51		
5.3 Accrued long service leave benefits liability.....	52		
5.4 Payables .....	55		
<b>6. Financing .....</b>	<b>56</b>		
6.1 Financial assets .....	56		
6.2 Lease liabilities .....	58		
6.3 Finance costs .....	59		
6.4 Cash and cash equivalents .....	59		
6.5 Capital commitments.....	59		
<b>7. Financial instruments and contingencies .....</b>	<b>60</b>		
7.1 Financial instruments.....	60		
7.2 Contingent assets and liabilities.....	61		

## DISCLOSURES AND LEGAL COMPLIANCE

### Certification of financial statements

#### For the reporting period ended 30 June 2022

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 ending 30 June 2022 and the financial position as at 30 June 2022.

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



**Susan Barrera**

Chair

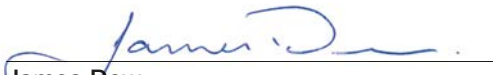
26 August 2022



**John Gelavis**

Member of the Board

26 August 2022



**James Dew**

Chief Finance Officer

26 August 2022



## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2022

	Notes	2022 (\$000)	2021 (\$000)
<b>INCOME</b>			
Investment income/(loss)	2.1; 2.2; 2.3	(45,178)	93,833
Other income	2.4	8	-
<b>TOTAL INCOME/(LOSS)</b>		<b>(45,170)</b>	<b>93,833</b>
<b>EXPENSES</b>			
Employee benefits expense	3.1(a)	2,822	2,542
Supplies and services	3.2	1,760	1,948
Depreciation and amortisation expense	4.1; 4.2	197	232
Finance costs	6.3	94	97
Accommodation expenses	3.2	119	118
Other expenses	3.2	220	356
Loss on sale of assets		-	1
<b>TOTAL EXPENSES</b>		<b>5,212</b>	<b>5,294</b>
<b>NET RESULT FROM OPERATING ACTIVITIES</b>		<b>(50,382)</b>	<b>88,539</b>
Net change in accrued LSL liabilities	5.3	(9,562)	(40,807)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(59,944)</b>	<b>47,732</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6.4	2,933	47,784
Receivables	5.1	568	214
Other current assets	5.2	1,004	4,093
Financial assets	6.1	593,420	619,904
<b>Total Current Assets</b>		<b>597,925</b>	<b>671,995</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4.1	118	127
Right-of-use assets	4.2	1,330	1,461
<b>Total Non-Current Assets</b>		<b>1,448</b>	<b>1,588</b>
<b>TOTAL ASSETS</b>		<b>599,373</b>	<b>673,583</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued long service leave benefits liabilities	5.3	284,101	277,196
Payables	5.4	709	593
Lease liabilities	6.2	158	140
Employee related provisions	3.1(b)	391	463
<b>Total Current Liabilities</b>		<b>285,359</b>	<b>278,392</b>
<b>Non-Current Liabilities</b>			
Accrued long service leave benefits liabilities	5.3	95,096	116,230
Lease liabilities	6.2	1,437	1,566
Employee related provisions	3.1(b)	197	167
<b>Total Non-Current Liabilities</b>		<b>96,730</b>	<b>117,963</b>
<b>TOTAL LIABILITIES</b>		<b>382,089</b>	<b>396,355</b>
<b>NET ASSETS</b>		<b>217,284</b>	<b>277,228</b>
<b>EQUITY</b>			
Retained earnings		217,284	277,228
<b>TOTAL EQUITY</b>		<b>217,284</b>	<b>277,228</b>

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 2022

	Notes	Retained Earnings (\$000)	Total Equity (\$000)
<b>Balance at 1 July 2020</b>		<b>229,496</b>	<b>229,496</b>
Net result from operating activities		47,732	47,732
Total comprehensive income for the period		47,732	47,732
<b>Balance at 30 June 2021</b>		<b>277,228</b>	<b>227,228</b>
<b>Balance at 1 July 2021</b>		<b>277,228</b>	<b>277,228</b>
Net result from operating activities		(59,944)	(59,944)
Total comprehensive income for the period		(59,944)	(59,944)
<b>Balance at 30 July 2022</b>		<b>217,284</b>	<b>217,284</b>

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 2022

	Notes	2022 (\$000)	2021 (\$000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from employers		15,055	13,119
Interest received		4	31
GST receipts from taxation authority		147	166
<b>Payments</b>			
Employee benefits		(2,865)	(2,513)
Supplies and services		(1,504)	(2,318)
Finance costs		(20)	(17)
Accommodation		(119)	(118)
Payments for long service leave		(36,083)	(29,062)
GST payments on purchases		(206)	(219)
Other payments		(321)	(356)
<b>Net cash provided by/(used in) operating activities</b>		<b>(25,912)</b>	<b>(21,287)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from sale of investments		28,725	25,250
Distributions received		29,695	34,488
<b>Payments</b>			
Purchase of financial assets		(77,117)	(52,011)
Purchase of non-current assets		(26)	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(18,723)</b>	<b>7,727</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal elements of lease payments		(216)	(234)
<b>Net cash provided by/(used in) financing activities</b>		<b>(216)</b>	<b>(234)</b>
Net increase/(decrease) in cash and cash equivalents		(44,851)	(13,794)
Cash and cash equivalents at the beginning of the period		47,784	61,578
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6.4	<b>2,933</b>	<b>47,784</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2022

## 1. Basis of preparation

A description of the nature of the Construction Industry Long Service Leave Payments Board's ("the Board") operations and its principal activities has been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Board in its capacity as the Accountable Authority on 26 August 2022.

### Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) the *Financial Management Act 2006* (**FMA**)
- 2) Treasurer's instructions (**TIs**)
- 3) Australian Accounting Standards (**AASs**) – Simplified Disclosures
- 4) where appropriate, those AAS paragraphs applicable for not for profit entities have been applied.

The FMA and TIs take precedence over AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### Basis of Preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- (a) amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense, and
- (b) receivables and payables are stated with the amount of GST included (where applicable).

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### Comparative information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. AASB 1060 provides relief from presenting comparatives for:

- Property, Plant and Equipment reconciliations; and
- Right-of-Use Asset reconciliations.

### Judgements and estimates

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 2. Our funding sources

#### How we obtain our funding

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

	Notes	2022 (\$000)	2021 (\$000)
Investment revenue	2.1	27,279	36,525
Analysis of net change in fair value of investments	2.2	(72,461)	57,277
Interest revenue	2.3	4	31
Other income	2.4	8	-

Contribution income from employers is disclosed in note 5.3.

#### 2.1 Investment revenue

	2022 (\$000)	2021 (\$000)
Distributions from managed funds	27,279	36,525
	27,279	36,525

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

#### 2.2 Analysis of net change in fair value of investments

	2022 (\$000)	2021 (\$000)
Investments realised during the period		
Securities in listed entities	11,428	(1,413)
Total realised gains/(losses)	11,428	(1,413)
Investments held at reporting date		
Fixed interest securities	(13,077)	(7,553)
Securities in listed entities	(70,812)	66,243
Total unrealised gains/(losses)	(83,889)	58,690
Net change in fair value of investments	<b>(72,461)</b>	<b>57,277</b>

**Gains/losses** may be realised or unrealised and are usually recognised on a net basis. These include gains/losses arising on redemptions of investments in managed funds. Financial assets (after initial recognition) are measured at fair value through profit and loss. Gains or losses on financial assets are recognised through profit and loss.

#### 2.3 Interest revenue

	2022 (\$000)	2021 (\$000)
Bank account and cash investments interest	4	31
<b>Total interest revenue</b>	<b>4</b>	<b>31</b>

**Interest revenue** is recognised as the interest accrues.

#### 2.4 Other income

	2022 (\$000)	2021 (\$000)
Resources received free of charge	8	-
<b>Total other income</b>	<b>8</b>	<b>-</b>

**Other income** comprises resources received from other public agencies. These are recognised as income equivalent to the fair value of assets received, or the fair value of services received that can be reliably determined and which would have been purchased if not donated.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 3. Use of our funding

#### Expenses incurred in the delivery of services

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

	Notes	2022 (\$000)	2021 (\$000)
Employee benefits expenses	3.1(a)	2,822	2,542
Employee related provisions	3.1(b)	588	630
Other expenditure	3.2	2,099	2,422

#### 3.1(a) Employee benefits expenses

	2022 (\$000)	2021 (\$000)
Employee benefits	2,562	2,305
Superannuation – defined contribution plans	260	237
<b>Employee benefits expenses</b>	<b>2,822</b>	<b>2,542</b>
Add: AASB 16 non-monetary benefits	-	-
Less: Employee contributions (per the statement of comprehensive income)	-	-
<b>Total employee benefits provided</b>	<b>2,822</b>	<b>2,542</b>

**Employee benefits:** include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as medical care, housing, cars and free or subsidised goods or services) for employees.

**Superannuation:** the amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds.

**AASB 16 non-monetary benefits:** are non-monetary employee benefits, predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 and are excluded from the employee benefits expense.

**Employee contributions:** are contributions made to the Board by employees towards employee benefits that have been provided by the Board. This includes both AASB 16 and non-AASB 16 employee contributions.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 3.1(b) Employee related provisions

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
<u>Employee benefits provisions</u>		
Annual leave	220	187
Long service leave	101	195
	<b>321</b>	<b>382</b>
<u>Other provisions</u>		
Employment on-costs	70	81
<b>Total current employee related provisions</b>	<b>391</b>	<b>463</b>
<b>Non-current</b>		
<u>Employee benefits provisions</u>		
Long service leave	170	144
	<b>170</b>	<b>144</b>
<u>Other provisions</u>		
Employment on-costs	27	23
<b>Total non-current employee related provisions</b>	<b>197</b>	<b>167</b>
<b>Total employee related provisions</b>	<b>588</b>	<b>630</b>

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

**Annual leave liabilities:** are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is not expected to be settled wholly within 12 months after the reporting period and is accordingly calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

**Long service leave liabilities:** unconditional long service leave provisions are classified as current liabilities 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.

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.

The provision for long service leave is calculated at present value as the Board does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 3.1(b) Employee related provisions continued

**Employment on-costs:** the settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, 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 included as part of 'Other expenses, note 3.2 (apart from the unwinding of the discount [finance cost])' and are not included as part of the Board's 'employee benefits expense'. The related liability is included in 'Employment on costs provision'.

#### Employment on-costs provision

	2022 (\$000)	2021 (\$000)
Carrying amount at start of period	104	90
Additional/(reversals of) provisions recognised	(7)	14
Payments/other sacrifices of economic benefits	-	-
Unwinding of the discount	-	-
<b>Carrying amount at end of period</b>	<b>97</b>	<b>104</b>

#### Key sources of estimation uncertainty – long service leave

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.

Several estimates and assumptions are used in calculating the Board's long service leave provision. These include:

- expected future salary rates;
- discount rates;
- employee retention rates; and
- expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 3.2 Other expenditure

	2022 (\$'000)	2021 (\$'000)
<b>Supplies and services</b>		
Communications	131	134
Consultants and contractors	1,261	1,515
Consumables	248	160
Other	120	139
<b>Total supplies and services expenses</b>	<b>1,760</b>	<b>1,948</b>
<b>Accommodation expenses</b>		
Lease rentals	105	107
Repairs and maintenance	3	-
Light and power	11	11
<b>Total accommodation expenses</b>	<b>119</b>	<b>118</b>
<b>Other expenses</b>		
Board members' fees	154	112
Audit & Risk Committee fees	7	5
Payroll related expenses	125	28
Employment on-costs	(7)	14
Expected credit loss expense	(101)	141
Insurances	35	47
Motor vehicle expenses	7	9
<b>Total other expenses</b>	<b>220</b>	<b>356</b>
<b>Total other expenditure</b>	<b>2,099</b>	<b>2,422</b>

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

**Consultants and contractors** expenses includes \$604,000 (2021: \$616,000) relating to development costs for a new Customer Relationship Management (CRM) system. These costs were expensed (rather than capitalised as a work-in-progress Intangible Asset) in accordance with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) in April 2021.

**Lease rental expenses** include:

- i) short-term leases with a lease term of 12 months or less;
- ii) low-value leases with an underlying value of \$5,000 or less; and
- iii) variable lease payments recognised in the period in which the event or condition that triggers those payments occurs.

**Repairs and maintenance** costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

**Other accommodation** expenses are recognised as expenses in the reporting period in which they are incurred.

**Other expenses** are recognised as expenses in the reporting period in which they are incurred.

**Expected credit losses** is an allowance of receivables and is measured at the lifetime expected credit losses at each reporting date. The Board has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 5.1 movement in the allowance for impairment of receivables.

**Employee on-cost** includes payroll tax, workers' compensation insurance and other employment on costs. The on costs liability associated with the recognition of annual and long service leave liabilities is included at note 3.1(b) Employee related 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 CONTINUED

For the Year Ended 30 June 2022

### 4. Key assets

#### Assets the Board utilises for economic benefit or service potential

This section includes information regarding the key assets the Board utilises to gain economic benefits or assets the Board utilises for economic benefit or service potential or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2022 (\$000)	2021 (\$000)
Property, plant and equipment	4.1	118	127
Right-of-use assets	4.2	1,330	1,461

#### 4.1 Property, plant and equipment

##### Year ended 30 June 2022

##### 1 July 2021

	Furniture and fittings (\$000)	Leasehold improvements (\$000)	Office equipment (\$000)	Total (\$000)
Gross carrying amount	260	206	299	765
Accumulated depreciation	(140)	(206)	(292)	(638)
Accumulated impairment loss	-	-	-	-

##### Carrying amount at start of period

<b>120</b>	<b>-</b>	<b>7</b>	<b>127</b>
------------	----------	----------	------------

Additions	-	-	26	26
Disposals	-	-	-	-
Write-offs	-	-	-	-
Depreciation	(25)	-	(10)	(35)

##### Carrying amount at 30 June 2022

<b>95</b>	<b>-</b>	<b>23</b>	<b>118</b>
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##### Reconciliation

Gross carrying amount	260	206	325	791
Accumulated depreciation	(165)	(206)	(302)	(673)
Accumulated impairment loss	-	-	-	-

##### Carrying amount at 30 June 2022

<b>95</b>	<b>-</b>	<b>23</b>	<b>118</b>
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#### Initial recognition

Items of property, plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. 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).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

#### Subsequent measurement

The cost model is applied for subsequent measurement of property, plant and equipment, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 4.1 Property, plant and equipment continued

#### Useful lives

All property, plant and equipment 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 is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Leasehold improvements	5 years
Furniture and fittings	10 years
Office equipment	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

#### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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 its recoverable amount, an impairment loss is recognised through profit or loss.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, 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 the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

As at 30 June 2022, there were no indications of impairment to property, plant and equipment. All surplus assets at 30 June 2022 have either been classified as assets held for sale or have been written-off.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 4.2 Right-of-use assets

Year ended 30 June 2022	Office Accommodation (\$000)	Vehicles (\$000)	IT Equipment (\$000)	Total (\$000)
Carrying amount at beginning of period	1,431	30	-	1,461
Additions	-	-	31	31
Depreciation	(148)	(12)	(2)	(162)
<b>Net carrying amount as at end of period</b>	<b>1,283</b>	<b>18</b>	<b>29</b>	<b>1,330</b>

The Board has leases for office accommodation, motor vehicles and IT equipment.

The office accommodation 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% p.a. except at the end of the fifth year when the rent will be reviewed up or down to market value. A rent review was undertaken as at 1 March 2021 and the rent was adjusted down to current market value. The lease agreement provides for the rent to be increased by 3.5% p.a. 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. The scheduled termination of leases are between 15 September 2022 and 15 May 2027.

The IT equipment lease is considered to be non-cancellable and it is assumed that the lease will continue for the assigned lease term. The scheduled termination of the lease is April 2025.

#### Initial recognition

At the commencement date of the lease, the Board recognises right-of-use assets and a corresponding lease liability for most leases. The right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.2.

The Board has elected not to recognise right-of-use assets and lease liabilities for short term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

#### Subsequent Measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

#### Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the Board at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 5. Other assets and liabilities

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

	Notes	2022 (\$000)	2021 (\$000)
Receivables	5.1	568	214
Other assets	5.2	1,004	4,093
Accrued long service leave benefits liabilities	5.3	379,197	393,426
Payables	5.4	709	593

#### 5.1 Receivables

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Employer debtors	526	369
Allowance for impairment of employer debtors	(135)	(255)
Other debtors	177	100
<b>Total receivables</b>	<b>568</b>	<b>214</b>

**Employer debtors** are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

**Allowance for impairment of employer debtors** is measured at the lifetime expected credit losses at each reporting date, that is based on the Board's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Individual receivables are written off when the Board has no reasonable expectations of recovering the cash flows. Please refer to note 3.2 for the amount of expected credit losses expensed in this financial year.

#### 5.2 Other assets

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Accrued contributions	886	3,939
Prepayments	118	154
<b>Balance at end of period</b>	<b>1,004</b>	<b>4,093</b>

**Accrued contributions:** 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 2022 have been accrued.

**Prepayments** represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 5.3 Accrued long service leave benefits liability

	2022 (\$000)	2021 (\$000)
Opening balance	393,426	371,956
Increase/(decrease) in provision	(14,229)	21,470
<b>Balance at end of period</b>	<b>379,197</b>	<b>393,426</b>
Contribution income from employers	12,292	9,725
Long service leave payments	(36,083)	(29,062)
Net change in accrued LSL liabilities	9,562	40,807
<b>Increase/(decrease) in provision</b>	<b>(14,229)</b>	<b>21,470</b>
The liability is allocated as follows:		
<b>Current</b>		
Accrued long service leave benefits liability	284,101	277,196
<b>Non-current</b>		
Accrued long service leave benefits liability	95,096	116,230
<b>Total</b>	<b>379,197</b>	<b>393,426</b>

#### Accrued Long Service Leave Benefit Liabilities

The Board accounts for the portable long service leave benefits liability under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* as a provision as it is a liability of uncertain timing or amount and the Board satisfies the below conditions:

- it has a present obligation as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The Board engages a qualified actuary (PricewaterhouseCoopers) on an annual basis to measure the accrued long service leave benefit liabilities.

The actuarial valuation of long service leave benefit liabilities reflects the actuary's assessment of the benefits accrued up to the reporting date and payable to workers participating in the Scheme. The expected future payments are discounted based on assessments of the time value of money and the risks specific to the liability. The duration of the selected discount instrument is (generally) similar to the Scheme's vesting period for a long service leave entitlement. The liability is calculated by the actuary using an actuarial valuation method that takes into account a range of assumptions.

The accrued portable long service leave benefit is classified as a current liability in the balance sheet where the Board does not have an unconditional right to defer the settlement of the liability for at least 12 months. Conversely, the remaining balance of the liability is classified as non-current in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 5.3 Accrued long service leave benefits liability continued

The key assumptions used to determine the values of accrued long service leave benefits were:

	2022	2021		
Rate of workers' future pay increases *	4.0% per annum	3.0% for the next three years, then 4.0% per annum thereafter		
Discount rate	3.6% as quoted by the government bond rate for a 7.4 year term	1.3% as quoted by the government bond rate for a 7.6 year term		
Participation rate	44%	43%		
Termination rates	Completed years of service	Termination rate	Completed years of service	Termination rate
	Less than 1	28%	Less than 1	20%
	1	20%	1	17%
	2	18%	2	15%
	3	17%	3	14%
	4	15%	4	13%
	5	8%	5	10%
	6	6%	6	10%
	7	8%	7	16%
	8	8%	8	16%
	9	8%	9	16%
	10	7%	10	16%
	11	6%	11	16%
	12	6%	12	16%
	13	6%	13	10%
	14	6%	14	10%
	15 to 29	21%	15 or more	10%
30 or more	100%			

\* The rate of workers' future pay increases assumption is based on the actuary's long-term economic forecasts for future increases in construction industry salaries and wages and takes into account views and experience offered by Board members' who represent industry participants (both employers and workers).

The actuary also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The actuary has identified four assumptions for which changes are reasonably possible that would have a significant impact on the amount (accounting value) of the accrued long service leave benefit liabilities:

- (i) Discount rate (bond yield);
- (ii) Pay inflation;
- (iii) Participation rate; and
- (iv) Termination rate.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 5.3 Accrued long service leave benefits liability continued

The following are sensitivity calculations on a univariate basis for the discount rate, pay inflation, participation rate and termination rate assumptions, in aggregate:

Assumption	Reporting period	Assumed at reporting date	Reasonably possible change	Increase/(Decrease) in accrued long service leave benefit liabilities \$'000
Discount rate	2022:	3.6%	+0.5% / -0.5%	(12,165) / 12,195
	2021:	1.4%	+0.5% / -0.5%	(13,509) / 14,491
Pay inflation	2022:	4.0%	1.0% / 0% pa in the first year and -4% pa thereafter	26,338 / (71,990)
	2021:	3.0% for the next three years, then 4.0% per annum thereafter	4.0% pa all years / 0% in the first four years and 4% in the fifth year and thereafter	9,704 / (37,118)
Participation rate	2022:	44%	+10.0% / -10.0%	14,731 / (15,375)
	2021:	43%	+10.0% / -10.0%	13,062 / (22,603)
Termination rate	2022:	Various depending on completed years of service	+10.0% / -10.0%	(50,228) / 83,423
	2021:	Various depending on completed years of service	+10.0% / -10.0%	(75,819) / 224,317

The Board has a number of measures in place to manage risks associated with the Scheme, including the establishment of suitable funding objectives. These funding objectives and the Scheme's circumstances are taken into account by the actuary when recommending the required employer contribution rates.

Accordingly, the Board and the Board's actuary continue to monitor the Scheme's funding position on a regular basis and do not have any reason to believe that the Board will not continue to meet the Scheme's funding commitments.

The actuary stated that the Board was in a strong funding position as at 30 June 2022 (2021: strong) measured by the coverage of benefits by assets.

The accrued long service leave benefit liabilities have changed in the current financial year as a result of contribution income from employers, long service leave payments and gains and losses relative to the actuarial assumptions adopted.

#### Vested Benefits

Vested benefits are benefits which are not conditional upon continued participation in the Scheme and include benefits where registered workers' were entitled to a long service leave claim at the reporting date. An unconditional entitlement exists once registered workers' have completed the requisite period of service, equal to 1,540 service days (equivalent to 7 years of accumulated employment). The amount of vested benefits attributable to registered workers at 30 June 2022 is \$233,297,000 (2021: \$202,956,000).

#### Contributions from Employers

Contributions from employers are due at the end of each 3-month period. Per AASB 1056 *Superannuation Entities*, the annual employer contributions are vested in the workers, however, these are not payable to the workers on demand as workers have to complete a requisite period of service before they can claim a payment. The completion of the service period by the workers is outside the control of the Board and on receipt of contributions from employers, an obligation to pay cash arises.

Analogous to AASB 1056, the contributions increase the liabilities of the Board and the benefits payments reduce those liabilities. Accordingly, they are not in the nature of revenue and expenses (respectively). The obligation of the Board to make a payment to a registered worker after completion of the requisite period of service gives rise to a provision which will become an unconditional financial liability when 1,540 service days have accumulated (equivalent to 7 years of accumulated employment).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 5.4 Payables

	2022 (\$000)	2021 (\$000)
<b><u>Current</u></b>		
Trade payables	542	450
PAYG payable to ATO	54	-
Accrued salaries	53	58
Accrued expenses	60	85
<b>Balance at end of period</b>	<b>709</b>	<b>593</b>

**Payables** are recognised at the amounts payable 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.

**Accrued salaries** represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Board considers the carrying amount of accrued salaries to be equivalent to its fair value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Board.

	<b>Notes</b>
Financial assets	6.1
Lease liabilities	6.2
Finance costs	6.3
Cash and cash equivalents	6.4
Capital commitments	6.5

#### 6.1 Financial assets

	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
<u>At valuation:</u>		
1. First Sentier Wholesale Strategic Cash	95,225	46,977
2. PIMCO Wholesale Global Bond Fund	27,343	29,833
3. Macquarie Income Opportunity Fund	30,722	32,173
4. UBS Wholesale Diversified Fixed Income Fund	44,064	48,599
5. Pendal Fixed Interest	28,798	31,843
6. Vanguard Australian Shares Index Fund	91,697	106,863
7. Fidelity Australia Equities Fund	43,685	51,416
8. Investors Mutual Australia Shares	29,551	31,639
9. Celeste Australian Smaller Companies Fund	18,925	26,187
10. Vanguard International Share Index Fund (Hedged)	46,958	53,604
11. Vanguard International Share Index Fund	60,070	45,615
12. MFS Global Equity Fund (Unhedged)	21,139	26,386
13. Magellan Global Fund (Unhedged)	-	24,643
14. AMP Capital Global Property Securities (Hedged)	19,059	24,814
15. ClearBridge RARE Infrastructure Value Fund (Hedged)	21,581	22,292
	<b>578,817</b>	<b>602,884</b>
Accrued distributions	14,603	17,020
<b>Total financial assets</b>	<b>593,420</b>	<b>619,904</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 6.1 Financial assets continued

#### Investments and other financial assets

The Board classifies its investments as financial assets at fair value through profit and loss. 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.

**Financial assets at fair value through profit and loss** 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.

As outlined at note 7.1 Financial Instruments, after initial recognition, financial assets are measured at fair value through profit and loss. Gains or losses on financial assets are recognised through profit and loss. The fair value of quoted investments are based on current bid prices at reporting date.

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 FirstWrap Wholesale Saver product which was previously recognised as cash and cash equivalents was discontinued during the reporting period and \$43.678 million was reinvested in the First Sentier Wholesale Strategic Cash product. The strategic cash product is not classified as a 'cash equivalent' and accordingly, the \$43.678 million in funds is now reflected in the balance sheet as a financial asset.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 6.2 Lease liabilities

	2022 (\$000)	2021 (\$000)
Not later than one year	158	140
Later than one year and not later than five years	29	16
Later than five years	1,408	1,550
	<b>1,595</b>	<b>1,706</b>
Current	158	140
Non-current	1,437	1,566
	<b>1,595</b>	<b>1,706</b>

#### Initial measurement

The Board measures a lease liability, at the commencement date, at the present value of the lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Board uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the Board as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options (where these are reasonably certain to be exercised);
- payments for penalties for terminating a lease, where the lease term reflects the Board exercising an option to terminate the lease;
- periods covered by extension or termination options are only included in the lease term by the Board if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales, are recognised by the Board in profit or loss in the period in which the condition that triggers those payments occurs.

#### Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with note 4.2 Right-of-use Assets.

	2022 (\$000)	2021 (\$000)
<b>Lease expenses recognised in the Statement of Comprehensive Income</b>		
Lease interest expense	75	80
Expenses relating to variable lease payments not included in lease liabilities	-	-
Short-term leases	-	-
Low-value leases	-	-
Losses/(gains) arising from sale and leaseback transactions	-	-
<b>Total lease expense</b>	<b>75</b>	<b>80</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 6.3 Finance costs

	2022 (\$000)	2021 (\$000)
<b>Finance costs</b>		
Lease interest expense	75	80
Bank fees	19	17
<b>Finance costs expensed</b>	<b>94</b>	<b>97</b>

Finance costs includes bank fees relating to charges on bank accounts held by the Board and the interest component of lease liability repayments.

### 6.4 Cash and cash equivalents

	2022 (\$000)	2021 (\$000)
Cash and cash equivalents	2,933	47,784
<b>Balance at end of period</b>	<b>2,933</b>	<b>47,784</b>
<b>Cash and cash equivalents</b>	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
<b>Current</b>		
Bankwest Cash Account	2,672	3,823
First Wrap Plus Cash Account	261	283
First Wrap Wholesale Saver Account	-	43,678
	<b>2,933</b>	<b>47,784</b>

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.

The FirstWrap Wholesale Saver product which was previously recognised as cash and cash equivalents was discontinued during the reporting period and \$43.678 million was reinvested in the First Sentier Wholesale Strategic Cash product. The strategic cash product is not classified as a 'cash equivalent' and accordingly, the \$43.678 million in funds is now reflected in the balance sheet as a financial asset.

### 6.5 Capital commitments

	2022 (\$000)	2021 (\$000)
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 7. Financial instruments and contingencies

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

	<b>Notes</b>
Financial instruments	7.1
Contingent assets and liabilities	7.2

#### 7.1 Financial instruments

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

	<b>Notes</b>	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
<u>Financial assets</u>			
Cash and cash equivalents	6.4	2,933	47,784
Receivables (a)	5.1	568	214
Other assets	5.2	886	3,939
Financial assets	6.1	593,420	619,904
<b>Total financial assets</b>		<b>597,807</b>	<b>671,841</b>
<u>Financial liabilities</u>			
Financial liabilities (b)	5.4, 6.2	2,304	2,299
<b>Total financial liabilities</b>		<b>2,304</b>	<b>2,229</b>

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

(b) The amount of financial liabilities excludes GST payable to the ATO (statutory payable).

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted 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.

#### Financial Instruments

##### Recognition, initial measurement and de-recognition

Financial assets and liabilities are recognised when the Board becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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 financial assets are based on current bid prices.

##### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### For the Year Ended 30 June 2022

#### 7.1 Financial instruments continued

##### Classification and subsequent measurement of financial assets continued

All income and expenses relating to financial assets that are recognised in profit or loss are presented within income or expenses respectively.

Classifications of financial assets are determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial assets

The Board does not have financial assets at FVOCI or debt instruments at FVOCI.

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Board's cash and cash equivalents, related party receivables, trade and most other receivables fall into this category of financial instruments.

##### Financial assets at fair value through profit or loss

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVPL. Under Equity FVPL, subsequent movements in fair value are recognised in the profit or loss. Dividend and distributions from these investments continue to be recorded as income within the profit or loss unless the dividend clearly represents return of capital.

#### 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

##### 7.2.1 Contingent assets

The Board is not aware of any contingent assets existing as at 30 June 2022.

##### 7.2.2 Contingent liabilities

The following contingent liability is excluded from the liabilities included in the financial statements:

##### Statutory Interpretation

The Board is undertaking a review of some statutory interpretations which may affect contributions made by employers and entitlements for workers. The definitive outcome of the review cannot be determined at present and accordingly any potential liability cannot be measured with sufficient reliability at reporting date.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8. Other disclosures

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

	<b>Notes</b>
Events occurring after the end of the reporting period	8.1
Changes in accounting policy	8.2
Key management personnel	8.3
Related party transactions	8.4
Related bodies	8.5
Affiliated bodies	8.6
Remuneration of auditors	8.7
Supplementary financial information	8.8
Explanatory statement	8.9

#### 8.1 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period that warrant disclosure.

#### 8.2 Changes in accounting policy

Other than the adoption of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, there were no changes in accounting policy during the reporting period that warrant disclosure.

The following standards are operative for reporting periods ended on or after 30 June 2022:

- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2020-7 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions: Tier 2 Disclosures
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021

The above standards are not expected to have a material impact on the Board's accounts.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.3 Key management personnel

The Board has determined key management personnel to include cabinet ministers, members of the accountable authority (the Board) 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 members of the accountable authority (Board) for the reporting period are presented within the following bands:

#### Compensation of members of the accountable authority

Compensation band (\$)	2022	2021
0 – 10,000	-	2
10,001 – 20,000	4	5
20,001 – 30,000	2	1
30,001 – 40,000	1	-
	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
<b>Total compensation of members of the accountable authority</b>	<b>154</b>	<b>112</b>

Total compensation includes the superannuation expense incurred by the Board in respect of members of the accountable authority.

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 senior officers

Compensation band (\$)	2022	2021
0 – 100,000	3	1
130,001 – 140,000	-	1
140,001 – 150,000	1	1
160,001 – 170,000	1	1
260,001 – 270,000	1	1
	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
Short term employee benefits	649	704
Post employment benefits	67	61
Other long term benefits	12	28
<b>Total compensation of senior officers</b>	<b>728</b>	<b>793</b>

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

A senior officer resigned from the General Manager Compliance, Legal and Risk position on 11 February 2022, with the Officer's remuneration included in the current year remuneration disclosures up until the termination date. An officer acted in the position until 13 May 2022. An officer was subsequently appointed to the position on a permanent basis on 16 May 2022. Remuneration for both the acting and permanent officers is included in the current year disclosures above.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.4 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 the State.

Related parties of the Board include:

- all board members and their close family members, and their controlled or jointly controlled entities;
- all senior officers of the Board and their close family members, and their controlled or jointly controlled entities; and
- the Government Employees Superannuation Board (GESB).

#### Material transactions with related parties

Outside of normal citizen type transactions with the Board, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

### 8.5 Related bodies

The Board does not have any related bodies.

### 8.6 Affiliated bodies

The Board does not have any affiliated bodies.

### 8.7 Remuneration of auditors

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

	2022 (\$000)	2021 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	24	30

### 8.8 Supplementary financial information

#### (a) Write-offs

During the financial year, \$29,000 (2021: \$101,000) was written off the Board's receivables ledger under the authority of:

	2022 (\$000)	2021 (\$000)
The accountable authority	29	101
The Minister	-	-
Executive Council	-	-
	<b>29</b>	<b>101</b>

#### (b) Losses through theft, defaults and other causes

	2022 (\$000)	2021 (\$000)
Losses of public money and public and other property through theft or default	-	-
Amounts recovered	-	-
	<b>-</b>	<b>-</b>

#### (c) Gifts of public property

	2022 (\$000)	2021 (\$000)
Gifts of public property provided by the Board	-	-
	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9 Explanatory statement (Controlled Operations)

This explanatory section explains variations in the financial performance of the Board undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances, which are greater than:

- 10% and 1% of current year Total Expenses for the Statement of Comprehensive Income and Statement of Cash Flows, and
- 10% and 1% of current year Total Assets for the Statement of Financial Position.

#### 8.9.1 Statement of Comprehensive Income Variances

	Variance note	Estimate 2022 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)	Variance between actual and estimate (\$000)	Variance between actual results for 2022 and 2021 (\$000)
<u>Income</u>						
Investment income	(1),(a)	33,006	(45,178)	93,833	(78,184)	(139,011)
Other income		-	8	-	8	8
<b>Total income</b>		<b>33,006</b>	<b>(45,170)</b>	<b>93,833</b>	<b>(78,176)</b>	<b>(139,003)</b>
<u>Expenses</u>						
Employee benefits expense	(b)	2,884	2,822	2,542	(62)	280
Supplies and services		1,736	1,760	1,948	24	(188)
Depreciation and amortisation expense	(2)	430	197	232	(233)	(35)
Finance costs		104	94	97	(10)	(3)
Accommodation expenses		121	119	118	(2)	1
Other expenses	(3),(c)	634	220	356	(414)	(136)
Loss on sale of assets		-	-	1	-	(1)
<b>Total expenses</b>		<b>5,909</b>	<b>5,212</b>	<b>5,294</b>	<b>(697)</b>	<b>(82)</b>
<b>NET RESULT FROM OPERATING ACTIVITIES</b>		<b>27,097</b>	<b>(50,382)</b>	<b>88,539</b>	<b>(77,479)</b>	<b>(138,921)</b>
Net change in accrued LSL liabilities	(4),(d)	(21,000)	(9,562)	(40,807)	(11,438)	(31,245)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>6,097</b>	<b>(59,944)</b>	<b>47,732</b>	<b>(66,041)</b>	<b>(107,676)</b>



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9.1 Statement of Comprehensive Income Variances continued

#### Major Estimate and Actual (2022) Variance Narratives:

- (1) Investment income was under estimates by \$78.184 million (236.9%) due to adverse domestic and international markets. A number of geopolitical and macroeconomic factors contributed to significant market declines, particularly in the last quarter of the reporting period. The actual investment return was a loss of 7.1%, underperforming the estimated return of 5.33%.
- (2) Depreciation expense was under estimates by \$233,000 (54.2%) predominantly due to a budgeted provision for amortisation of the new Customer Relationship Management (CRM) database. All CRM development costs incurred to 30 June 2022 have however been expensed in accordance with International Financial Reporting Interpretations Committee (IFRIC) guidance issued in the prior reporting period. Accordingly, there is no associated amortisation expense.
- (3) Other expenses were under estimates by \$414,000 (65.3%). The estimates included a provision for doubtful debts expense of \$200,000. Instead industry activity has been robust and combined with historically low contribution levy rates, the actual level of doubtful debt is significantly lower than expected.
- (4) Net change in accrued LSL liabilities was under estimates by \$11.438 million (54.5%) due to a number of factors. Although payments to workers were marginally higher than expected, total contribution income from employers was modestly lower than expected due to an unbudgeted decrease in the contribution levy from 0.5% to 0.1% from 1 January 2022. Additionally, the Actuaries assessment of the LSL liabilities was less than estimated, principally due to an increase in the discount rate.

#### Major Actual (2022) and Comparative (2021) Variance Narratives:

- (a) Investment income decreased by \$139.011 million (148.1%) due to adverse domestic and international markets. A number of geopolitical and macroeconomic factors contributed to significant market declines, particularly in the last quarter of the reporting period, which resulted in a comparative decrease in the fair value of investments and a corollary increase in losses. The actual investment return was a loss of 7.1%, significantly underperforming the prior year gain of 16.05%. Additionally, comparatively strong market returns in the previous reporting period resulted in investment revenues (distributions) recognised as at 30 June 2021 being much higher than those recognised as at 30 June 2022.
- (b) Employee benefits expense increased by \$280,000 (11.0%) predominantly due to an increase in temporary resources which were required to backfill a number of vacancies that arose throughout the reporting period.
- (c) Other expenses decreased by \$136,000 (38.2%). Doubtful debts were lower than the prior year mainly due to robust industry activity and historically low contribution levy rates.
- (d) Net change in accrued LSL liabilities decreased by \$31.245 million (76.6%) due to a number of factors. Although total contribution income was higher than the prior year comparative as a result of an increase in the average contribution levy, payments to workers were also modestly higher due to a normalisation of claims following the COVID-19 pandemic. The balance movement of \$35.7 million was the result of the Actuary's assessment of the LSL liabilities as at 30 June 2022.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9.2 Statement of Financial Position Variances

	Variance note	Estimate 2022 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)	Variance between actual and estimate (\$000)	Variance between actual results for 2022 and 2021 (\$000)
<b>ASSETS</b>						
<u>Current Assets</u>						
Cash and cash equivalents	(1),(a)	17,685	2,933	47,784	(14,752)	(44,851)
Receivables		444	568	214	124	354
Other current assets		3,555	1,004	4,093	(2,551)	(3,089)
Financial assets		609,348	593,420	619,904	(15,928)	(26,484)
<b>Total Current Assets</b>		<b>631,032</b>	<b>597,925</b>	<b>671,995</b>	<b>(33,107)</b>	<b>(74,070)</b>
<u>Non-Current Assets</u>						
Property, plant and equipment		95	118	127	23	(9)
Intangibles		960	-	-	(960)	-
Right-of-use assets		1,305	1,330	1,461	25	(131)
<b>Total Non-Current Assets</b>		<b>2,360</b>	<b>1,448</b>	<b>1,588</b>	<b>(912)</b>	<b>(140)</b>
<b>TOTAL ASSETS</b>		<b>633,392</b>	<b>599,373</b>	<b>673,583</b>	<b>(34,019)</b>	<b>(74,210)</b>
<b>LIABILITIES</b>						
<u>Current Liabilities</u>						
Accrued long service leave benefits liabilities	(2),(b)	273,390	284,101	277,196	10,711	6,905
Payables		759	709	593	(50)	116
Lease liabilities		129	158	140	29	18
Employee related provisions		725	391	463	(334)	(72)
<b>Total Current Liabilities</b>		<b>275,003</b>	<b>285,359</b>	<b>278,392</b>	<b>10,356</b>	<b>6,967</b>
<u>Non-Current Liabilities</u>						
Accrued long service leave liabilities	(2),(b)	129,345	95,096	116,230	(34,249)	(21,134)
Lease liabilities		1,426	1,437	1,566	11	(129)
Employee related provisions		241	197	167	(44)	30
<b>Total Non-Current Liabilities</b>		<b>131,012</b>	<b>96,730</b>	<b>117,963</b>	<b>(34,282)</b>	<b>(21,233)</b>
<b>TOTAL LIABILITIES</b>		<b>406,015</b>	<b>382,089</b>	<b>396,355</b>	<b>(23,926)</b>	<b>(14,266)</b>
<b>NET ASSETS</b>		<b>227,377</b>	<b>217,284</b>	<b>277,228</b>	<b>(10,093)</b>	<b>(59,944)</b>
<b>EQUITY</b>						
Retained earnings		<b>227,377</b>	<b>217,284</b>	<b>277,228</b>	<b>(10,093)</b>	<b>(59,944)</b>
<b>TOTAL EQUITY</b>		<b>227,377</b>	<b>217,284</b>	<b>277,228</b>	<b>(10,093)</b>	<b>(59,944)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9.2 Statement of Financial Position Variances continued

#### Major Estimate and Actual (2022) Variance Narratives:

- (1) Cash and cash equivalents was under estimates by \$14.752 million (83.4%) predominantly due to an unbudgeted recategorisation of funds from cash and cash equivalents to financial assets. The FirstWrap Wholesale Saver product which was previously recognised as cash and cash equivalents was discontinued during the reporting period and \$43.678 million was reinvested in the First Sentier Wholesale Strategic Cash product. The strategic cash product is not classified as a 'cash equivalent' and accordingly, the \$43.678 million in funds is now reflected in the balance sheet as a financial asset. The unbudgeted recategorisation of cash and cash equivalent funds variance was offset by higher than expected distribution receipts and proceeds from sale of investments.
- (2) Difference in allocation between current and non-current liabilities and a \$23.538 million (5.8%) decrease in the total liability as assessed by the Actuary.

#### Major Actual (2022) and Comparative (2021) Variance Narratives:

- (a) Cash and cash equivalents decreased by \$44.851 million (93.9%) due to a recategorisation of funds from cash and cash equivalents to financial assets. The First Wrap Wholesale Saver product which was previously recognised as cash and cash equivalents was discontinued during the reporting period and \$43.678 million was reinvested in the First Sentier Wholesale Strategic Cash product. The strategic cash product is not classified as a 'cash equivalent' and accordingly, the \$43.678 million in funds is now reflected in the balance sheet as a financial asset.
- (b) Current liability increased by \$6.905 million (2.5%) as assessed by the Actuary. Conversely, the non-current liability decreased by \$21.134 million (18.2%) as assessed by the Actuary.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9.3 Statement of Cash Flows Variances

	Variance note	Estimate 2022 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)	Variance between actual and estimate (\$000)	Variance between actual results for 2022 and 2021 (\$000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Receipts from employers	(a)	16,215	15,055	13,119	(1,160)	1,936
Interest received		6	4	31	(2)	(27)
GST receipts from taxation authority		166	147	166	(19)	(19)
<b>Payments</b>						
Employee benefits	(b)	(3,036)	(2,865)	(2,513)	(171)	352
Supplies and services	(1),(c)	(1,735)	(1,504)	(2,318)	(231)	(814)
Finance costs		(30)	(20)	(17)	(10)	3
Accommodation		(121)	(119)	(118)	(2)	1
Payments for long service leave	(d)	(35,000)	(36,083)	(29,062)	1,083	7,021
GST payments on purchases		(219)	(206)	(219)	(13)	(13)
Other payments		(371)	(321)	(356)	(50)	(35)
<b>Net cash provided by/(used in) operating activities</b>		<b>(24,125)</b>	<b>(25,912)</b>	<b>(21,287)</b>	<b>1,787</b>	<b>4,625</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds from sale of investments	(2),(e)	25,000	28,725	25,250	3,725	3,475
Distributions received	(3),(f)	18,000	29,695	34,488	11,695	(4,793)
<b>Payments</b>						
Purchase of financial assets	(4),(g)	(43,721)	(77,117)	(52,011)	33,396	25,106
Purchase of non-current assets	(5)	(299)	(26)	-	(273)	26
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,020)</b>	<b>18,723</b>	<b>7,727</b>	<b>17,703</b>	<b>26,450</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Principal elements of lease payments		(216)	(216)	(234)	-	(18)
<b>Net cash provided by/(used in) financing activities</b>		<b>(216)</b>	<b>(216)</b>	<b>(234)</b>	<b>-</b>	<b>(18)</b>
Net increase/(decrease) in cash and cash equivalents		(25,361)	(44,851)	(13,794)	19,490	31,057
Cash and cash equivalents at the beginning of the period		43,046	47,784	61,578	4,738	(13,794)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>17,685</b>	<b>2,933</b>	<b>47,784</b>	<b>(14,752)</b>	<b>(44,851)</b>



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 30 June 2022

### 8.9.3 Statement of Cash Flows Variances continued

#### Major Estimate and Actual (2022) Variance Narratives:

- (1) Supplies and services payments were under estimates by \$231,000 (13.3%) predominantly due to a lower than expected spend on internal audit services, third party printing, stationary & mail services and travel.
- (2) Proceeds from sale of investments exceeded estimates by \$3.725 million (14.9%). Monies in underperforming international equities investment funds were fully redeemed and reinvested in existing, better performing funds.
- (3) Distributions received exceeded estimates by \$11.695 million (65.0%). The budgeted distributions were based on an expected income return of 2.88%, however actual distributions received in July 2021 were much higher following strong market returns in the previous reporting period.
- (4) Purchase of financial assets exceeded estimates by \$33.396 million (76.4%). Monies in underperforming international equities investment funds were redeemed and reinvested in existing, better performing funds.
- (5) Purchase of non-current assets were under estimates by \$273,000 (91.3%) predominantly due to a budgeted provision for the capitalisation of development costs associated with the new CRM database. However, all CRM development costs incurred to 30 June 2022 have been expensed in accordance with IFRIC guidance issued in the prior reporting period.

#### Major Actual (2022) and Comparative (2021) Variance Narratives:

- (a) Receipts from employers increased by \$1.936 million (14.8%). The average contribution levy during the current reporting period was 0.3%, compared to 0.255% in the prior year. During the first six months of last year, the Board and Minister agreed to put in place a COVID relief levy that was 99% discounted from the previous levy which had the effect of lowering the average levy.
- (b) Employee benefits payments increased by \$352,000 (14.0%) predominantly due to an increase in temporary resources which were required to backfill a number of vacancies that arose throughout the reporting period.
- (c) Supplies and services payments decreased by \$814,000 (35.1%) predominantly due to prior year expensing of life-to-date development costs associated with the CRM database. Guidance issued by the IFRIC in April 2021 indicated that entities should expense these costs rather than capitalise them. The Board adopted the IFRIC guidance and accordingly, expensed all CRM development costs incurred to 30 June 2021.
- (d) Payments for long service leave increased by \$7.021 million (24.2%). 4,242 benefits totaling \$36.083 million were paid in the current reporting period compared to 3,670 benefits totaling \$29.062 million in the prior year. The level of payments is now normalising following the COVID-19 pandemic.
- (e) Proceeds from sale of investments increased by \$3.475 million (13.8%). Monies in underperforming international equities investment funds were fully redeemed and reinvested in existing, better performing funds.
- (f) Distributions received decreased by \$4.793 million (13.9%). Comparatively strong market returns in the previous reporting period resulted in distributions recognised as at 30 June 2021 being much higher than those recognised as at 30 June 2022.
- (g) Purchase of financial assets increased by \$25.106 million (48.3%). Monies in underperforming international equities investment funds were redeemed and reinvested in existing, better performing funds.

## AUDITED KEY PERFORMANCE INDICATORS

For the Year Ended 30 June 2022

### Certification of Key Performance Indicators

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 2022.



**Susan Barrera**

Chair

26 August 2022



**John Gelavis**

Member of the Board

26 August 2022

## AUDITED KEY PERFORMANCE INDICATORS CONTINUED

### For the Year Ended 30 June 2022

#### Key Performance Indicators

##### 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 2022 there was a modest increase in conjunction with the rebound in the Western Australian construction industry following the COVID-19 pandemic.

KEI (ii) is the number of employees for whom contributions have been made. There has been a modest increase in numbers of average employees for whom contributions have been made by employers, which again is indicative of robust industry activity.

As evidenced in KEI (iii), the average contribution rate for the reporting period was 0.3%. The Board and Minister agreed to put in place a standard levy of 0.5% for the first six months of the reporting period. Due to the Board's strong funding position, the standard levy was then further reduced to 0.1% from January 2022. The Board considered the average rate of 0.3% to be sufficient to maintain an adequate level of assets to meet LSL liabilities.

Over the preceding five years, as per KEI (iv), the Board has generated a positive average investment return. However, as a result of adverse domestic and international markets (particularly in the last quarter of the reporting period), the Board's investment return as at 30 June 2022 was (7.1%). Board Members acknowledge that the annual investment performance will fluctuate on a year in/year out basis.

KEI (v) shows the number of registered employees and number of employees paid a benefit. The number of employees in the industry was higher than the estimate; again, reflective of the rebound in construction industry activity following the COVID-19 pandemic. Additionally, although the number of employees paid a benefit was below estimates, the actual result was significantly higher than the prior year comparative indicating that the number of claims submitted to the Scheme is beginning to normalise after the COVID-19 pandemic.

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

The sound coverage of employees and employers sustains contribution levy receipts to assist in the maintaining of a Balance Sheet within, or above, 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.

## AUDITED KEY PERFORMANCE INDICATORS CONTINUED

For the Year Ended 30 June 2022

### Key Effectiveness Indicators

#### (i) Construction Industry Employers who have Registered with the Board

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Registered Employers – Average for the year (number)	5,052	5,215	5,052	4,958	4,992
Change in average number of Registered Employers		3.2%	1.9%	(0.7%)	(0.4%)
Growth in Firms in the Industry <sup>(a)</sup>		*	12.4%	(6.6%)	(2.8%)

(a) Based on counts of Australian businesses statistics published by the ABS (filtered for WA businesses only between ANZSIC industry code ranges 3011 and 3299. Excludes non-employing businesses). Statistics are published annually in February using data as at 30 June of the previous year.

\* 2021-22 statistics were not available at the time of preparation of this Report.

#### (ii) Eligible and Registered Construction Industry Employees for whom Contributions have been made

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Employees contributed for - Average for the year (number)	62,392	67,701	62,392	62,191	62,420
Change in average number of Employees contributed for (%)		8.5%	0.3%	(0.4%)	(2.2%)
Change in number of Employees in the industry (%) *		13.9%	(10.1%)	(1.9%)	(15.3%)

\* 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 2022. Occupations: Technicians and Trades Workers plus Machinery Operators and Drivers).

#### (iii) Construction Industry Employers Long Service Leave Contribution Rate

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Average Contribution Rate (%)	0.5%	0.3% <sup>(a)</sup>	0.255% <sup>(b)</sup>	1.05% <sup>(c)</sup>	1.15% <sup>(d)</sup>

(a) The contribution rate was decreased from 0.50% to 0.10% with effect from 1 January 2022

(b) The contribution rate was decreased from 1.00% to 0.01% with effect from 1 July 2020 and increased from 0.01% to 0.5% from January 2021

(c) The contribution rate was decreased from 1.10% to 1.00% from 1 January 2020

(d) The contribution rate was decreased from 1.20% to 1.10% from 1 January 2019.

## AUDITED KEY PERFORMANCE INDICATORS CONTINUED

For the Year Ended 30 June 2022

### Key Effectiveness Indicators continued

#### (iv) Annual Return Derived from the Board's Investments

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Board's Investment Return	5.33%	(7.10%)	16.05%	(2.42%)	7.69%
Benchmark Return (Composite Index)	5.33%	(6.18%)	16.34%	(1.34%)	8.60%
Investment Return - (5 Year Average)	5.59%	4.23%	7.45%	4.62%	7.14%

Investment return of (7.10%) was in line with underlying portfolio performance driven by world markets and events.

#### (v) Construction Industry Employees who have Received a Long Service Leave Payment

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Employees Registered in the Scheme (number)	106,287	111,281	106,287	106,392	107,873
Number of Employees paid a benefit (number)	5,216	4,242	3,670	5,286	5,808

Benefits paid totaling 4,242 (2021: 3,670) were driven by robust underlying construction industry activity, indicating that employees are engaged in work with fewer opportunities to take long service leave.

#### (vi) Qualifying Service Profile of Construction Industry Employees for whom Contributions have been made

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Employees Registered in the Scheme (number)	106,632	111,281	106,287	106,392	107,873
Employees with less than the required minimum of 7 years of qualifying service to obtain a benefit (number)	86,062	91,969	87,977	88,847	91,198
Employees qualified for a pro rata long service leave benefit - 7 to 10 years of service (number)	10,056	9,692	9,308	8,930	8,319
Employees qualified for a long service leave benefit - more than 10 years of service (number)	10,514	9,620	9,002	8,615	8,356



## AUDITED KEY PERFORMANCE INDICATORS CONTINUED

### For the Year Ended 30 June 2022

#### Service

Management of the Construction Industry Long Service Leave Scheme

#### Key Efficiency Indicators

##### (i) Average Administrative Cost Per Registered Construction Industry Employee

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
W.A. Scheme Cost per Employee	\$60.31	\$46.84	\$49.81	\$45.66	\$41.21
Other State Schemes (average)		*	\$60.68	\$55.29	\$53.74

\* 2021-22 figures not available at the time of preparation of the Report.

The Key Efficiency Indicator (i) has improved predominantly due to an increase in the number of employees registered in the scheme (2022: 111,281; 2021: 106,287). The variance against the estimate is predominantly due to lower employee benefits, depreciation & amortisation and other expenses and a higher than expected number of employees registered in the scheme (estimate: 106,632; actual: 111,281).

##### (ii) Full Time Equivalent Staff Employed Per Thousand of Registered Western Australian Construction Industry Employees

FINANCIAL YEAR	2022 Target	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Staff per thousand employees	0.24	0.20	0.22	0.20	0.19
Other State Schemes (average)		*	0.35	0.34	0.33

\* 2021-22 figures not available at the time of preparation of the Report.

The Key Efficiency Indicator (ii) has decreased predominantly due to lower full time equivalent staffing levels as at 30 June 2022 (2022: 22.4 FTE; 2021: 23.4 FTE) and a higher number of employees registered in the scheme (2022: 111,281; 2021: 106,287). The variance against the estimate is due to lower than expected full time equivalent staffing levels as at 30 June 2022 (estimate: 25.4 FTE; actual: 22.4 FTE) and a higher than expected number of employees registered in the scheme (estimate: 106,632; actual: 111,281).

# INDEPENDENT AUDITOR'S REPORT



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2022

#### Construction Industry Long Service Leave Payments Board

To the Parliament of Western Australia

### Report on the audit of the financial statements

I have audited the financial statements of the Construction Industry Long Service Leave Payments Board (Board) which comprise:

- the Statement of Financial Position at 30 June 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- 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 2022 and the financial position at the end of that period
- in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the Board for the financial statements

The Board is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

In preparing the financial statements, the Board is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- 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 responsibilities 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. 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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## Report on the audit of 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 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).

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 2022.

### 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### 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 were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an 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 in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance 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 audit of 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 2022. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and 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 2022.

### The Board's responsibilities 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*.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### 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 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 entity'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 report on financial statements, 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.

### Other information

The Board is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

My opinion on the financial statements, controls and key performance indicators does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators or my knowledge obtained in the audit or otherwise appears to be materially misstated.

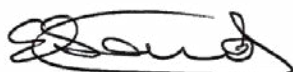


## INDEPENDENT AUDITOR'S REPORT CONTINUED

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

### **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 2022 included in the annual report 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, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. 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 contact the entity to confirm the information contained in the website version.



Efthalia Samaras  
Senior Director Practice Manager Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
29 August 2022

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