

CONTACTING THE LONG SERVICE LEAVE AUTHORITY

Registrar and Chief Executive Officer	Tracy Savage
Office Address	Unit 8, 71 Constitution Avenue Campbell, ACT 2612 National Associations Centre
Postal Address	PO Box 234 Civic Square ACT 2608
Phone	(02) 6247 3900
Website	www.actleave.act.gov.au
Email	construction@actleave.act.gov.au cleaning@actleave.act.gov.au community@actleave.act.gov.au security@actleave.act.gov.au
Hours	8:30am – 4:30pm Monday to Friday

To speak to someone in a language other than English please telephone the Telephone Interpreter Service (TIS) 131 450.

Arabic: 13 14 50 بالرقم إت صل مترجم إلى ب حاجة كنت إذا:

Chinese: 如果您需要翻譯，請致電：13 14 50

Croatian: Ako trebate tumača, nazovite: 13 14 50

English: If you need a translator, call 13 14 50

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Maltese: Jekk għandek bżonn ta 'interpretu, sejha: 13 14 50

Persian: 450 131 ف راخوان، است لازم شما اگر:

Polish: Jeżeli potrzebujesz tłumacza, zadzwoń: 13 14 50

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Turkish: Eğer bir tercümana ihtiyacınız Arama: 13 14 50

Vietnamese: Nếu bạn cần một thông dịch viên, xin gọi: 13 14 50

Note: Feedback and Enquiries about the 2015-16 Long Service Leave Authority Annual Report should be directed to the contact above. A copy of this annual report is also published on the Long Service Leave Authority's website.

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TRANSMITTAL CERTIFICATE



LONG SERVICE LEAVE AUTHORITY



TRANSMITTAL CERTIFICATE

Mr Mick Gentleman MLA
Minister for Workplace Safety and Industrial Relations
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2601

Dear Minister

We are pleased to present to you the 2015-2016 Annual Report of the Long Service Leave Authority.

This report has been prepared under section 6 (1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the Annual Reports Directions.

It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Long Service Leave Authority.

We hereby certify that the attached Annual Report is an honest and accurate account and that all material information on the operations of the Long Service Leave Authority has been included for the period 1 July 2015 to 30 June 2016.

We also hereby certify that fraud prevention has been managed in accordance with Public Sector Management Standards, Part 2.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be laid before the Legislative Assembly within 4 months of the end of the financial year.

Yours sincerely,

Glenys Roper
Chair

14 September 2016

Tracy Savage
Chief Executive Officer

14 September 2016

Long Service Leave Authority
PO Box 234
Civic Square
ACT 2608

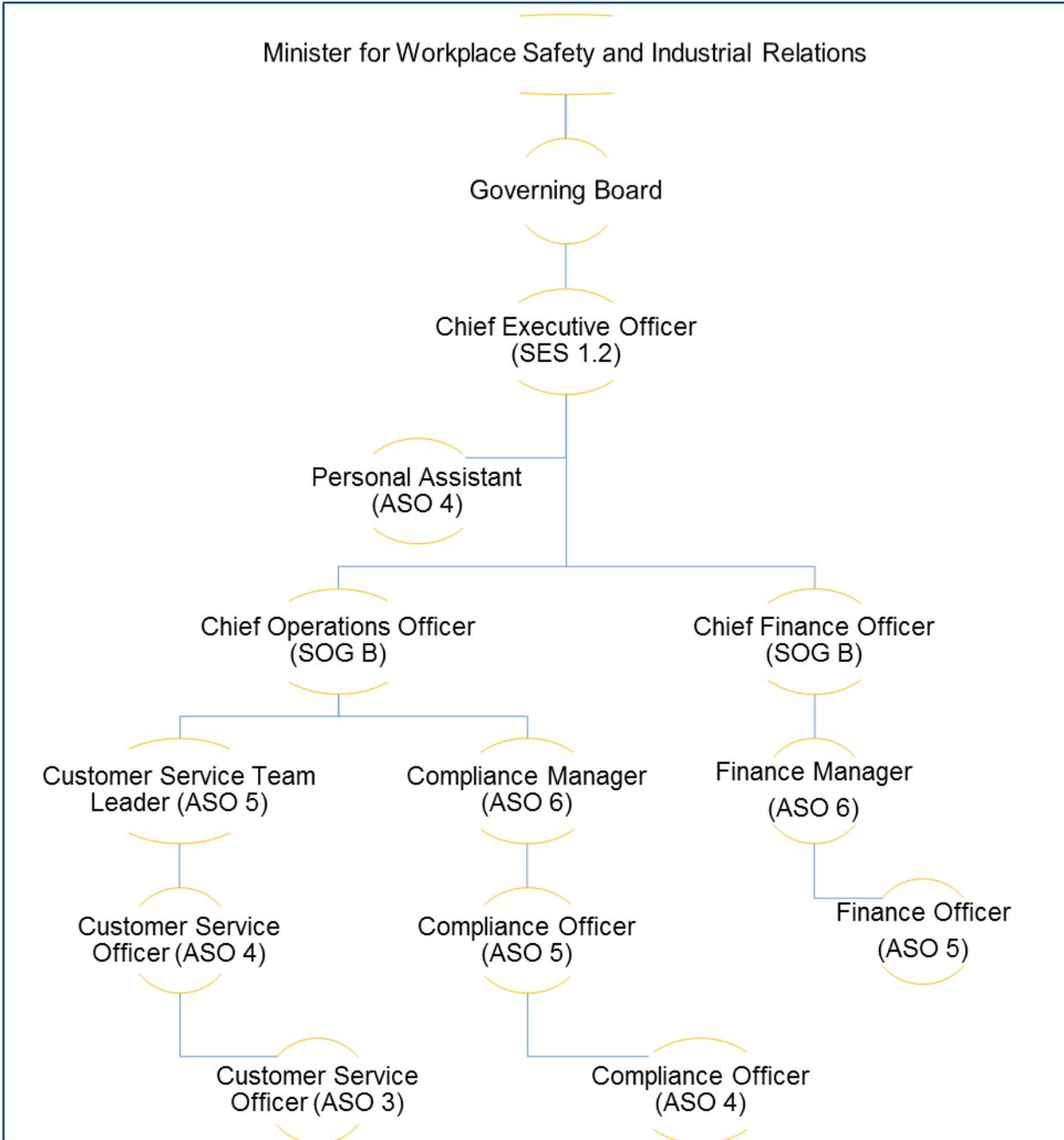
Office Hours 8:30am to 4:30pm

National Associations Centre
Unit 8 / 71 Constitution Avenue
Campbell ACT 2612
Telephone (02) 6247 3900
Facsimile (02) 6257 5058
Free call 1800 655 060

ORGANISATION OVERVIEW AND PERFORMANCE

A.1 ORGANISATIONAL OVERVIEW

ORGANISATION CHART



ROLE OF THE AUTHORITY

The Long Service Leave Authority (the Authority) was established to administer portable long service leave benefit schemes, provided for under the *Long Service Leave (Portable Schemes) Act 2009*, for specified workers in the ACT engaged in the Building and Construction, Contract Cleaning, Community Sector and Security Industries. The Primary objectives of the Authority are to ensure that:

- The maximum number of eligible employers and their employees are registered with the Authority
- Long service leave payments to employees and contractors and reimbursements to employers are made in accordance with the Act
- Employer contribution levies are collected efficiently and effectively
- Long service leave funds are invested to ensure a long term surplus of assets over liabilities; and
- Adequate liquidity exists to meet payment requirements as they arise

In May 2016 the *Long Service Leave (Portable Schemes) Act 2009* was amended through the *Long Service Leave (Portable Schemes) Amendment Bill 2016* to:

- extend the community sector and contract cleaning portable long service leave schemes to allow workers in the aged care and waste sectors respectively, to have similar long service leave entitlements currently available to workers already in these schemes;
- allow the Authority to make minor adjustments to employer levies to meet the prevailing economic circumstances of covered industries;
- resolve a technical issue by retrospectively clarifying the scope of the Building and Construction Industry Scheme; and
- correct minor and typographical issues.

These changes are effective from 1 July 2016.

2015-16 HIGHLIGHTS

The Authority experienced a solid year of operations during 2015-16 and undertook a number of activities in support of its stated objectives, the highlights of which include:

- The Authority registering 289 employers (2014-15: 296) during the year ended 30 June 2016. The Authority registered all of these employers within the 10 working days of receipt of a correctly completed registration form;
- The compliance team visiting 74 sites (2014-15: 69) to ensure that employers and workers in the covered industries were registered;
- The 2015-16 annual yellow pages review requiring staff to contact employers in the Contract Cleaning, Community Sector and Security Industry. The 2015-16 review identified 6 unregistered businesses within these industries. All of these businesses were registered before 30 June 2016;
- The Authority processing 8,531 returns (2014-15: 8,941) and payments for the 2015-16 financial year;
- The Authority processing 1,524 eligible claims (2013-14: 1,248) within the reporting period, with all of these claims paid within 10 working days from receipt of a completed claim form;
- The Authority achieving an average 3.84% year-to-date return on investments (2014-15: 11.7%) for all four administered schemes, with five-year average return on investment of 8.03%, outperforming the target¹ of 5.32%.

¹ The Authority's target for investment is set at 3.5% above CPI averaged over five years. As at 30 June 2016, the investment target was 5.32%. Refer to B.6 Statement of Performance, pages 98-102.

INTERNAL ACCOUNTABILITY

Under the *Financial Management Act 1996* and the Authority's enabling legislation, the *Long Service Leave (Portable Schemes) Act 2009* (the Act), the Governing Board provides the overall governance of the Authority. Members of the Governing Board are appointed by the Minister of Workplace Safety and Industrial Relations and comprise an independent Chair, an independent Deputy Chair, two members representing employee organisations and two members representing employer organisations for the covered industries of the long service leave portable schemes. The resources that are available to the Board members to assist them carry out their duties include access to training provided by the Authority and independent professional or legal advice.

Governing Board meetings were held regularly throughout the year to oversee the operation and monitor the performance of the Authority. Board members are remunerated in accordance with the decisions made by the ACT Remuneration Tribunal. The Chief Executive Officer (CEO), also the Registrar of the Authority, is a non-voting member of the Governing Board and is recruited and remunerated under the *Public Sector Management Act 1994*.

Board composition during the reporting period is outlined in the Board Profile table below:

Board member	Position	Meetings Attended
<p>Ms Glenys Roper</p> <ul style="list-style-type: none"> Appointed from 1 Jan 2010 for 4 years to 31 December 2013; re-appointed as an independent Chair on 19 February 2014 for a further four years; Managing Director of Roex Management Pty Ltd; Previously Director of Canberra Airport, The ACT Public Trustee Investment Board, Cultural Facilities Corporation, ACT Procurement Board; The NSW Superannuation Administration Corporation and Employment National, among others; and Chair of a number of audit and other governance committees in Commonwealth, State and Territory Government Agencies. 	Independent Chair	8
<p>Mr Howard Pender</p> <ul style="list-style-type: none"> Appointed from 25 May 2012 for 4 years to 24 May 2016; re-appointed as an independent member on 24 May 2016 for a further four years; Director, Corporate Analysis, Enhanced Responsibility (CAER); Previously director of three ASX listed public companies, Visiting Fellow, Centre for International and Public Law, Australian National University; and Office Bearer, Australasian Centre for Corporate Responsibility. 	Independent Deputy Chair	8
<p>Mr Chris Redmond</p> <ul style="list-style-type: none"> Appointed on 11 October 2013 representing employer organisations for a term of four years; Executive Director of Woden Community Service; and Executive Member of Mental Health Community Coalition. 	Member representing employer organisations	8

Board member	Position	Meetings Attended
Mr Peter Middleton <ul style="list-style-type: none"> Appointed on 1 Jan 2010 for 4 years to 31 December 2013. Re-appointed on 19 February 2014 for a further four years; Company Director of Woden Construction Group; Chairman of Civil Contractors Federation of the ACT; and Board member of MBA ACT 	Member representing employer organisations	7
Ms Erryn Cresshull <ul style="list-style-type: none"> Appointed on 3 April 2015, for a term of four years to 2 April 2019; and Organiser, United Voice, ACT Branch 	Member representing employee organisations	4
Ms Shayne Hall <ul style="list-style-type: none"> Appointed on 19 February 2014 for a term of four years; and Industrial Officer at CFMEU ACT Branch. 	Member representing employee organisations	7
Ms Tracy Savage <ul style="list-style-type: none"> Appointed as Registrar and CEO in August 2015 for a term of 3 years to 2 August 2018; and Non-voting member of the Board. 	Registrar/CEO	7

The Authority's Audit Committee meets four times each year. The Audit Committee's responsibilities are to oversee the Authority's internal and external audits, risk management arrangements, legislative compliance, review the Authority's financial information presented by management, and to determine the adequacy of the Authority's administrative, operating and accounting controls.

Prescribed in the *Financial Management Act 1996*, the Authority prepares an annual Statement of Intent agreed between the Chair of the Governing Board, the responsible Minister and the ACT Treasurer. The Statement of Intent outlines the Authority's financial forecast, business priorities, performance measures and key risks. A Statement of Performance report against the performance measures specified in the Statement of Intent is prepared each year, endorsed by the Chair of the Governing Board, and reviewed by the ACT Auditor-General's Office. In 2015-16, the Authority achieved above-target actual results in all of its performance indicators. The Authority's annual Financial Statements and Statement of Performance are reviewed by the Audit Committee, signed by the Chair of the Board and audited by the ACT Auditor-General. Refer to B.2 Financial Statements, page 30-94, and B.6 Statement of Performance for further information, page 98-102.

Membership of the Audit Committee is summarised in A.5 Internal Audit, page 18.

Under the supervision of the Chief Executive Officer, the Chief Operating Officer (Deputy Registrar) oversees the Authority's operations, including customer services and compliance management; and the Chief Finance Officer monitors the overall financial and corporate services functions of the Authority.

A.2 PERFORMANCE ANALYSIS

AUTHORITY PERFORMANCE

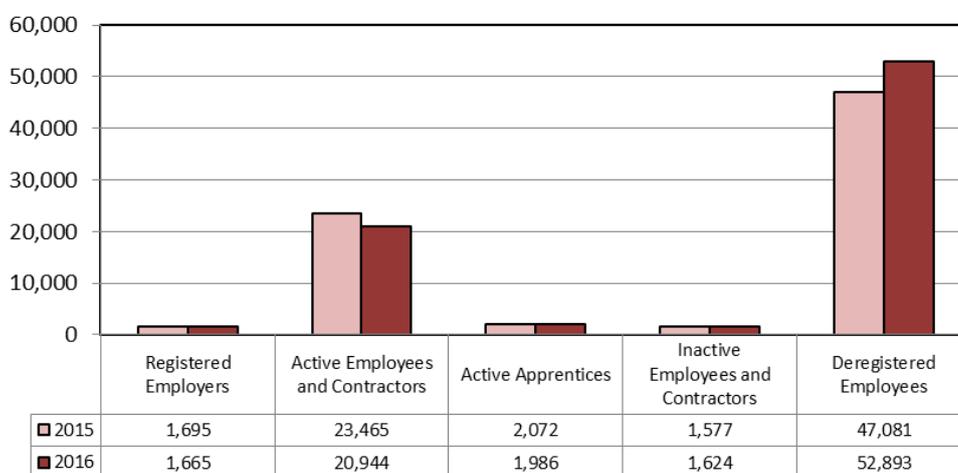
BUILDING AND CONSTRUCTION INDUSTRY SCHEME EMPLOYER AND EMPLOYEE STATISTICS

The number of active worker numbers in the Building and Construction Industry Scheme decreased during the reporting period. The decrease in active registrations reflects the number of workers that were deregistered from the Authority's Register due to not having any service in the Industry recorded in the past four years. In support of the work the Authority undertakes to identify and register eligible workers and employers the Authority continues to work cooperatively with:

- ACT Procurement Solutions, to ensure that all tenderers for government contracts related to building and construction work are registered with the Authority, and
- ACT Education Directorate, to ensure that all employers of apprentices registered with the government are registered with the Authority.

Figure 1 below illustrates the decrease in active employees and contractor numbers in the Building and Construction Industry Scheme during 2015-16; with a 7.5% decline in the number of active employees and contractors. There was also a slight decrease of 4.2% in registered apprentices recorded in the Authority's register. There was no significant decrease in the number of employers registered for the Building and Construction scheme.

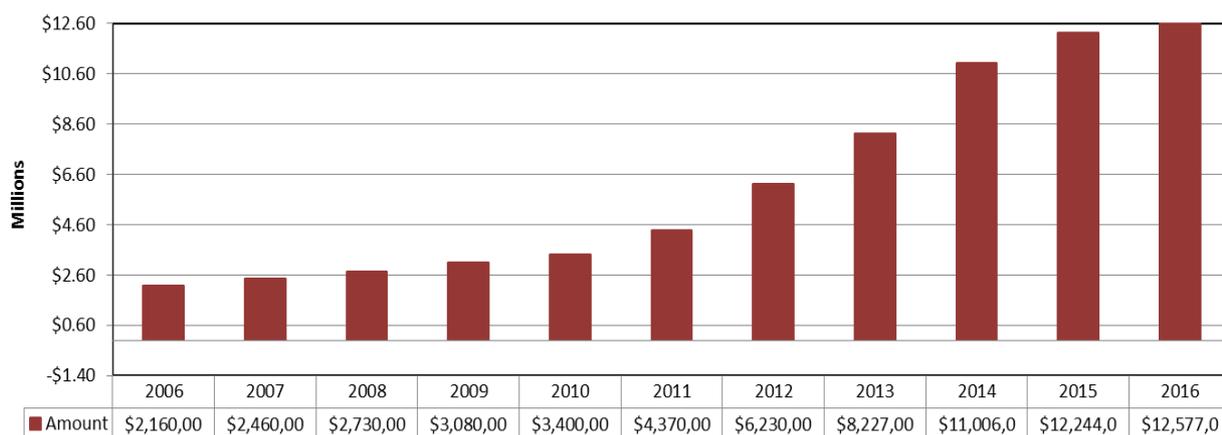
Figure 1. Building and Construction Industry Employer and Employee Registration Statistics



BUILDING AND CONSTRUCTION INDUSTRY SCHEME LEVY CONTRIBUTIONS

In 2015-16 Building and Construction Industry employers paid a total of \$12.6m in levy contributions based on a levy rate of 2.50% of employee ordinary remuneration (except apprentices whose service is recorded but no levy payment is required). A total of \$12.2m in levy contributions was paid in 2014-15. The slight increase in levy payments this year is due to an increase in service days and ordinary remuneration recorded on employer returns. The Authority budgeted for \$13.2m for the 2015-16 financial year and is expected to receive \$12.3m in levies for the 2016-17 financial year.

Figure 2. Building and Construction Industry Levy Contribution Payments by Employers



BUILDING AND CONSTRUCTION INDUSTRY SCHEME BENEFIT PAYMENTS

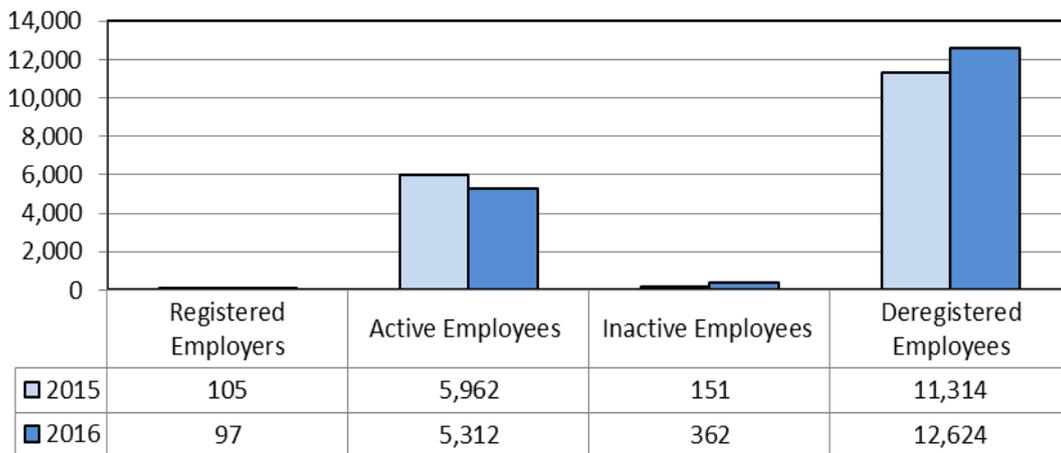
There were 1,087 long service leave benefit payments made during the financial year (854 in 2014-15), representing a payment value of \$11.8m (\$8.5m in 2015-16). The Scheme has paid a total of \$96.21m in long service leave benefits from the Fund since its commencement in 1981.

Claims lodged	2015	2016
• Total claims lodged	923	1,143
• Withdrawn, declined or duplicate	69	56
• Number of payments made	854	1,087
Criteria under which claims were lodged		
• More than 10 years' service	495	616
• Pro-rata (5 years but less than 10 years of credited service)	133	206
• Ill health, retirement or death (55+ days service)	81	89
• Refunds to employers who paid their workers under the LSL Act 1976 or other Acts or Awards	9	9
• Payments to reciprocal state schemes	136	167

CONTRACT CLEANING INDUSTRY SCHEME EMPLOYER AND EMPLOYEE STATISTICS

Contract Cleaning Industry Scheme activity declined in the ACT during the reporting period, with a 7.6% decrease in the number of registered employers and a corresponding decrease of 10.9% in the number of active workers in the scheme for 2015-16.

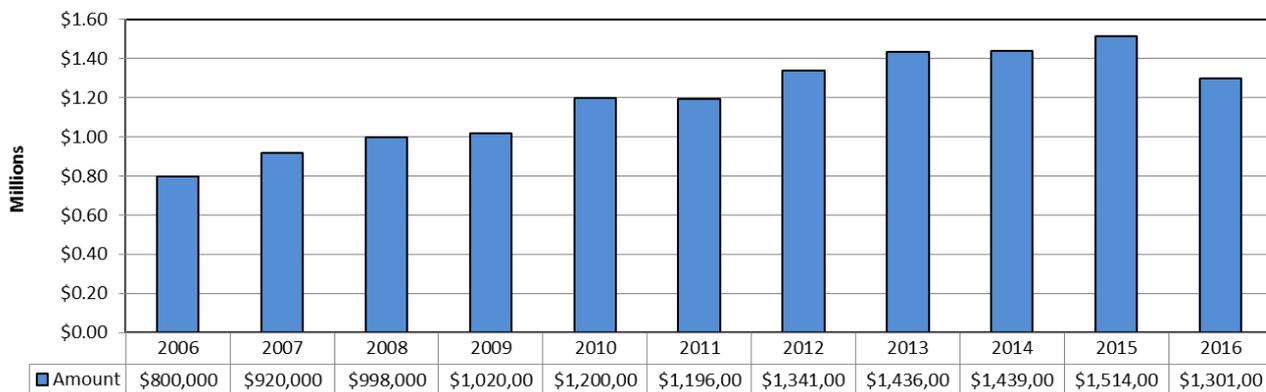
Figure 3. Contract Cleaning Industry Employer and Employee Registration Statistics



CONTRACT CLEANING INDUSTRY SCHEME LEVY CONTRIBUTIONS

Contract Cleaning Industry employers paid a total of \$1.3m in levy contributions during the reporting period based on a levy rate of 1.6% of employees’ ordinary remuneration (\$1.51m in 2014-15 with a levy rate of 2%). The Authority budgeted for \$1.3m in levy contributions for the 2015-16 financial year and is expected to receive \$1.4m in levies for the 2016-17 financial year.

Figure 4. Contract Cleaning Industry Scheme Levy Contribution Payments by Employers



CONTRACT CLEANING INDUSTRY SCHEME BENEFIT PAYMENTS

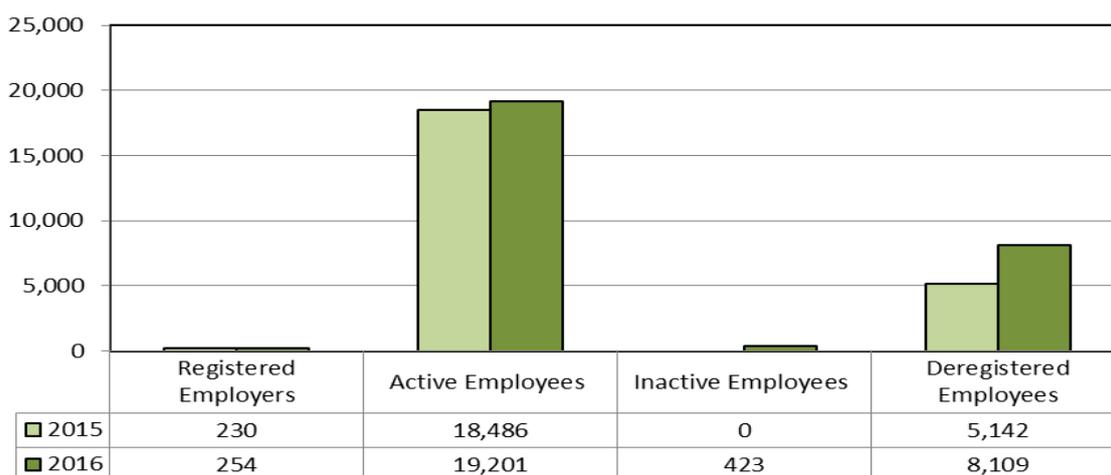
There were 172 long service leave benefit payments made during the year (173 in 2014-15), representing a payment value of \$0.78m (\$0.68m in 2014-15). While the number of payments made are virtually the same as in 2014-15, payment value has increased by 12.8% reflecting a rise in the number of claims related to more than 7 years of service. This reflects the growing maturity of the Contract Cleaning Industry Scheme which commenced in 2000.

Claims lodged	2015	2016
• Total claims lodged	185	194
• Withdrawn, declined or duplicate	12	22
• Number of payments made	173	172
Criteria under which claims were lodged		
• More than 7 years' service	110	122
• Pro-rata (5 years but less than 10 years of credited service)	16	12
• Ill health, retirement or death (55+ days service)	36	30
• Refunds to employers who paid their workers under the LSL Act 1976 or other Acts or Awards	11	8
• Payments to reciprocal state schemes	0	0

COMMUNITY SECTOR SCHEME REGISTRATIONS

As at 30 June 2016, there were 19,201 active employees registered in the Community Sector Scheme (18,486 in 2014-15), an increase of 3.9%. Of the total 8,109 de-registrations since the Scheme commencement in 2010 (5,142 in 2014-15), 3,839 represent duplicate employees (that is employees noted on returns as working concurrently for more than one employer and initially given two or more registration numbers but subsequently merged into one registration number). The remaining 4,270 de-registrations represent employees who have had a four-year continuous break from service.

Figure 5. Community Sector Registration Statistics

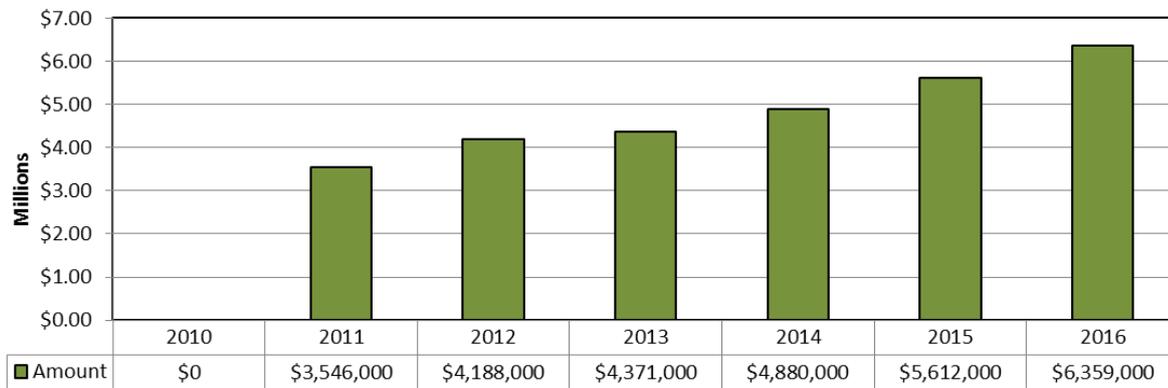


COMMUNITY SECTOR SCHEME LEVY CONTRIBUTIONS

Community Sector Scheme employers paid the Authority a total of \$6.4m (\$5.6m in 2014-15) in levy contributions during the reporting period, based on a levy rate of 1.60% of employees' ordinary remuneration. The Authority budgeted for \$5.3m in levy contributions for the 2015-16 financial year and is expected to

receive \$9.2m in levies for the 2016-17 financial year. The budgeted increase for 2016-17 is mainly due to a change to the coverage definition of the Community Sector Scheme, which will include employees in the aged care industry from 1 July 2016.

Figure 6. Community Sector Levy Contribution Payments by Employers



COMMUNITY SECTOR SCHEME BENEFIT PAYMENTS

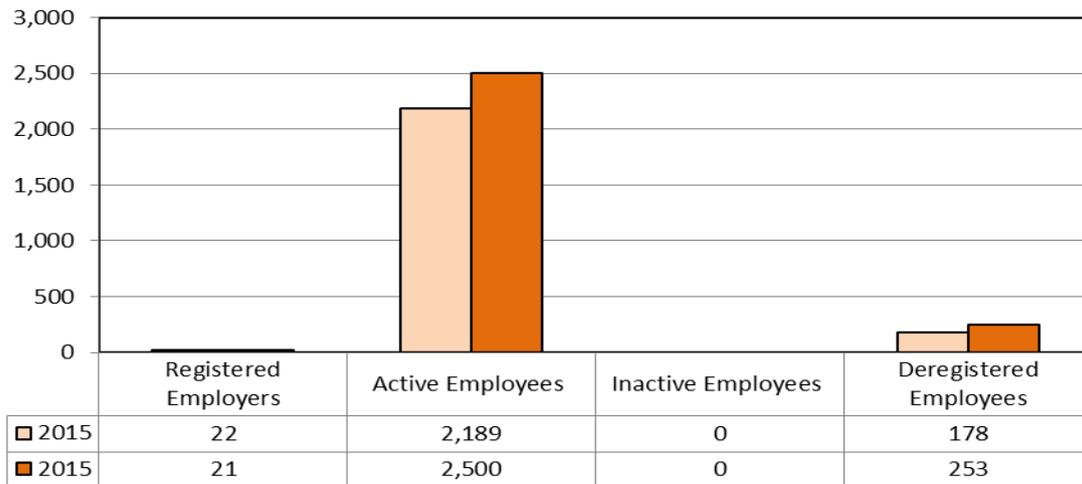
There were 408 long service leave benefit payments made during the year (280 in 2014-15), representing a payment value of \$1.329m (\$0.632m in 2014-15). As the community sector scheme has now been established for more than 5 years, employees who have service recorded from the start of the scheme may claim an entitlement directly from the scheme. It is expected that benefit payment claims will continue to increase in future years as more employees reach eligibility under the portable scheme rules.

Claims lodged	2015	2016
• Total claims lodged	301	487
• Withdrawn, declined or duplicate	21	79
• Number of payments made	280	408
Criteria under which claims were lodged		
• More than 10 years' service	0	0
• Pro-rata (5 years but less than 10 years of credited service)	0	88
• Ill health, retirement or death (55+ days service)	67	69
• Refunds to employers who paid their workers under the LSL Act 1976 or other Awards	213	251

SECURITY INDUSTRY SCHEME

The Security Industry Scheme commenced on 1 January 2013 with 2,500 employees registered in the security industry for the 2015-16 financial year, an increase of 14.2% from 2014-15 numbers (2,189 in 2014-15). The Authority has 21 (22 in 2014) employers registered in the security industry.

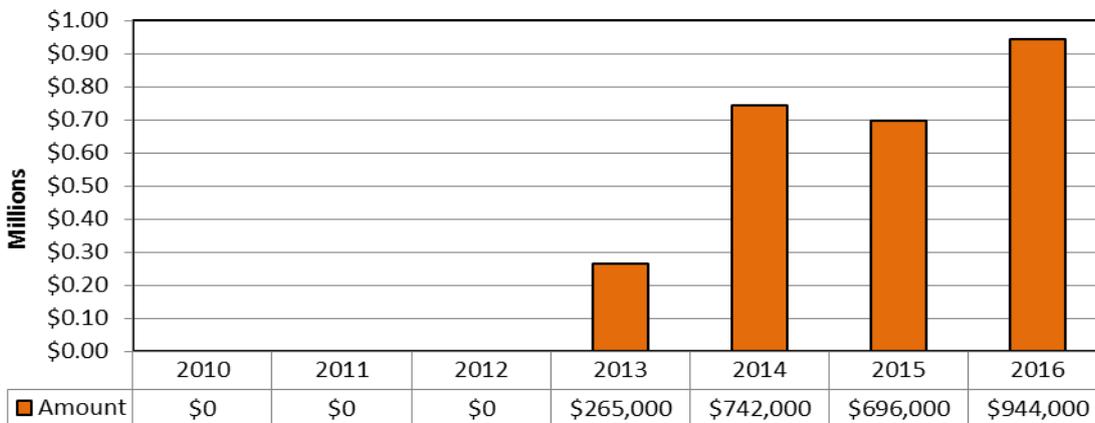
Figure 7. Security Industry Registration Statistics



SECURITY INDUSTRY SCHEME LEVY CONTRIBUTIONS

Security Industry employers paid the Authority a total of \$0.94m (\$0.70 in 2014-15) in levy contributions during the reporting period, based on a levy rate of 1.47% of employees’ wages. The Authority budgeted for \$0.86m in levy contributions and is expected to receive \$0.82m in levies for the 2016-17 financial year.

Figure 8. Security Industry Levy Contribution Payments by Employers



SECURITY INDUSTRY SCHEME BENEFIT PAYMENTS

There were no long service leave benefit payments made directly to workers during the year, however 24 reimbursements to employers totalling \$35,000 (\$106,000 in 2014-15) were made. The reimbursement claims are paid to employers for the portion of the service which was accrued after 1 January 2013 for those employees who have elected to have their long service leave benefit paid under the *Long Service Leave Act 1976*.

Claims lodged	2014	2015
• Total claims lodged	77	27
• Withdrawn, declined or duplicate	0	3
• Number of payments made	77	24
Criteria under which claims were lodged		
• More than 7 years' service	0	0
• Pro-rata (5 years but less than 7 years of credited service)	0	0
• Ill health, retirement or death (Greater than 5 years' service)	0	0
• Refunds to employers who paid their workers under the LSL Act 1976 or other Awards	77	24

COMPLIANCE AND EDUCATION

The Authority's Compliance and Education program is based on assistance and follow up. For the Building and Construction Industry Scheme the program is supported by site and employer visits by authorised inspectors to employer premises and construction sites. The Authority also attends apprentice induction programs where apprentices are informed of their entitlements and obligations.

The Authority's compliance personnel also regularly visit employer premises for the other schemes to ensure that all relevant work in the ACT is being undertaken by employers and employees who are registered with the four schemes. Visits involve contact with registered employers to explain their obligations and to answer any questions employers may have on the operation of the schemes. The visits promote high levels of compliance by the covered industries and generate a good rapport with stakeholders. The compliance team also performs an education role by assisting newly registered employers in understanding the schemes and helping them with the completion of their initial quarterly returns and payments.

ACCOUNTABILITY INDICATORS

The Authority's annual Statement of Performance details its actual performance results against target, including an explanation of major variances for each performance measure. In 2015-16, the Authority achieved above target results for all of its performance indicators. Refer to B.6 Statement of Performance, pages 98-102, for further information.

A.3 SCRUTINY

Apart from the Auditor General's report of 'Management and Administration of Credit Cards by ACT Government Entities'², which examined the Authority's credit card usage and governance for 2015, there were no inquiries or reviews from the ACT Auditor-General, the ACT Ombudsman, or any Legislative Assembly Committees in 2015-16. There were no issues identified from the Auditor General's report regarding the Authority's credit cards administration and the Authority agreed with the recommendations from the report where applicable.

The only other scrutiny from the Auditor-General during the reporting period was for the audit of the 2014-15 Financial Statements and the review of the 2014-15 Statement of Performance. The Audit Office issued an unqualified audit opinion in both reports and there were no audit findings from the review.

A.4 RISK MANAGEMENT

The Authority's Audit Committee oversees the Authority's risk management framework. The Audit Committee is composed of three Board members who are independent from management of the Authority's operation. In response to the Authority's evolving operating environment, a risk register is maintained and reviewed regularly at management meetings and Audit Committee meetings to ensure existing and emerging business risks are identified, regularly monitored, and appropriate controls are in place to mitigate these risks.

The Authority's risk management plan has been developed to ensure adequate controls for Authority risks including operational risks, work place health and safety issues, and exposure to fraud. The CEO and management hold regular meetings to examine the Authority's existing risk exposures and any emerging issues so as to incorporate timely and appropriate risk management strategies and actions. Risks are also monitored for opportunities for improvements and for business contingency consideration and succession planning. Through this rigorous process, the Authority aims to account for changes made in its operations and to make well-informed decisions.

A.5 INTERNAL AUDIT

The Authority has an Audit Committee Charter that established the audit function as part of its overall responsibilities for corporate governance. The Audit Committee, established under the Audit Committee Charter, meets four times a year and oversees the Authority's risk management and audit functions. Membership of the Committee is summarised in the table below:

Name of Member	Position	Meetings Attended
Mr Howard Pender	Independent Chair	4
Ms Glenys Roper	Independent member	4
Mr Peter Middleton	Independent member	3

² This report was published on 24 June 2016 by the ACT Auditor General's Office.

Internal audit topics are discussed and determined at Audit Committee meetings, based on risk assessments and the Authority's business priorities, with likelihood and potential impact affecting each risk, carefully measured and considered.

During 2015-16, one internal audit review was conducted, on the compliance of the Authority's long service leave claim payments and the associated internal controls. Two low level audit findings were raised by the independent auditor with management agreement on these findings and follow-up actions undertaken.

A.6 FRAUD PREVENTION

The Authority developed a 'Risk Management and Fraud Prevention Plan³' to manage fraud risks and any associated fraud investigation and reporting. The Authority manages and controls risks in a way that ensures risks are identified and monitored regularly with appropriate actions undertaken to reduce the risks to an accepted level. It has a formalised, integrated and visible process to identify risk exposures across all the operational and financial activities in its risk register and to provide the Board and Audit Committee with assurance that these exposures are adequately monitored and controlled. With adequate controls in place, there were no major fraud risks identified, and the overall fraud risk is considered low. There were no instances of fraud or cases of corruption suspected or reported during 2015-16.

The Authority also discusses fraud risk factors with staff regularly in staff meetings to promote awareness and prevention of fraud. Fraud prevention training was provided to all staff in June 2014 (with the next training scheduled in November 2016) by a suitably qualified consultant specialised in fraud and probity investigations. This training is in accordance with the Australian Standard 8001-2008 "Fraud and Corruption Control", which outlines a suggested approach for managing fraud and integrity risk. In addition, the Authority minimises the opportunity for fraud by ensuring there is appropriate separation of duties and financial authorisations amongst those who collect and process monies received. The Authority has also established other robust monitoring controls, such as regular bank and asset register reconciliations to ensure assets are properly insured and accounted for. Covered under the Fidelity Indemnity Guarantee Agreement from the ACT Insurance Authority, the Authority insures itself against claims for direct loss of money or goods as a result of acts of fraud or dishonesty by its employees. There were no such claims made during 2015-16.

The Authority's investment portfolios are held in pooled funds managed by Vanguard Australia. Vanguard's custodian for these funds is JP Morgan. The Authority is provided with an annual audit report from Vanguard, conducted by an independent external auditor, to ensure its operating controls are effective in managing client assets.

A.7 WORK HEALTH AND SAFETY

The Authority is bound by the provisions of the *Work Health and Safety Act 2011* (the Act) and receives support and advice from the Injury Management and Safety Team at the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) for all issues in relation to workplace health and safety.

There were no work place accidents or significant incidents that required notices under the provisions of the Act during the reporting period. There were also no improvement, prohibition, or non-disturbance notice issued under Part 10 of the Act in 2015-16.

³ The Risk Management and Fraud Prevention Plan was revised in November 2015.

The Authority has an emergency evacuation plan in place and an evacuation drill is held at least once a year on site, coordinated by the building manager of the National Associations Centre where the Authority's office is located. The Authority also has one two trained Health and Safety employee representatives, two fire wardens and several staff members who hold a current First Aid Certificate.

The Authority discusses all work health and safety issues at its monthly staff meetings, identifies potential risks and addresses them in a timely manner. Workplace health and safety is also a standard agenda item for each Board meeting. Physical inspections of the safety of the Authority's office environment, including staff workstations, are held from time to time with assistance from the Injury Management and Safety team under the Chief Minister, Treasury, and Economic Development Directorate (CMTEDD).

The Authority is not required to report under the Australian Work Health and Safety Strategy 2012-2022 as it has less than 500 full time equivalent employees. However, the Authority is supportive of such initiatives and promotes a safe and healthy work environment for all its staff.

A.8 HUMAN RESOURCES MANAGEMENT

The Authority has a small workforce, comprising twelve full-time equivalent (FTE) staff during 2015-16. There were no major changes to the Authority's functions and corporate structure in recent years. The Authority constantly monitors its productivity to ensure there are adequate resources and staffing level to carry out required work and to meet its performance targets.

The Chief Executive Officer oversees the Authority's staff performance with ongoing performance reviews in place. On the job education and training is provided to staff to ensure the overall skill set meets the Authority's operational needs. Staff are encouraged to acquire broad operational capability to fulfil the succession planning requirements as well as any unexpected staff absences. The Authority's staff are recruited to satisfy the administration responsibilities of the *Long Service Leave (Portable Schemes) Act 2009*, including: general administration, client services, information technology and computer related functions, inspection and field visits, public consultation, and financial management and reporting functions for the Authority.

During 2015-16, the Authority provided support for staff learning and development needs, including approval of financial support and study leave for staff to attend university courses under the ACTPS study assistance program and other work-related training provided via the ACTPS Training Calendar. There were no staff on the Attraction and Retention Initiatives (ARins) during the reporting period. For information regarding staff profile and classification, refer to D.3 – Workplace Profile, page 105-107.

A.9 ECOLOGICALLY SUSTAINABLE DEVELOPMENT

The Authority continues to support the principles of Ecologically Sustainable Development where possible and relevant to the operational activities of the organisation. Conservation measures include:

- staff are encouraged to conserve fuel by careful planning of field visitation;
- all paper products and toner cartridges are recycled;
- all new office equipment is purchased with a view to its eventual recyclability;
- excess or superseded equipment is either sold or traded on replacements;

- unsaleable equipment is deposited with a reputable recycling service provider for resale or recycling; and
- the generation of paper records is limited by use of electronic record keeping where practical.

SUSTAINABLE DEVELOPMENT PERFORMANCE 2014-15 AND 2015-16

Indicators as at 30 June	Unit	2014-15	2015-16	Percentage Change
Agency Staff and Area				
Agency Staff	FTE	11	12	9
Workplace Floor Area	Area (m2)	320	320	-
Stationary Energy Usage				
Electricity Use - Office	Kilowatt hours	52,259	54,112	4
Renewable Electricity Use	Kilowatt hours	-	-	-
Transport Fuel Usage				
Total Number of Vehicles	Number	1	1	-
Total Kilometres Travelled	Kilometres	12,110	12,774	5
Fuel Use – Petrol	Kilolitres	0.92	0.84	(9)
Fuel Use – Diesel	Kilolitres	-	-	-
Fuel Use – Liquid Petroleum Gas (LPG)	Kilolitres	-	-	-
Fuel Use – Compressed Natural Gas (CNG)	Kilolitres	-	-	-
Water Usage				
Water Use - Office	Kilolitres	202	202	0
Resource Efficiency and Waste				
Reams of Paper Purchased	Reams	223	228	2
Recycled Content of Paper Purchased	Percentage	50%	50%	-
Waste to Landfill	Litres	-	-	-

Indicators as at 30 June	Unit	2014-15	2015-16	Percentage Change
Co-mingled Material Recycled	Litres	-	-	-
Paper & Cardboard Recycled (incl. secure paper)	Litres	3,120	3,360	8
Organic Material Recycled	Litres	-	-	-
Greenhouse Gas Emissions				
Emissions from Stationary Energy Use	Tonnes CO2-e	55.39	57.36	(4)
Emissions from Transport	Tonnes CO2-e	2.35	2.16	(8)
Total Emissions	Tonnes CO2-e	57.74	59.52	3

FINANCIAL MANAGEMENT REPORTING

B.1 FINANCIAL MANAGEMENT ANALYSIS

Objectives of the Authority

The Authority was established in 2010 under the *Long Service Leave (Portable Schemes) Act 2009* (the Act) to administer portable long service leave benefits for the Building and Construction Industry scheme, Contract Cleaning Industry scheme, Community Sector Industry scheme, and the Security Industry scheme.

The Authority's objectives are to:

- make payments to the employees for their long service leave benefit claims in accordance with the Act;
- ensure eligible employers and employees of all administered schemes are registered with the Authority;
- efficiently and effectively collect contribution levies from the registered employers; and
- Invest funds to maintain long-term sustainability of all schemes.

Risk Management

The Authority's risk management is overseen by its Audit Committee and the Chief Executive Officer. Several key risks are identified that may have an impact on the Authority's future financial position, including:

- The Authority's investment fund reduces in value as a result of adverse market conditions. The Authority's Investment Plan was approved by the Treasurer in June 2014 and is continuously monitored, reviewed and revised as needed to ensure investment funds are sufficient to supplement the employer contribution levy revenue to meet the schemes' liabilities;
- Eligible employers do not register and declare service for their employees or pay the required contribution levy. This risk is mitigated by the Authority's on-going compliance programs; and
- The risk of having insufficient assets to cover scheme liabilities. The Authority manages this risk by closely monitoring the administered schemes' total assets and liabilities to ensure all debts can be met when they fall due. Scheme levy rates, are reviewed by an independent actuary and may be varied to maintain long-term sustainability. The latest levy rate review was conducted in June 2014 with recommendations made by the actuary (and subsequently approved by the responsible Minister) to reduce the Contract Cleaning scheme's levy from 2% to 1.6% and the Community Sector scheme from 1.67% to 1.6% effective 1 April 2015. The next actuarial review is scheduled for June 2017 for all administered schemes.

Financial Performance

The following financial information is based on the audited financial statements for 2014-15 and 2015-16, and the original budget contained in the 2015-16 Statement of Intent.

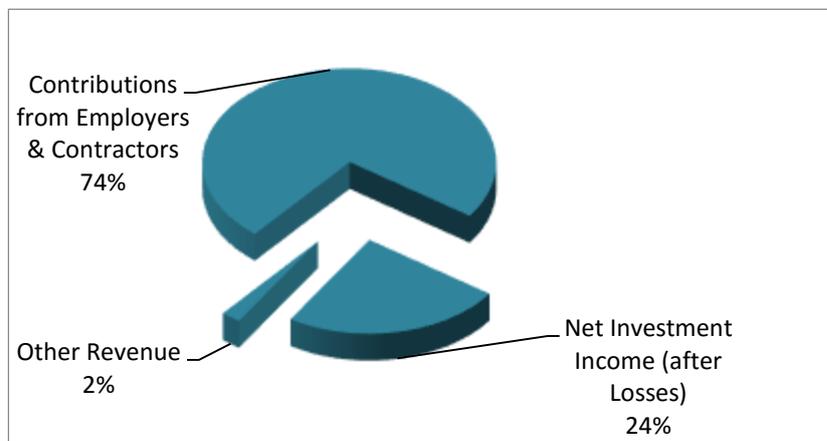
Total Income

1. Components of Income

Figure 1 below summarises that for the financial year ended 30 June 2016, the Authority received a total of \$28.77 million income, including:

- \$21.18 million (74 per cent) from contribution revenue;
- \$6.97 million (24 per cent) of net investment income including investment distribution and management fee rebate of \$8.93 million, which is offset by investment losses of \$1.96 million incurred during 2015-16; and
- \$0.62 million (2 per cent) of other revenue, comprising \$0.21 million collected in relation to interstate long service leave claims under a Reciprocal Agreement, \$0.14 million of income from penalties, \$0.10 million of Leave Track licence fees, and the remaining \$0.17 million mainly comprising interest revenue, net rental income, and resources received free of charge.

Figure 1. Sources of Income



2. Comparison to Budget

Total income in 2015-16 is \$1.80 million (6 per cent) lower than the original budget largely due to:

- \$2.36 million lower investment return (3.8 per cent) than originally forecast (7.5 per cent) for all four administered schemes;
- higher than expected contribution revenue (\$0.50 million) mainly from the increase of active workers in the community sector scheme; and
- higher than expected investment property valuation outcome (\$0.04 million) and \$0.02 million of resources received free of charge which was not anticipated in the original budget.

3. Comparison to 2014-15 Actual Income

Overall, total income from the reporting period declined from prior year by \$4.41 million (13 per cent) because:

- investment gain and revenue decreased by \$5.39 million from investment fund performance; which was partially offset by
- a moderate increase of contribution revenue by \$1.12 million, largely from an increase of active workers in the community sector scheme.

4. Future Trends

Income for 2016-17 is budgeted to increase by \$3.98 million (14 per cent) with an expected higher investment return of 6.5 per cent, compared to the 3.8 per cent achieved in 2015-16.

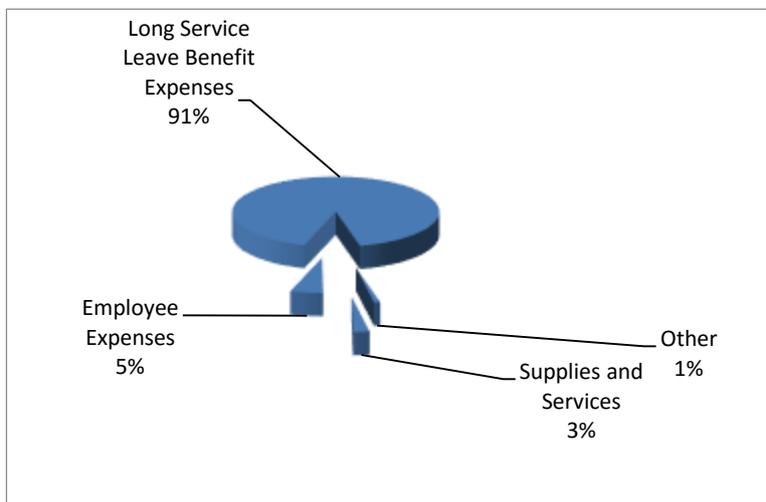
Total Expenses

1. Components of Expenses

Figure 2 shows the components of the Authority's expenses for 2015-16 with the largest expense being \$22.76 million (91 per cent) of long service leave benefits expenses, with the remaining:

- \$1.28 million (5 per cent) of employee expenditures,
- \$0.65 million (3 per cent) of supplies and services costs; and
- \$0.24 million (1 per cent) of other expenses, including bad debt expenses, penalty waivers, and depreciation and amortisation expenses.

Figure 2. Components of Expenses



2. Comparison to Budget

Total expenses in 2015-16 were \$1.02 million (4 per cent) lower than budget. Most of the shortfall is derived from the long service leave benefit expenses, which came in under the original budget by \$1.00 million. This was due mainly to:

- higher than anticipated claim payments made in 2015-16;
- lower than expected long service leave expenses accrued in 2015-16 for the Building and Construction Industry scheme due to some indicators suggesting some continuing industry slowdown;
- reduction of wage assumption for the Building and Construction Industry scheme and Contract Cleaning scheme; partially offset by
- reduction in the discount rate from 7.5 per cent to 6.5 per cent in estimating the present value of long service leave liability to reflect the lower expected return on investment amid a less optimistic investment outlook.

3. Comparison to 2014-15 Actual Expenses

Long service leave benefit expenses have increased by \$3.07 million (16 per cent) largely due to a change of discount rate from 7.5 per cent to 6.5 per cent (\$4.81 million), partially offset by a change of wage assumptions in the actuarial valuation (\$1.81 million).

Employee expenses were increased from prior year's result by \$0.13 million (11 per cent) mainly due to an increase in FTE (full-time equivalent) to 12 from 10 in 2014-15.

Supplies and services expenses and depreciation and amortisation expenses were largely in line with the prior year's result.

Other expenses were below last year's figure by \$0.16 million mainly from a decrease of penalty waivers and employer contribution bad debts in 2015-16.

4. Future Trends

Total expenses in the 2016-17 budget are expected to increase by \$5.11 million (21 per cent) mainly due to an increase of \$4.94 million in long service leave benefit expenses in accordance with actuarial projections. In 2015-16, a change in discount rate from 7.5 per cent to 6.5 per cent resulted in an increase of \$4.81 million in long service leave expenses from the prior year. No change of discount rate is expected in 2016-17.

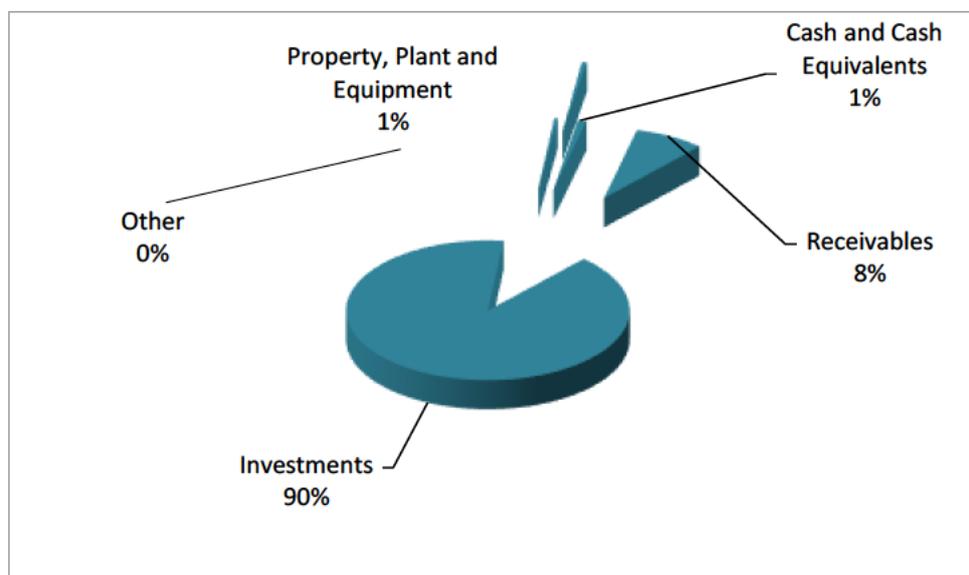
Financial Position

Total Assets

1. Components of Assets

Figure 3 below indicates that the majority of the Authority's assets are Investments, \$131.40 million (90 per cent), receivables, \$11.77 million (8 per cent), cash and cash equivalents, \$1.41 million (1 per cent), and the remaining property, plant and equipment \$0.86 million (0.59 per cent) with other assets of \$0.60 million (0.41 per cent).

Figure 3. Components of Assets



2. Comparison to Budget

The total asset position as at 30 June 2016 was lower than expected in the original budget by \$3.15 million (2 per cent) because of:

- higher than anticipated receivables (\$5.12 million) mainly due to higher accrued investment income; more than offset by
- lower than forecast investment holdings.

3. Comparison to 2014-15 Actuals

The Authority's total asset position at 30 June 2016 is stronger than at 30 June 2015 by \$12.84 million (10 per cent) primarily as a result of the above-mentioned increase in receivables, additional investments made during the year, and better investment distribution allocated to the investment portfolio.

4. Liquidity

Liquidity is the ability of the Authority to satisfy its short-term debts as they fall due. A common indicator for liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term assets. As funds are quarantined within each scheme, the tables below indicate the liquidity position of the Building and Construction Industry, Contract Cleaning and Community Sector schemes of the Authority.

As the Security Industry scheme commenced on 1 January 2013, there is no liquidity issue at the reporting date and in the following three future years as the scheme's current liability is projected to be close to zero in 2016-17 and with a liquidity ratio between 12.33:1 and 6.4:1 from 2017-18 to 2019-20.

Building and Construction Industry Scheme

Description	Prior Year Actual \$'000s 2015	Current Year Budget \$'000s 2016	Current Year Actual \$'000s 2016	Forward Year Budget \$'000s 2017	Forward Year Budget \$'000s 2018	Forward Year Budget \$'000s 2019
At 30 June						
Current Assets	95,215	105,114	100,529	99,723	104,770	110,017
Current Liabilities	82,861	86,054	85,741	93,348	96,547	99,758
Current Ratio	1.15:1	1.22:1	1.17:1	1.07:1	1.09:1	1.10:1

The Authority classified the current long service leave liabilities in accordance with Australian Accounting Standard AASB 101 – 'Presentation of Financial Statements', which includes the liabilities where the Authority has no unconditional right to defer within the 12 months after the end of the reporting period. The rest of the long service leave liability is then classified as non-current.

The Building and Construction Industry scheme's current ratio at 30 June 2016 is 1.17:1, which is higher than the current ratio at 30 June 2015 actual and the budgeted ratio at 30 June 2016. The improvement of current ratio is mainly due to the better than expected investment distribution (partially offset by declined investment performance) as discussed above.

Contract Cleaning Industry Scheme

Description	Prior Year Actual \$'000s	Current Year Budget \$'000s	Current Year Actual \$'000s	Forward Year Budget \$'000s	Forward Year Budget \$'000s	Forward Year Budget \$'000s
At 30 June	2015	2016	2016	2017	2018	2019
Current Assets	11,226	12,433	12,226	12,550	13,663	14,774
Total Current Liabilities	5,906	6,850	6,260	8,053	9,035	10,055
Current Ratio	1.90:1	1.82:1	1.95:1	1.56:1	1.51:1	1.47:1

The Contract Cleaning Industry scheme's liquidity ratio remains sound and has sufficient assets to cover the short-term liabilities at 30 June 2016. The current ratio is forecast to decline in later years mainly due to the growth of liabilities and the flow-on effect of levy rate reduction from 2.0% to 1.6% in April 2015.

Community Sector Industry Scheme

Description	Prior Year Actual \$'000s	Current Year Budget \$'000s	Current Year Actual \$'000s	Forward Year Budget \$'000s	Forward Year Budget \$'000s	Forward Year Budget \$'000s
At 30 June	2015	2016	2016	2017	2018	2019
Current Assets	23,612	27,502	29,344	33,969	41,061	48,670
Total Current Liabilities	10,086	12,136	15,456	17,186	21,065	25,658
Current Ratio	2.34:1	2.27:1	1.90:1	1.98:1	1.95:1	1.90:1

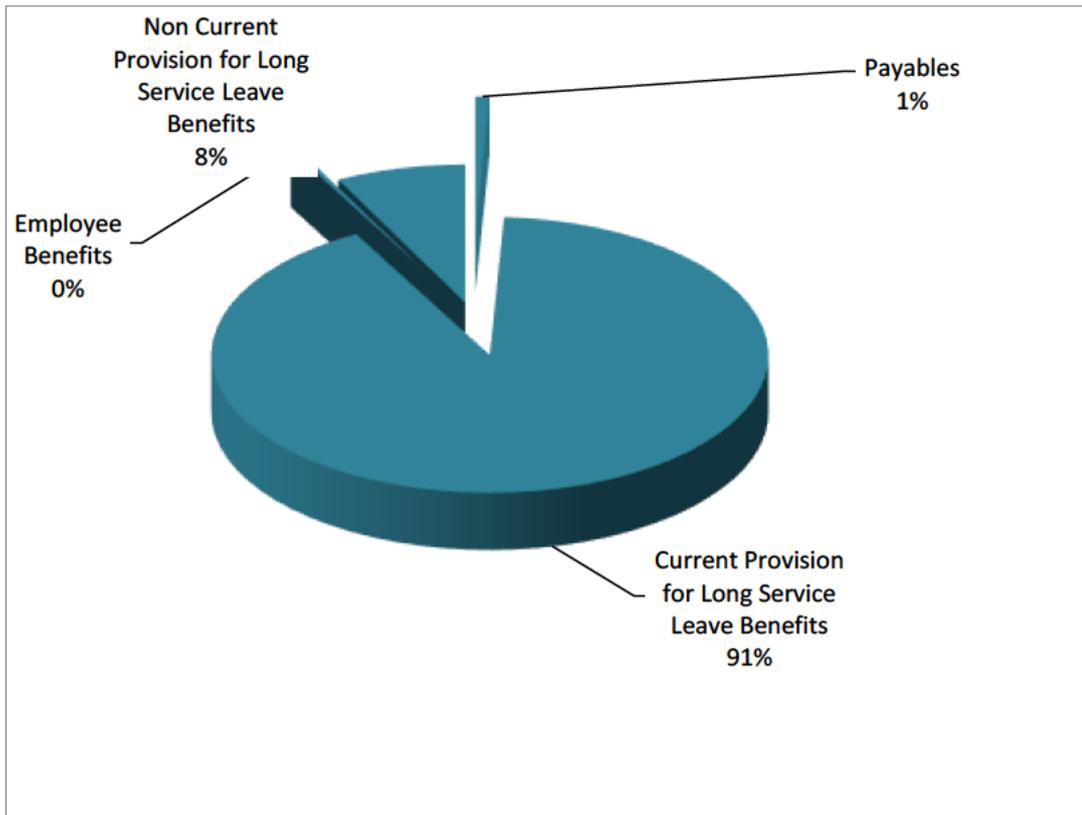
The Community Sector Industry scheme, which commenced in July 2010, has sufficient assets to meet its short-term debts at 30 June 2016. The current ratio remains strong but is expected to gradually decline in the out years as the scheme progressively grows and matures, with members able to access pro-rata payments after five years of service.

Total Liabilities

Figure 4 below indicates that the majority of the Authority's liabilities are provision for long service leave benefits of \$114.82 million (99 per cent). Total liabilities have increased by \$9.20 million (9 per cent) from the prior year mainly as a result of additional long service leave provisions estimated from the actuarial review.

Liabilities were also higher than budget expectation by \$2.31 million (2 per cent) mainly due to a change in the long service leave liability discount rate from 7.5% to 6.5%, as discussed previously.

Figure 4. Components of Liabilities



B.2 FINANCIAL STATEMENTS

LONG SERVICE LEAVE AUTHORITY

Financial Statements

For the Year Ended 30 June 2016

INDEPENDENT AUDIT REPORT

LONG SERVICE LEAVE AUTHORITY

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Long Service Leave Authority (the Authority) for the year ended 30 June 2016 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

Responsibility for the financial statements

The Governing Board of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Authority.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Authority.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of these financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements. If users of these statements are concerned with the inherent risks arising from the electronic presentation of information, then they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Authority for the year ended 30 June 2016:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Authority at 30 June 2016 and results of its operations and cash flows for the year then ended.

The audit opinion should be read in conjunction with other information disclosed in this report.



Bernie Sheville
Director, Financial Audits
8 September 2016

LONG SERVICE LEAVE AUTHORITY
Financial Statements
For the Year Ended 30 June 2016

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Long Service Leave Authority's accounts and records and fairly reflect the financial operations of the Long Service Leave Authority and the schemes it administers for the year ended 30 June 2016 and the financial position of the Long Service Leave Authority and the schemes it administers on that date.



Glenys Roper
Chair
Long Service Leave Authority
20 July 2016

LONG SERVICE LEAVE AUTHORITY
Financial Statements
For the Year Ended 30 June 2016

Statement by the Chief Finance Officer

In my opinion, the financial statements of the Long Service Leave Authority have been prepared in accordance with generally accepted accounting principles, are in agreement with the Authority's accounts and records and fairly reflect the financial operations of the Authority and the schemes it administers for the year ended 30 June 2016 and the financial position of the Authority and the schemes it administers on that date.



Catherine Shih
Chief Finance Officer
Long Service Leave Authority

20 July 2016

LONG SERVICE LEAVE AUTHORITY
Operating Statement
For the Year Ended 30 June 2016

	Note No.	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Income				
Contributions from Employers and Contractors	4	21,181	20,680	20,066
(Losses)/Gains from Investments	5	(1,959)	6,546	6,967
Net Rental Income	6	20	20	20
Interest Revenue	7	80	77	244
Other Revenue	8	9,394	3,248	5,884
Resources Received Free of Charge		16	-	-
Gain/(loss) from the Revaluation of the Investment Property	21	40	-	(5)
Total Income		28,772	30,571	33,176
Expenses				
Employee Expenses	9	1,276	1,212	1,146
Supplies and Services	10	645	708	628
Depreciation and Amortisation	11	81	98	89
Long Service Leave Benefits Expenses	25	22,762	23,763	19,688
Other Expenses	12	161	167	316
Total Expenses		24,925	25,948	21,867
Operating Surplus		3,847	4,623	11,309
<i>Items that will not be reclassified subsequently to profit and loss</i>				
Other Comprehensive Income				
(Decrease)/Increase in the Asset Revaluation Surplus		(198)	-	22
Total Other Comprehensive (Deficit)/Income		(198)	-	22
Total Comprehensive Income		3,649	4,623	11,331

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

LONG SERVICE LEAVE AUTHORITY

Balance Sheet As at 30 June 2016

	Note No.	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Current Assets				
Cash and Cash Equivalents	16	1,409	1,140	1,246
Receivables	17	11,769	6,641	7,969
Investments	18	131,396	139,905	122,398
Other Assets	19	7	21	5
Total Current Assets		144,581	147,707	131,618
Non-Current Assets				
Intangible Assets	20	285	269	322
Investment Property	21	230	190	190
Property, Plant and Equipment	22	864	1,025	1,067
Capital Works In Progress	23	81	-	-
Total Non-Current Assets		1,460	1,484	1,579
Total Assets		146,041	149,191	133,197
Current Liabilities				
Payables	24	949	559	567
Provision for Long Service Leave Benefits	25			
- Expected to be Settled Within 12 months		16,783	15,380	13,120
- Expected to be Settled After 12 months		89,255	88,660	84,689
Employee Benefits	26	479	458	481
Total Current Liabilities		107,466	105,057	98,857
Non-Current Liabilities				
Provision for Long Service Leave Benefits	25	8,777	8,843	8,199
Employee Benefits	26	13	51	5
Total Non-Current Liabilities		8,790	8,894	8,204
Total Liabilities		116,256	113,951	107,061
Net Assets		29,785	35,240	26,136
Equity				
Accumulated Funds		28,977	35,240	25,130
Asset Revaluation Surplus	27	808	-	1,006
Total Equity		29,785	35,240	26,136

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

LONG SERVICE LEAVE AUTHORITY
Statement of Changes in Equity
For the Year Ended 30 June 2016

		Accumulated Funds Actual 2016 \$'000	Asset Revaluation Surplus Actual 2016 \$'000	Total Equity Actual 2016 \$'000	Original Budget 2016 \$'000
Note No.					
	Balance at 1 July 2015	25,130	1,006	26,136	30,617
	Comprehensive Income				
	Operating Surplus	3,847	-	3,847	4,623
	(Decrease) in the Asset Revaluation Surplus	-	(198)	(198)	-
	Total Comprehensive Income	3,847	(198)	3,649	4,623
	Balance at 30 June 2016	28,977	808	29,785	35,240

		Accumulated Funds Actual 2015 \$'000	Asset Revaluation Surplus Actual 2015 \$'000	Total Equity Actual 2015 \$'000
	Balance at 1 July 2014	13,821	984	14,805
	Comprehensive Income			
	Operating Surplus	11,309	-	11,309
	Increase in the Asset Revaluation Surplus	-	22	22
	Total Comprehensive Income	11,309	22	11,331
	Balance at 30 June 2015	25,130	1,006	26,136

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

LONG SERVICE LEAVE AUTHORITY
Cash Flow Statement
For the Year Ended 30 June 2016

	Note No.	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Cash Flows from Operating Activities				
Receipts				
Contributions from Employers and Contractors		20,194	20,102	19,741
Interest Received		80	-	246
Rental Revenue Received		20	20	20
Revenue from Other Sources		409	303	455
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		204	-	188
Goods and Services Tax Collected from Customers		95	-	126
Total Receipts from Operating Activities		21,002	20,425	20,776
Payments				
Payments of Long Service Leave Benefits		(13,652)	(13,120)	(9,885)
Payments to Suppliers and Employees		(1,957)	(1,915)	(1,764)
Goods and Services Tax Remitted to the Australian Taxation Office		(37)	-	(32)
Goods and Services Tax Paid to Suppliers		(263)	-	(283)
Total Payments from Operating Activities		(15,909)	(15,035)	(11,964)
Net Cash Inflows from Operating Activities	33	5,093	5,390	8,812
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Investments		870	-	22,788
Total Receipts from Investing Activities		870	-	22,788
Payments				
Payments for Investments		(5,755)	(5,370)	(56,729)
Payments for Property, Plant and Equipment		(34)	-	(5)
Payments for Intangible Assets		(11)	-	-
Total Payments from Investing Activities		(5,800)	(5,370)	(56,734)
Net Cash (Outflows) from Investing Activities		(4,930)	(5,370)	(33,946)
Net Increase/(Decrease) in Cash and Cash Equivalents		163	20	(25,134)
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,246	1,120	26,380
Cash and Cash Equivalent at the End of the Reporting Period	33	1,409	1,140	1,246

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

The Authority's investment distribution income and management rebate were directly reinvested into its investment portfolio and therefore these distributions have been recorded as non-cash transactions with no inflows or outflows of cash as a result. See Note 8 – Other Revenue and Note 33 – Cash Flow Reconciliation.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

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LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 1. Objectives of the Long Service Leave Authority

Operation and Principal Activities

The Long Service Leave Authority (the Authority) is established under the *Long Service Leave (Portable Schemes) Act 2009* (the Act) and commenced operations on 1 January 2010. The Authority administers four schemes which provide portability of long service leave benefits for registered workers in the Building and Construction Industry (Construction), Contract Cleaning Industry (Cleaning), the Community Sector Industry (Community), and the Security Industry (Security) in the ACT. The Authority makes payments and keeps registers of employers and workers for the covered industries in accordance with the Act.

The Authority's primary stakeholders are the employers, employees and independent contractors engaged in the Building and Construction, Contract Cleaning, Community Sector, and Security Industries in the ACT. The Authority's financial statements are a consolidation of financial statements of the administered schemes. The Authority established separate funds for each administered schemes and funds are not cross-subsidised.

Note 2. Significant Accounting Policies

(a) Basis of Preparation

The *Financial Management Act 1996* requires the preparation of annual financial statements for ACT Government agencies. The *Financial Management Act 1996* and the *Financial Management Guidelines* issued under the Act, require the Authority's financial statements to include:

- (i) an Operating Statement for the reporting period;
- (ii) a Balance Sheet at the end of the reporting period;
- (iii) a Statement of Changes in Equity for the reporting period;
- (iv) a Cash Flow Statement for the reporting period;
- (v) the significant accounting policies adopted for the reporting period; and
- (vi) such other statements as are necessary to fairly reflect the financial operations of the Authority during the year and its financial position at the end of the reporting period.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the *Financial Management Act 1996*. The financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets such as those included in property, plant and equipment and financial instruments which were valued at fair value in accordance with the valuation policies applicable to the Authority during the reporting period.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(a) Basis of Preparation - Continued

These financial statements are presented in Australian dollars, which is the Authority's functional currency. The Authority is an individual reporting entity.

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Authority for the year ending 30 June 2016, and the financial position of the Authority at 30 June 2016.

(c) Comparative Figures

Budget Figures

The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Statement of Intent.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of "-" represents zero amounts or amounts rounded down to zero.

(e) Basis of Consolidation

The Long Service Leave Authority's consolidated financial statements include the values of all assets, liabilities, equities, revenues and expenses of the construction, cleaning, community, and security schemes administered by the Authority. Balances and transactions as a result of the cost sharing agreement between the administered schemes are eliminated in preparing the consolidated financial statements.

(f) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Interest - Interest revenue is recognised using the effective interest method.

Investment Income - Investment income is recognised by the Authority on an accrual basis.

Employer and Contractor Contributions - Revenue from employer and contractor contributions is recognised in the period to which the contributions relate. Employers and contractors registered with the Authority under a covered industry must submit a quarterly return and pay the Authority the levy payable for that quarter.

Rental Revenue - Revenue from the rental of investment properties is recognised by the Authority on a straight-line basis over the term of the lease.

Revenue Received in Advance - Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received, otherwise all funds are recorded as revenue when received.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(g) Repairs and Maintenance

The Authority undertakes cyclical maintenance on its buildings, investment properties, plant and equipment. Where the maintenance leads to an upgrade of the asset, and increases the service potential of the existing building or plant and equipment, the cost is capitalised. Maintenance expenses which do not increase the service potential of the asset are expensed.

(h) Resources Received Free of Charge

Resources received free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Authority free of charge.

(i) Waivers of Debt

The Treasurer and the Registrar may, in writing, waive the right to payment of an amount payable to the Authority subject to conditions agreed. Further details of waivers are disclosed at Note 13 – *Waivers, Impairment Losses and Write-offs*.

(j) Taxation

The Authority is an exempt organisation under income tax legislation and therefore is not subject to Income Tax under section 50-25 of the *Income Tax Assessment Act 1997*. The Authority is liable to pay Fringe Benefits Tax and Goods and Services Tax.

(k) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date or where they are required to meet the liabilities of which the Authority have no unconditional rights to defer settlement for at least 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Assets or liabilities which do not fall within the current classification are classified as non-current.

(l) Impairment of Assets

The Authority assesses, at each reporting date, whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Any resulting impairment losses for land and buildings are recorded as a decrease in the Asset Revaluation Surplus relating to these classes of assets. Where the impairment loss is greater than the balance in the Asset Revaluation

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(l) Impairment of Assets - Continued

Surplus for the relevant class of asset, the difference is expensed in the Operating Statement.

Impairment losses for plant and equipment, furniture and fittings, and intangible assets are recorded in the Operating Statement as these assets are carried at cost. Also, the carrying amount of the asset is reduced to its recoverable amount.

Non-financial assets which have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

(m) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Receivables

Receivables (including employer and contractor contribution receivables and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. Employer and contractor contributions are received on a quarterly basis.

The allowance for impairment losses represents the amount of employer and contractor and trade receivables and other trade receivables the Authority estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Authority considers the following to be objective evidence of impairment:

- (a) becoming aware of financial difficulties of debtors;
- (b) default payments; or
- (c) debts more than 90 days overdue.

The amount of the allowance is recognised in the Operating Statement. The allowance for impairment losses is written off against the receivables account when the Authority ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(o) Investments

Investments are held as units in wholesale pooled funds managed by an independent investment manager and the underlying portfolio includes cash deposits, fixed interest investments, property securities, and equity investments. Investments are measured at fair value with any adjustments to the carrying amount recorded in the Operating Statement. Fair value is based on quoted market prices as at the reporting date. The quoted market price used is the current bid price.

(p) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost.

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition.

Where the payment for property, plant and equipment is deferred beyond normal credit terms, the difference between its cash price equivalent and the total payment is measured as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

Property, plant and equipment with a minimum value of \$300 is capitalised.

(q) Measurement of Property, Plant and Equipment after Initial Recognition

Property, plant and equipment is valued using the cost or revaluation model of valuation. Land and buildings are measured at fair value. Plant and equipment and furniture and fittings are measured at cost.

Fair value for land and non-specialised buildings is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets.

Land and buildings are re-valued at least once every three years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be re-valued regardless of when the last valuation took place. Any accumulated depreciation relating to buildings at the date of revaluation is written back against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

(r) Investment Property

The Authority's investment property consisting of land and building held primarily to generate income is measured at fair value. It is valued annually as at the end of the reporting period. Changes in fair value are recorded in the Operating Statement. The investment property is not depreciated.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(s) Intangible Assets

The Authority's intangible assets are comprised of internally developed and externally acquired computer software for internal use. Externally acquired software is recognised and capitalised when:

- (a) it is probable that the expected future economic benefits that are attributable to the software will flow to the Authority;
- (b) the cost of the software can be measured reliably; and
- (c) the acquisition cost is equal to or exceeds \$300.

Internally developed software is recognised when it meets the general recognition criteria outlined above and where it also meets the specific recognition criteria relating to intangible assets arising from the development phase of an internal project.

Capitalised software has a finite useful life. Software is amortised on the diminishing value basis over its useful life.

Intangible assets are measured at cost.

(t) Depreciation and Amortisation of Non-Current Assets

Amortisation is used in relation to intangible assets and depreciation is applied to physical assets such as plant and equipment and buildings. Land has an unlimited useful life and is therefore not depreciated. Depreciation/amortisation is calculated after first deducting any residual value which remains for each asset.

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation/Amortisation Method	Depreciation Rate Useful life
Buildings	Straight Line	40 Years
Furniture and Fittings	Diminishing Value	7.5%-30%
Plant and Equipment	Diminishing Value	7.5%-50%
Intangibles	Diminishing Value	14%-50%

The useful lives of all assets are reassessed on an annual basis.

(u) Payables

Payables are initially recorded at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(u) Payables - Continued

Payables include Long Service Leave Claims Owing to Registered Scheme Participants, Other Creditors and Accruals and Goods and Services Tax Payable.

(v) Leases

Operating Leases

Operating leases do not effectively transfer to the Authority substantially all the risks and rewards incidental to ownership of the asset under an operating lease. Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

(w) Employee Benefits

Employee benefits include:

- short-term employee benefits, such as wages and salaries, annual leave loading, and applicable on-costs, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services;
- other long-term benefits, such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave, including applicable on-costs, that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service, are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2015-16, the rate used to estimate the present value of future annual leave payments is 101.4% (101.0% in 2014-15). In 2015-16, the rate used to estimate the present value of future long service leave payments is 114.7% (104.2% in 2014-15).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(w) Employee Benefits - Continued

are classified as non-current because the Authority has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

(x) Superannuation

The Authority makes payments fortnightly to cover the Authority's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) and to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSAP), and schemes of employee choice.

Superannuation payments for the PSSAP are calculated by taking the salary level, and an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

The total Territory superannuation liability for the CSS and PSS is recognised in the Chief Minister, Treasury and Economic Development Directorate's Superannuation Provision Account and the Commonwealth Superannuation Corporation (CSC) and the external schemes recognise the superannuation liability for the PSSAP and other schemes respectively. This superannuation liability is not recognised at individual agency level.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

(y) Long Service Leave Benefits

(i) Building and Construction Industry

Employees and contractors in the construction industry who are registered with the Authority accrue 13 weeks (i.e. 3 months) long service leave after 10 years of service in the building and construction industry for service after 1 January 1997. Prior to 1 January 1997, employees accrued 13 weeks leave after 15 years of service but payable as a pro-rata benefit after 10 years. Workers receive a credit of one year's service for each 220 days worked. Leave payment in lieu of leave may be claimed after 10 years of service or after 5 years (or 7 years for workers registered after 1 July 2012 and one year in the case of a contributing sub-contractor) if the worker ceases employment with the purpose of leaving the industry permanently. A further benefit is available upon accrual of 55 days (or 5 years for new workers registered on or after 1 July 2012) of service in the Scheme in certain cases of the employee leaving the industry due to illness, injury, reaching retirement age (55 years) or death.

(ii) Contract Cleaning Industry

Employees and contractors in the cleaning industry who are registered with the Authority accrue 8.67 weeks (i.e. 2 months) long service leave after 10 years of service in the cleaning industry. Employees receive a credit of one year's service for each 365 days of recognised service. Leave may be claimed on a pro-rata basis after accumulating 7 years of service in the scheme or 5 years of service if the worker ceases employment with the purpose of leaving the industry permanently. A further benefit is available upon accrual of 55 days of service (or 5 years for new workers registered on or after 1 July 2012) in the scheme in certain cases of the employee permanently leaving the industry due to illness, injury or at retirement age (55 years), or death.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies – Continued

(y) Long Service Leave Benefits – Continued

(iii) Community Sector

Employees and contractors in the community sector who are registered with the Authority accrue 8.67 weeks (i.e. 2 months) long service leave after 10 years of service in the community sector industry. Employees receive a credit of one year's service for each 365 days of recognised service. Leave may be claimed on a pro-rata basis after accumulating 5 years of service. A further benefit is available upon accrual of 55 days of service (or 5 years for new workers registered on or after 1 July 2012) in the scheme in certain cases of the employee permanently leaving the industry due to illness, injury or at retirement age (55 years), or death.

(iv) Security Industry

Employees and contractors in the security industry who are registered with the Authority accrue 8.67 weeks (i.e. 2 months) long service leave after 10 years of service in the security industry. Employees receive a credit of one year's service for each 365 days of recognised service. Leave may be claimed on a pro-rata basis after accumulating 7 years of service. A further benefit is available upon accrual of 5 years of service in the scheme in certain cases of the employee permanently leaving the industry due to illness, injury or at retirement age (55 years), or death.

(v) Accrued Long Service Leave Benefit Liability

The total provision for accrued long service leave benefits is estimated as the present value of all expected future payments which arise from the service of eligible workers up to the reporting date. The liability is calculated by the Authority's actuary using an actuarial valuation method that takes into account assumptions of rates of departure from the industry, mortality rates, increases in wages and rates of return on investment. Accrued long service leave is classified as a current liability in the Balance Sheet where the Authority does not have an unconditional right to defer the settlement of the liability for at least 12 months. The remaining balance of the liability is classified as non-current in the balance sheet. In the context of a statutory scheme, this means the current liability is calculated on a conservative basis making the assumption all workers who have sufficient service to receive long service leave benefits leave the industry in which they are employed within the next 12 months and claim their entitlements.

(z) Insurance

The Authority's major risks are insured with the ACT Insurance Authority. The excess payable, under the arrangement, varies depending on each class of insurance held.

(aa) Budgetary Reporting – Explanations of Major variances between Actual Amounts and Original Budget Amounts

Explanations of major variances between the 2015-16 original budget and the 30 June 2016 actual results are discussed in Note 35 - *Budgetary Reporting*.

The definition of 'major variances' is provided in Note 2(ab)(vii) *Significant Accounting Judgements and Estimates – Budgetary Reporting*.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(ab) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in the note, the Authority has made the following judgements that have the most significant impacts on the amounts recorded in the financial statements:

(i) Accrued Long Service Leave Benefits – Building and Construction Industry

The Authority recognises a total liability for accrued long service leave benefits based on an assessment performed by an independent actuary. The actuary estimates the liability using a complex model and a large number of assumptions that are based on historical and the current profile of the registered participants. The assumptions include:

- The rates at which workers of different ages might leave the scheme due to:
 - retirements. These rates are based on the past experience of the scheme and the experience observed by the actuary in other long service leave schemes. In aggregate, these rates vary as a percentage of the number of workers from 4% at age 55, to 4% at age 60, 10% at age 65, 10% to age 70 and then 15% each year thereafter (same applied last year);
 - deaths and incapacity. These rates are also based on the past experience of this and other long service schemes. The death rates increase from 0.024% at age 20 to 0.532% at age 65 and the incapacity rates increase from 0.025% at age 20 to 0.248% at age 50. After age 55 it is assumed the incapacities will be included in the retirement decrement (same applied last year);
 - leaving the industry rates vary from 35% for workers with less than 1 year of service to 10% for workers with 20 or more years of service (same applied last year).
- The rates at which workers with different periods of service might take their benefit vary from 15% with 10 years of service, to 7% with 15 years of service and to 5% for 16 or more years of service (same applied last year);
- The discount rate used to estimate the present value of long service leave provisions is the expected return on assets, which was also used in the Authority's triennial actuarial valuations to determine contribution levies. The Authority and the Authority's actuary regarded the expected return on assets to be a reliable measure, according to AASB 137 'Provisions, Contingent Assets and Contingent Liabilities', of the time value of money for the long service leave liabilities. The expected return on assets used as a discount rate, 6.5% per annum at 30 June 2016 (30 June 2015: 7.5% per annum), is based on the long term return rate of the Authority's investments, with funds invested in accordance with the strategic asset allocation prescribed in the Authority's investment plan, approved by the Treasurer. The Authority may from time to time vary the discount rate based on an assessment from the actuarial review and investment conditions;
- Increases in future wages due to inflation of 3.0% per annum 30 June 2016 (30 June 2015: 3.5% per annum);
- Increases in future wages due to age progression over and above inflation, ranging from 12% at age 18 reducing to nil at age 36 and over at 30 June 2016 (30 June 2015: same assumptions applied);
- That 10% of registered workers who do not have any service credits in the previous year will commence receiving service credits while the other 90% will be paid a pro-rata benefit where eligible at 30 June 2016 (30 June 2015: same assumptions applied); and
- The Authority has also made an allowance for the cost of settling the accrued liabilities in addition to the value of the liability determined by the actuary. The method used for this allowance was to apply the percentage of average claim from workers with a vested benefit to the total long service leave liability to determine the liability for the cost of settling the obligation (same applied last year).

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(ab) Significant Accounting Judgements and Estimates - Continued

(ii) Accrued Long Service Leave Benefits – Contract Cleaning Industry

- The rates at which workers of different ages might leave the scheme due to:
 - retirements. These rates are based on the past experience of the scheme and the experience observed by the actuary in other long service leave schemes. In aggregate, these rates vary as a percentage of the number of workers from 3.5% at age 55, 4% at age 60, 10% at age 65, 7.5% per annum each year to age 70 and then 12.5% per annum each year thereafter (same applied last year);
 - deaths and incapacity. These rates are also based on the past experience of this and other long service schemes. The death rates increase from 0.048% at age 20 to 0.710% at age 65 and the incapacity rates increase from 0.034% at age 20 to 0.331% at age 50. After age 55 it is assumed the incapacities will be included in the retirement decrement (same applied last year);
 - leaving the industry rates vary from 30% for workers with less than 1 year of service to 3% per annum for workers with 7 or more years of service (same applied last year);
- Workers who are eligible for an in-service benefit after 7 years or more service are assumed to take it at the rates of 0.75 weeks from 7 to 10 years increasing to 1.5 weeks per years (same applied last year);
- The discount rate used to estimate the present value of long service leave provisions is the expected return on assets, which was also used in the Authority's triennial actuarial valuations to determine contribution levies. The Authority and the Authority's actuary regarded the expected return on assets to be a reliable measure, according to AASB 137 'Provisions, Contingent Assets and Contingent Liabilities', of the time value of money for the long service leave liabilities. The expected return on assets used as a discount rate, 6.5% per annum at 30 June 2016 (30 June 2015: 7.5% per annum), is based on the long term return rate of the Authority's investments, with funds invested in accordance with the strategic asset allocation prescribed in the Authority's investment plan, approved by the Treasurer. The Authority may from time to time vary the discount rate based on an assessment from the actuarial review and investment conditions;
- Increases in future wages due to inflation of 2.0% per annum at 30 June 2016 (30 June 2015: 2.5 % per annum);
- Increases in future wages due to service based wage progression scale over and above inflation, of 30.0% after 1 year of service and 2.5% after each subsequent year of service at 30 June 2016 (30 June 2015: same assumptions applied); and
- The Authority has also made an allowance for the cost of settling the accrued liabilities in addition to the value of the liability determined by the actuary. The method used for this allowance was to apply the percentage of average claim from workers with a vested benefit to the total long service leave liability to determine the liability for the cost of settling the obligation (same applied last year).

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(ab) Significant Accounting Judgements and Estimates - Continued

(iii) Accrued Long Service Leave Benefits – Community Sector

- The rates at which workers of different ages might leave the scheme due to:
 - retirements. These rates are based on the past experience of the scheme and the experience observed by the actuary in other long service leave schemes. In aggregate, these rates vary as a percentage of the number of workers from 7% at age 55, 8% at age 60, 20% at age 65, 15% for each year of age to age 70 and then 25% per annum each year thereafter (same applied last year);
 - deaths and incapacity. These rates are also based on the past experience of this and other long service schemes. The death rates increase from 0.048% at age 20 to 0.710% at age 65 and the incapacity rates increase from 0.034% at age 20 to 0.331% at age 50. After age 55 it is assumed the incapacities will be included in the retirement decrement (same applied last year);
 - leaving the industry rates vary with age from 22% for workers at age 20, to 20% at age 30 to 16% at age 40 and Nil at age 55 and over (same applied last year);
- Workers who are eligible for an in-service benefit after 5 years or more service are assumed to take it at the rates of 0.5 weeks per year from 5 to 10 years and 2.0 weeks per year after 10 years (same applied last year);
- The discount rate used to estimate the present value of long service leave provisions is the expected return on assets, which was also used in the Authority's triennial actuarial valuations to determine contribution levies. The Authority and the Authority's actuary regarded the expected return on assets to be a reliable measure, according to AASB 137 'Provisions, Contingent Assets and Contingent Liabilities', of the time value of money for the long service leave liabilities. The expected return on assets used as a discount rate, 6.5% per annum at 30 June 2016 (30 June 2015: 7.5% per annum), is based on the long term return rate of the Authority's investments, with funds invested in accordance with the strategic asset allocation prescribed in the Authority's investment plan, approved by the Treasurer. The Authority may from time to time vary the discount rate based on an assessment from the actuarial review and investment conditions;
- Increases in future wages due to inflation of 3.5% per annum at 30 June 2016 (30 June 2015: 3.5% per annum);
- Increases in future wages according to age progression over and above inflation, ranging from 8% per annum for ages up to 25, reducing to 6% per annum at ages 26 and 27, 4% per annum at ages 28 and 29 and nil at ages above 29 at 30 June 2016. (30 June 2015: same assumptions applied); and
- The Authority has also made an allowance for the cost of settling the accrued liabilities in addition to the value of the liability determined by the actuary. The method used for this allowance was to apply the percentage of average claim from workers with a vested benefit to the total long service leave liability to determine the liability for the cost of settling the obligation (same applied last year).

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(ab) Significant Accounting Judgements and Estimates - Continued

(iv) Accrued Long Service Leave Benefits – Security Industry

- The rates at which workers of different ages might leave the scheme due to:
 - retirements. These rates are based on the past experience of the scheme and the experience observed by the actuary in other long service leave schemes. In aggregate, these rates vary as a percentage of the number of workers from 7% at age 55, 8% at age 60, 20% at age 65, 15% per annum each year to age 70 and then 25% per annum each year thereafter (same applied last year);
 - deaths and incapacity. These rates are also based on the past experience of this and other long service schemes. The death rates increase from 0.048% at age 20 to 0.710% at age 65 and the incapacity rates increase from 0.034% at age 20 to 0.331% at age 50. After age 55 it is assumed the incapacities will be included in the retirement decrement (same applied last year);
 - leaving the industry rates vary from 39% for workers with less than 1 year of service to 3.9% per annum for workers with 7 or more years of service (same applied last year);
- Workers who are eligible for an in-service benefit after 7 years or more service are assumed to take it at the rates of 0.5 weeks from 7 to 10 years increasing to 2.0 weeks per year after 10 years (same applied last year);
- The discount rate used to estimate the present value of long service leave provisions is the expected return on assets, which was also used in the Authority's triennial actuarial valuations to determine contribution levies. The Authority and the Authority's actuary regarded the expected return on assets to be a reliable measure, according to AASB 137 'Provisions, Contingent Assets and Contingent Liabilities', of the time value of money for the long service leave liabilities. The expected return on assets used as discount rate, a 6.5% per annum at 30 June 2016 (30 June 2015: 7.5% per annum), is based on the long term return rate of the Authority's investments, with funds invested in accordance with the strategic asset allocation prescribed in the Authority's investment plan, approved by the Treasurer. The Authority may from time to time vary the discount rate based on an assessment from the actuarial review and investment conditions;
- Increases in future wages due to inflation of 3.5% per annum at 30 June 2016 (30 June 2015: 3.5% per annum);
- Increases in future wages according to a service based wage progression scale over and above inflation of 1% after 1 year of service up to 9 years of service then no increase at 30 June 2016 (30 June 2015: same assumptions applied); and
- The Authority has also made an allowance for the cost of settling the accrued liabilities in addition to the value of the liability determined by the actuary. The method used for this allowance was to apply the percentage of average claim from workers with a vested benefit to the total long service leave liability to determine the liability for the cost of settling the obligation (same applied last year).

(v) Valuation of Investments

The Authority invests in wholesale pooled funds managed by a professional fund manager. The underlying portfolio includes listed and unlisted securities, cash and fixed interest deposits which are valued by the fund manager based on market value of these asset classes.

(vi) Allowance for Impairment Losses

Receivables are assessed for impairment at balance date. Where there is objective evidence that a receivable may not be collected, an assessment of the likelihood of the recovery of a receivable has been performed to determine to what extent, if any, an allowance for impairment loss must be recognised.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 2. Significant Accounting Policies - Continued

(ab) Significant Accounting Judgements and Estimates - Continued

(vii) Budgetary Reporting – Explanation of Major Variances between Actual Amounts and Original Budget Amounts

Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 35 - *Budgetary Reporting*. Variances are considered to be major variances if both of the following criteria are met:

- The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Further information on this is provided in Note 2(aa) *Budgetary Reporting*.

(ac) Early Adoption of Revised Accounting Standard

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* and AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-For-Profit Public Sector Entities* have been early adopted for the 2015-16 reporting period, even though the standards are not required to be applied until annual reporting periods beginning on or after 1 July 2016.

AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* including clarifying that agencies should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide users with the clearest view of an agency's financial performance and financial position.

AASB 2015-7 amends AASB 13 *Fair Value Measurement* to provide disclosure relief to not-for profit public sector agencies from certain disclosures about the fair value measurements of property, plant and equipment held for their current service potential rather than to generate net cash inflows. This includes relief from disclosures of quantitative information about the significant unobservable inputs used in fair value measurements and of the sensitivity of certain fair value measurements to changes in unobservable inputs.

(ad) Impact of Accounting Standards Issued But Yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Authority does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date.

- AASB 9 *Financial Instruments* (December 2014) (application date 1 January 2018)
This standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of the Authority's financial assets. No financial impact is expected by the Authority however the Authority anticipates there will be changes in relation to the disclosure of financial assets and liabilities required under this standard upon its commencement.
- AASB 15 *Revenue from Contracts with Customers* (application date 1 January 2018)
AASB 15 is the new standard for revenue recognition. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*. The Authority is currently assessing the impact of this standard however no material financial impact on the Authority is expected.

LONG SERVICE LEAVE AUTHORITY
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Note 2. Significant Accounting Policies - Continued

(ad) Impact of Accounting Standards Issued But Yet to be Applied - Continued

- AASB 1057 Application of Australian Standards (application date 1 January 2016)

The AASB decided at its May 2015 meeting to revise Australian Accounting Standards that incorporate International Reporting Standards (IFRSs) issued by the IASB to minimise Australian-specific wording even further. The AASB has reissued most Standards and Interpretations that incorporate IFRs. It has done this to enable it to make editorial changes and issue Australian versions of IFRSs more efficiently. IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. Therefore, the application paragraphs previously in each Australian Standard (or Interpretation) are moved to a new AASB 1057. The application requirements are unamended.

For consistency, the application requirements of Australian specific Standards (and Interpretations) have also been included in AASB 1057. These application requirements are also unamended.

This standard has no impact on the Authority.

- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 and 1049] (application date 1 July 2016)

This standard extends the scope of AASB 124 *Related Party Transactions* to the not-for-profit sector and updates AASB 124 to include implementation guidance (including illustrative examples) to assist not-for-profit entities to apply the new requirements. While there is no material financial impact in implementing this standard there will be increased disclosure required by the Authority.

Note 3. Change in Accounting Estimates

The Authority changed the discount rate (which is used to estimate the present value of the long service leave liability) to 6.5% per annum (30 June 2015: 7.5% per annum) during the reporting period. This resulted in an increase of \$4.8 million in long service leave liability and expense. The discount rate used to assess the present value of long service leave provision is the expected return on investment. The Authority may from time to time vary the discount rate based on an assessment from the actuarial review and investment conditions. For details see Note 2(ab) *Significant Accounting Judgements and Estimates – (i) to (iv) Accrued Long Service Leave Benefits*.

Note 4. Contributions from Employers and Contractors

Contribution revenue is derived from employers and contractors as part of the Authority's statutory role of providing long service leave benefits to registered employees and contractors. The contributions are paid by registered employers and contractors.

	2016	2015
	\$'000	\$'000
Contributions from Employers and Contractors		
- Building and Construction Industry	12,577	12,244
- Contract Cleaning Industry	1,301	1,514
- Community Sector Industry	6,359	5,612
- Security Industry	944	696
Total Contributions from Employers and Contractors	21,181	20,066

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 5. (Losses)/Gains from Investments

This represents the net change in value of investments excluding revenue from distributions and fee rebates.

	2016	2015
	\$'000	\$'000
(Losses)/Gains from Investments		
- Building and Construction Industry	(1,445)	5,059
- Contract Cleaning Industry	(153)	636
- Community Sector Industry	(334)	1,200
- Security Industry	(27)	72
Total (Losses)/Gains from Investments	(1,959)	6,967

Note 6. Net Rental Income

	2016	2015
	\$'000	\$'000
Rental Revenue from Investment Properties		
National Association Centre, Suite 5 ⁴	20	20
Total Rental Revenue from Investment Properties	20	20
Net Rental Income	20	20

Note 7. Interest Revenue

	2016	2015
	\$'000	\$'000
Interest Revenue		
- Building and Construction Industry	36	207
- Contract Cleaning Industry	7	7
- Community Sector Industry	33	28
- Security Industry	4	2
Total Interest Revenue	80	244

⁴ There were no rental expenses associated with the investment property as the lessee pays all outgoings in accordance with the lease contract.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 8. Other Revenue

	2016	2015
	\$'000	\$'000
Investment Income and Management Fee Rebate⁵		
- Building and Construction Industry	6,326	3,913
- Contract Cleaning Industry	763	477
- Community Sector Industry	1,708	944
- Security Industry	138	56
Total Investment Income and Management Fee Rebate	8,935	5,390
Income from Penalties		
- Building and Construction Industry	122	158
- Contract Cleaning Industry	6	6
- Community Sector Industry	6	6
- Security Industry	1	-
Total Income from Penalties	135	170
Reciprocal Agreement Income		
- Building and Construction Industry	206	247
Total Reciprocal Income	206	247
Other Revenue		
- Other	118	77
Total Other Revenue	9,394	5,884

⁵ The Authority reinvested directly the investment distribution and management fee rebate into its investment portfolio. As the reinvestment does not result in inflows or outflows of cash, they are not included in the Cash Flow Statement. Such investing activities do not require the use of cash and thus do not have a direct impact on current cash flows. This income is shown as non-cash items in Note 33 – *Cash Flow Reconciliation*.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 9. Employee Expenses

	2016	2015
	\$'000	\$'000
Wages and Salaries	1,206	1,137
Annual Leave Expense	(22)	6
Long Service Leave Expense	92	3
Total Employee Expenses	1,276	1,146
	Number	Number
Full-Time Equivalent Employees	12	10

The Authority's staff are officers of the ACT Public Service.

Wages and Salaries include employee superannuation costs and annual leave loading paid or payable during the reporting period.

The employee expenses on-costs include annual leave, long service leave, and superannuation contributions for the staff at varying rates depending upon which superannuation scheme the staff member joined.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 10. Supplies and Services

	2016	2015
	\$'000	\$'000
	<u> </u>	<u> </u>
Actuarial Charges	34	48
Advertising	-	5
Audit Fees	53	51
Body Corporate Fees	39	35
Board Member's Fees	52	51
Cleaning	8	8
Consultants and Contractors	53	66
Computer Consumables and Programming	109	74
Insurance	9	12
Legal Fees	16	0
Printing and Stationary	28	22
Postage	39	35
Rates and Taxes	17	16
Records Management	6	6
Repairs and Maintenance	1	2
Staff Training	21	9
Subscriptions	8	8
Telephone	19	19
Travel	4	3
Debt Collection	49	49
Operating Lease Payments	12	5
Other ⁶	68	104
Total Supplies and Services	<u>645</u>	<u>628</u>

⁶ Other expenses in 2014-15 period included a staff salary invoice (\$46,090) issued by Shared Services Payroll for last pay in 2014-15, which was not received by the Authority until early 2015-16.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 11. Depreciation and Amortisation

Depreciation	2016 \$'000	2015 \$'000
Buildings	22	22
Plant and Equipment	8	7
Furniture and Fittings	3	3
Motor Vehicles under a Finance Lease	-	3
Total Depreciation	33	35
Amortisation		
Internally Developed Software	45	52
Externally Acquired Software	3	2
Total Amortisation	48	54
Total Depreciation and Amortisation	81	89

Note 12. Other Expenses

	2016 \$'000	2015 \$'000
Finance Charges on Finance Leases	-	1
Waivers, Impairment Losses and Write Offs (see Note 13 – <i>Waivers, Impairment Losses and Write-Offs</i>)	161	280
Other expense	-	35
Total Other Expenses	161	316

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 13. Waivers, Impairment Losses and Write-Offs

A waiver is the relinquishment of a legal claim to a debt over which the Authority has control. Under section 52 (3) of the *Long Service Leave (Portable Schemes) Act 2009*, the Registrar may waive penalty payments associated with the failure to lodge quarterly returns or pay the Authority the levy payable.

The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of the Authority to recover the amount. The write-off of debts may occur for reasons other than waivers.

The waivers, impairment losses, and write-offs listed below have occurred during the reporting period for the Authority.

	2016	2015
	\$'000	\$'000
Waivers, Impairment Losses and Write-Offs	161	280
Total Waivers, Impairment Losses and Write-Offs	161	280

	No.	2016	No.	2015
		\$'000		\$'000
Waivers of Penalty Payment	287	50	327	60
Total Waivers and Write-Offs	287	50	327	60

Impairment Losses from Receivables

Bad Debts – Employer Contributions	89	105	101	220
Total Impairment Losses from Receivables	89	105	101	220

Impairment Losses from Property, Plant and Equipment

Plant and Equipment	1	6	-	-
Total Impairment Losses from Property, Plant and Equipment	1	6	-	-

Total Waivers, Impairment Losses and Write-Offs	377	161	428	280
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Note 14. Act of Grace Payments

Under Section 130 of the *Financial Management Act 1996* the Treasurer may, in writing, authorise Act of Grace Payments be made by a directorate or a territory authority. Act of Grace Payments are a method of providing equitable remedies to entities or individuals that may have been unfairly disadvantaged by the Government but have no legal claim to the payment. There were no Act of Grace Payments authorised by the Treasurer in 2015-16 (2014-15: \$0).

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 15. Auditor's Remuneration

Auditor's remuneration consists of financial audit services provided to the Authority by the ACT Audit Office. Auditor's remuneration is included in Note 10 – *Supplies and Services*. No other services were provided by the ACT Audit Office.

	2016	2015
	\$'000	\$'000
Audit Services		
Audit Fees Paid or Payable to the ACT Audit Office	53	51
Total Audit Fees	53	51
Total Auditor's Remuneration	53	51

Note 16. Cash and Cash Equivalents

The Authority holds four bank accounts with the Westpac for each administered scheme, as part of whole-of-government banking arrangements. The bank accounts earned a floating interest rate between 2.60% and 2.85% (2.85% and 3.60% in 2014-15).

	2016	2015
	\$'000	\$'000
Cash at Bank		
- Building and Construction Industry	1,013	976
- Contract Cleaning Industry	79	95
- Community Sector Industry	302	154
- Security Industry	15	21
Total Cash and Cash Equivalents	1,409	1,246

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 17. Receivables

	2016	2015
	\$'000	\$'000
Employer and Contractor Receivables	<u>756</u>	<u>286</u>
Employer and Contractor Receivables	756	286
Less: Allowance for Impairment Losses	(191)	(216)
Total Employer and Contractor Receivables	565	70
Other Receivables		
Trade Receivables	19	-
Net Goods and Services Tax Receivables	101	83
Total Other Receivables	120	83
Accrued Revenue		
Accrued Industry Contributions ⁷	5,120	4,715
Accrued Investment Income ⁸	5,964	3,101
Total Accrued Revenue	11,084	7,816
Total Receivables	<u>11,769</u>	<u>7,969</u>

Reconciliation of the Allowance for Impairment Losses

Allowance for Impairment Losses at the Beginning of the Reporting Period	216	102
Write Back of Receivables	(110)	(72)
Additional Allowance Recognised During the Reporting Period	85	186
Allowance for Impairment Losses at the End of the Reporting Period	<u>191</u>	<u>216</u>

Classification of Government/Non-Government Receivables

All receivables are with Non-Government entities.

⁷ The increase of accrued contribution revenue was largely from an increase of active workers in the community sector scheme.

⁸ The increase of accrued investment income was from the April to June quarter fund distribution being higher than the same quarter last year. The fund manager (Vanguard Australia) determined how much distribution is to be allotted to each investor based on total units held, fund performance, and fund activities occurred during the year. During 2015-16, the funds that the Authority invested in experienced some increased investor activity, which resulted in higher portfolio turnover and net gains for some funds. These gains are required to be distributed to investors at the end of the financial year.

LONG SERVICE LEAVE AUTHORITY

Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2016

Note 17. Receivables - Continued

Ageing of Receivables 2016	Not Overdue	Overdue			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Not Impaired Receivables	11,481	58	39	-	11,578
Impaired Receivables	-	-	-	191	191

Ageing of Receivables 2015	Not Overdue	Overdue			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Not Impaired Receivables	7,702	29	22	-	7,753
Impaired Receivables	-	-	-	216	216

Note 18. Investments

Investments	2016 \$'000	2015 \$'000
Investments at Fair Value		
- Building and Construction Industry	92,078	88,982
- Contract Cleaning Industry	11,291	10,538
- Community Sector Industry	25,973	21,550
- Security Industry	2,054	1,328
Total Investments⁹	131,396	122,398

The investment trusts are managed by Vanguard Investments Australia Limited. The investment manager allocates funds in the underlying trust portfolio amongst the asset classes below:

- Australian and International fixed interest;
- Australian and International shares;
- Australian and International properties; and
- Australian cash.

⁹ The \$9 million increase in investments is due to additional investments of approximately \$5 million, received investment distributions of \$6 million, partially offset by \$2 million of losses due to change in investment fund unit prices, mainly impacted by market conditions.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 19. Other Assets

	2016	2015
	\$'000	\$'000
Current Other Assets	<u>7</u>	<u>5</u>
Prepayments		
- Building and Construction Industry	7	5
Total Current Other Assets	<u>7</u>	<u>5</u>
Total Other Assets	<u>7</u>	<u>5</u>

Note 20. Intangible Assets

The Authority has internally developed and externally acquired software.

	2016	2015
	\$'000	\$'000
Intangible Assets	<u>273</u>	<u>312</u>
<i>Internally Developed Software – Building and Construction Industry</i>		
Computer Software at Cost	612	606
Less: Accumulated Amortisation	(339)	(294)
Total Internally Developed Software – Building and Construction Industry	<u>273</u>	<u>312</u>
<i>Externally Acquired Software</i>		
Computer Software at Cost	93	88
Less: Accumulated Amortisation	(81)	(78)
Total Externally Acquired Software	<u>12</u>	<u>10</u>
Total Intangible Assets	<u>285</u>	<u>322</u>

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 20. Intangible Assets - Continued

Reconciliation of Intangible Assets

The following tables show the movement of each class of Intangible Assets distinguishing between internally developed and externally acquired intangibles from the beginning to the end of 2015-16.

	Internally Developed Software \$'000	Externally Acquired Software \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	312	10	322
Addition	6	5	11
Amortisation	(45)	(3)	(48)
Carrying Amount at the End of the Reporting Period	273	12	285

Reconciliation of Intangible Assets

The following tables show the movement of each class of Intangible Assets distinguishing between internally developed and externally acquired intangibles from the beginning to the end of 2014-15.

	Internally Developed Software \$'000	Externally Acquired Software \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	364	12	376
Amortisation	(52)	(2)	(54)
Carrying Amount at the End of the Reporting Period	312	10	322

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 21. Investment Property

	2016 \$'000	2015 \$'000
National Associations Centre, Suite 5	230	190
Total Investment Properties	230	190
Reconciliation of Investment Properties		
Carrying amount at the Beginning of the Reporting Period	190	195
Gain/(Loss) from Revaluation	40	(5)
Carrying amount at the End of the Reporting Period	230	190

Details of the Authority's investment property at fair value and information about the Fair Value Hierarchy as at 30 June 2016 are as follows:

	Classification According to Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment Properties at Fair Value				
Land and Building	-	230	-	230
	-	230	-	230

Details of the Authority's investment property at fair value and information about the Fair Value Hierarchy as at 30 June 2015 are as follows:

	Classification According to Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment Properties at Fair Value				
Land and Building	-	190	-	190
	-	190	-	190

Transfer Between Categories

There have been no transfers between Level 1 and Level 2 during the reporting period.

Level 2 Inputs

Valuation Technique: The valuation technique used to value land and buildings is the market approach that reflects recent transaction prices for similar properties.

Inputs: Prices and other relevant information generated by market transactions involving comparable land and buildings were considered. Regard was taken of the Crown Lease terms and tenure, the Australian Capital Territory Plan and the National Capital Plan, where applicable as well as current zoning.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 21. Investment Property – Continued

An independent valuation of the investment property at the National Association Centre was obtained at 30 June 2016. The basis of valuation was fair market value and was performed by a qualified valuer (CBRE). Rental income derived, and direct operating expenses of investment properties are shown in the Operating Statement and in Note 6 - *Net Rental Income*.

Leasing of Investment Property

The investment property of Suite 5 of the National Associations Centre was leased to the ACT Building and Construction Industry Training Fund Authority on an operating lease to June 2016 with rental income being received monthly from July 2016 onwards as the lease agreement will be on a month-to-month basis.

The minimum lease payments resulting from the leasing of the investment property that are recognised in the financial statements are as follows:

Minimum Lease Payments	2016 \$'000	2015 \$'000
	<hr/>	<hr/>
Within One Year	-	20
Later than One Year but not later than Five Years	-	-
Later than Five Years	-	-
Total Minimum Lease Payments	<hr/> <hr/>	<hr/> <hr/>
	-	20

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 22. Property, Plant and Equipment

Land includes leasehold land held by the Authority. *Buildings* includes office buildings belonging to the Authority. *Plant and equipment* includes office and computer equipment and other mechanical and electronic equipment. *Furniture and fittings* consists only of items of furniture and fittings.

	2016 \$'000	2015 \$'000
Land		
Land at Fair Value ¹⁰	141	141
Total Land Assets	141	141
Buildings		
Buildings at Fair Value	644	864
Less: Accumulated Depreciation	-	-
Total Written-Down Value of Buildings	644	864
Plant and Equipment		
Plant and Equipment at Cost	141	122
Less: Accumulated Depreciation	(78)	(78)
Total Written-Down Value of Plant and Equipment	63	44
Furniture and Fittings		
Furniture and Fittings at Cost	57	56
Less: Accumulated Depreciation	(41)	(38)
Total Written-Down Value of Furniture and Fittings	16	18
Total Written-Down Value of Property, Plant and Equipment	864	1,067

¹⁰ Land and Buildings were valued by an independent valuer from CBRE Group, Inc. at 30 June 2016.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 22. Property, Plant and Equipment - Continued

Reconciliation of Property, Plant and Equipment

The following table shows the movements in Property, Plant and Equipment balance in 2015-16:

	Land	Buildings	Furniture and Fittings	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2016					
Carrying Amount at the Beginning of the Reporting Period	141	864	18	44	1,067
Additions	-	-	1	33	34
Depreciation	-	(22)	(3)	(8)	(33)
Disposals	-	-	-	(6)	(6)
Revaluation Decrements	-	(198)	-	-	(198)
Carrying Amount at the End of the Reporting Period	141	644	16	63	864

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 22. Property, Plant and Equipment - Continued

Reconciliation of Property, Plant and Equipment

The following table shows the movements in Property, Plant and Equipment balance in 2014-15:

	Land \$'000	Buildings \$'000	Furniture and Fittings \$'000	Plant and Equipment \$'000	Motor Vehicles under a Finance Lease \$'000	Total \$'000
2015						
Carrying Amount at the Beginning of the Reporting Period	141	864	20	48	15	1,088
Additions	-	-	1	3	23	27
Depreciation	-	(22)	(3)	(7)	(3)	(35)
Disposals	-	-	-	-	(14)	(14)
Other Movements – Derecognition of motor vehicle under a finance lease	-	-	-	-	(21)	(21)
Revaluation Increments	-	22	-	-	-	22
Carrying Amount at the End of the Reporting Period	141	864	18	44	-	1,067

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 22. Property, Plant and Equipment – Continued

Fair Value Hierarchy

The Authority is required to classify property, plant and equipment into a Fair Value Hierarchy that reflects the significance of the inputs used in determining their fair value. The Fair Value Hierarchy is made up of the following three levels:

- Level 1 – quoted price (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs that are unobservable for particular assets or liabilities.

Details of the Authority's property plant and equipment at fair value and information about the Fair Value Hierarchy as at 30 June 2016 are as follows:

	Classification According to the Fair Value Hierarchy 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Property, Plant and Equipment at Fair Value				
Land	-	141	-	141
Buildings	-	644	-	644
	-	785	-	785

Details of the Authority's property plant and equipment at fair value and information about the Fair Value Hierarchy as at 30 June 2015 are as follows:

	Classification According to the Fair Value Hierarchy 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Property, Plant and Equipment at Fair Value				
Land	-	141	-	141
Buildings	-	864	-	864
	-	1,005	-	1,005

Transfer Between Categories

There have been no transfers between Levels 1, 2 and 3 during the reporting period.

Valuation Techniques, Inputs and Processes

Level 2 Valuation Techniques and Inputs

Valuation Technique: The valuation technique used to value land and buildings is the market approach that reflects recent transaction prices for similar properties and buildings (comparable in location and size).

Inputs: Prices and other relevant information generated by market transactions involving comparable land and buildings were considered. Regards was taken of the Crown Lease terms and tenure, the Australian Capital Territory Plan and the National Capital Plan, where applicable, as well as current zoning.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
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Note 23. Capital Works in Progress

Capital Works in Progress are assets being constructed over periods of time, in excess of the present reporting period. These assets often require extensive installation work or integration with other assets, and contrast with simpler assets that are ready for use when acquired. Capital Works in Progress are not depreciated/amortised, as the Authority is not currently deriving economic benefits from them. Assets, which are under construction, include software upgrade of the Authority's portable long service leave schemes database, LeaveTrack.

	2016	2015
	\$'000	\$'000
Software Works in Progress	81	0
Total Capital Works in Progress	81	0

Reconciliation of Capital Works in Progress

The following table shows the movements in Capital Works in progress in 2015-16.

	Software Works in Progress	Total
	\$'000	\$'000
Carrying Amount at the Beginning of the Reporting Period	-	-
Additions	81	81
Carrying Amount at the End of the Reporting Period	81	81

There were no movements of Capital Works in Progress during 2014-15.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 24. Payables

	2016	2015
	\$'000	\$'000
Current Payables		
Long Service Leave Claims Owing to Registered Scheme Participants		
- Building and Construction Industry	346	273
- Contract Cleaning Industry	116	26
- Community Sector	38	-
	500	299
Other Creditors and Accruals		
- Building and Construction Industry	295	176
- Contract Cleaning Industry	17	25
- Community Sector	79	19
- Security Industry	3	3
	394	223
Goods and Services Tax Payable		
- Building and Construction Industry	55	45
	55	45
Total Payables	949	567
Payables are aged as follows:		
Not Overdue	949	567
Total Payables	949	567
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Other Creditors and Accruals	60	97
Total Payables with ACT Government Entities	60	97
Payables with Non-ACT Government Entities		
Long Service Leave Claims Owing to Registered Scheme Participants	500	299
Other Creditors and Accruals	334	126
Goods and Services Tax Payable	55	45
Total Payables with Non-ACT Government Entities	889	470
Total Payables	949	567

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 25. Provision for Long Service Leave Benefits

	2016 \$'000	2015 \$'000
Current Provision for Long Service Leave Benefits		
Long Service Leave Benefits for Registered Scheme Participants	106,038	97,809
Total Current Provision for Long Service Leave Benefits	106,038	97,809
Non-Current Provision for Long Service Leave Benefits		
Long Service Leave Benefits for Registered Scheme Participants	8,777	8,199
Total Non-Current Provision for Long Service Leave Benefits	8,777	8,199
Total Provision for Long Service Leave Benefits	114,815	106,008

Reconciliation of the Provision for Long Service Leave Benefits – 2015-16

The following tables show the movement of the provision for long service leave benefits from the beginning to the end of the reporting periods for each of the schemes.

	Construction \$'000	Cleaning \$'000	Community \$'000	Security \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	82,163	6,518	16,357	970	106,008
<i>Additional Provision Made During the Year</i>	6,097	498	4,470	753	11,818
<i>Change due to Unwinding of Discount Rate¹¹</i>	6,162	489	1,227	73	7,951
<i>Change due to Change in Discount Rate</i>	3,877	240	598	91	4,806
<i>Change due to Valuation Assumptions</i>	(1,706)	(107)	-	-	(1,813)
Plus: Total Additional Accrued Long Service Leave Expense	14,430	1,120	6,295	917	22,762
Less: Long Service Leave Benefit Claims	(11,812)	(779)	(1,329)	(35)	(13,955)
Carrying Amount at the End of the Reporting Period	84,781	6,859	21,323	1,852	114,815

This provision was estimated by Professional Financial Solutions Pty Ltd – Consulting Actuaries. From an assessment pattern of long service benefits, the estimated benefits that will be payable within the 12 months after 30 June 2016 are \$16.78 million, split between \$12.43 million for construction, \$0.84 million for cleaning and \$3.51 million for community, and \$nil for security, with the balance expected to be paid in later years. Refer to Note 28 - Operating Statement and Balance Sheet for the short-term and long-term estimate split of the current provision for long service leave benefits for each scheme.

Reconciliation of the Provision for Long Service Leave Benefits - 2014-15

	Construction \$'000	Cleaning \$'000	Community \$'000	Security \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	76,664	6,568	12,466	497	96,195
<i>Additional Provision Made During the Year</i>	8,291	542	3,639	542	13,014
<i>Change due to Unwinding of Discount Rate</i>	5,750	493	935	37	7,215
<i>Change due to Valuation Assumptions</i>	(87)	(403)	(51)	-	(541)
Plus: Total Additional Accrued Long Service Leave Expense	13,954	632	4,523	579	19,688
Less: Long Service Leave Benefit Claims	(8,455)	(682)	(632)	(106)	(9,875)
Carrying Amount at the End of the Reporting Period	82,163	6,518	16,357	970	106,008

¹¹ As a discount rate is applied to a future cash payment to arrive at a present value at the reporting date, it is required to unwind the discount rate applied for each successive year until the Authority eventually arrives at the date of payment. The increase of value due to unwinding of discount rate is to recognise the Authority's liabilities are one year closer than last year.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 26. Employee Benefits

	2016	2015
	\$'000	\$'000
Current Employee Benefits		
Annual Leave	149	171
Long Service Leave	323	236
Accrued Salaries	7	73
Total Current Employee Benefits	479	480
Non-Current Employee Benefits		
Long Service Leave	13	6
Total Non-Current Employee Benefits	13	6
Total Employee Benefits	492	486

Estimate of When Leave is Payable:

	2016	2015
	\$'000	\$'000
Estimated Amount Payable within 12 Months		
Annual Leave	94	91
Long Service Leave	-	-
Accrued Salaries	7	73
Total Employee Benefits Payable within 12 Months	101	164
Estimated Amount Payable after 12 Months		
Annual Leave	55	80
Long Service Leave	336	242
Total Employee Benefits Payable after 12 Months	391	322
Total Employee Benefits	492	486

At 30 June 2016, the Authority employed 12 full time equivalent (FTE) staff. There were 10 FTE staff at 30 June 2015.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 27. Equity

Asset Revaluation Surplus

The Asset Revaluation Surplus is used to record the increments and decrements in the value of Property, Plant and Equipment.

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Balance at the Beginning of the Reporting Period	1,006	984
Revaluation (Decrement)/Increment	<u>(198)</u>	<u>22</u>
Balance at the End of the Reporting Period	<u>808</u>	<u>1,006</u>

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes

Building and Construction Industry Scheme – Operating Statement

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Income			
Contributions from Employers and Contractors	12,577	13,210	12,244
(Losses)/Gains from Investments	(1,445)	4,762	5,059
Net Rental Income	20	20	20
Interest Revenue	36	48	207
Other Revenue	6,791	2,484	4,440
Resources Received Free of Charge	16	-	-
Gain/(Losses) from the Revaluation of the Investment Property	40	-	(5)
Total Income	18,035	20,524	21,965
Expenses			
Employee Expenses	538	650	600
Supplies and Services	312	366	325
Depreciation and Amortisation	81	98	89
Long Service Leave Benefits Expense	14,430	16,040	13,954
Other Expenses	68	150	230
Total Expenses	15,429	17,304	15,198
Operating Surplus	2,606	3,220	6,767
Other Comprehensive Income			
(Decrease)/Increase in the Asset Revaluation Surplus	(198)	-	22
Total Comprehensive Surplus	2,408	3,220	6,789

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued
Building and Construction Industry Scheme – Balance Sheet

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Current Assets			
Cash and Cash Equivalents	1,013	900	976
Receivables	7,431	4,302	5,252
Investments	92,078	99,891	88,982
Other Assets	7	21	5
Total Current Assets	100,529	105,114	95,215
Non-Current Assets			
Intangible Assets	285	269	322
Investment Property	230	190	190
Property, Plant and Equipment	864	1,025	1,067
Capital Works In Progress	81	-	-
Total Non-Current Assets	1,460	1,484	1,579
Total Assets	101,989	106,598	96,794
Current Liabilities			
Payables	696	453	471
Provision for Long Service Leave Benefits			
- Expected to be Settled Within 12 months	12,430	10,900	9,860
- Expected to be Settled After 12 months	72,351	74,430	72,207
Employee Benefits	264	271	323
Total Current Liabilities	85,741	86,054	82,861
Non-Current Liabilities			
Provision for Long Service Leave Benefits	-	360	96
Employee Benefits	6	17	3
Total Non-Current Liabilities	6	377	99
Total Liabilities	85,747	86,431	82,960
Net Assets	16,242	20,167	13,834
Equity			
Accumulated Funds	15,434	20,167	12,828
Asset Revaluation Surplus	808	-	1,006
Total Equity	16,242	20,167	13,834

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued

Contract Cleaning Industry Scheme – Operating Statement

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Income			
Contributions from Employers and Contractors	1,301	1,330	1,514
(Losses)/Gains from Investments	(153)	568	636
Interest Revenue	7	5	7
Other Revenue	769	243	483
Total Income	1,924	2,146	2,640
Expenses			
Employee Expenses	153	138	120
Supplies and Services	80	87	86
Long Service Leave Benefits Expense	1,121	1,500	632
Other Expenses	1	11	71
Total Expenses	1,355	1,736	909
Operating Surplus	569	410	1,731
Total Comprehensive Income	569	410	1,731

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued
Contract Cleaning Industry Scheme – Balance Sheet

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Current Assets			
Cash and Cash Equivalents	79	100	95
Receivables	856	483	593
Investments	11,291	11,850	10,538
Total Current Assets	12,226	12,433	11,226
Total Assets	12,226	12,433	11,226
Current Liabilities			
Payables	133	83	56
Provision for Long Service Leave Benefits			
- Expected to be Settled Within 12 months	842	910	840
- Expected to be Settled After 12 months	5,224	5,800	4,960
Employee Benefits	61	57	50
Total Current Liabilities	6,260	6,850	5,906
Non-Current Liabilities			
Provision for Long Service Leave Benefits	793	540	718
Employee Benefits	1	9	-
Total Non-Current Liabilities	794	549	718
Total Liabilities	7,054	7,399	6,624
Net Assets	5,172	5,034	4,602
Equity			
Accumulated Funds	5,172	5,034	4,602
Total Equity	5,172	5,034	4,602

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued

Community Sector Industry Scheme – Operating Statement

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Income			
Contributions from Employers and Contractors	6,359	5,280	5,612
(Losses)/Gains from Investments	(334)	1,132	1,200
Interest Revenue	33	21	28
Other Revenue	1,738	485	950
Total Income	7,796	6,918	7,790
Expenses			
Employee Expenses	514	390	381
Supplies and Services	258	228	230
Long Service Leave Benefits Expense	6,295	5,680	4,523
Other Expenses	86	2	4
Total Expenses	7,153	6,300	5,138
Operating Surplus	643	618	2,652
Total Comprehensive Income	643	618	2,652

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued
Community Sector Industry Scheme – Balance Sheet

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Current Assets			
Cash and Cash Equivalents	302	100	154
Receivables	3,069	1,620	1,908
Investments	25,973	25,782	21,550
Total Current Assets	29,344	27,502	23,612
Total Assets	29,344	27,502	23,612
Current Liabilities			
Payables	117	23	36
Provision for Long Service Leave Benefits			
- Expected to be Settled Within 12 months	3,511	3,570	2,420
- Expected to be Settled After 12 months	11,680	8,430	7,522
Employee Benefits	148	113	108
Total Current Liabilities	15,456	12,136	10,086
Non-Current Liabilities			
Provision for Long Service Leave Benefits	6,132	6,460	6,415
Employee Benefits	4	21	2
Total Non-Current Liabilities	6,136	6,481	6,417
Total Liabilities	21,592	18,617	16,503
Net Assets	7,752	8,885	7,109
Equity			
Accumulated Funds	7,752	8,885	7,109
Total Equity	7,752	8,885	7,109

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued

Security Industry Scheme – Operating Statement

	Actual	Original	Actual
	2016	Budget	2015
	\$'000	\$'000	\$'000
Income			
Contributions from Employers and Contractors	944	860	696
(Losses)/Gains from Investments	(27)	84	72
Interest Revenue	4	3	2
Other Revenue	138	36	56
Total Income	1,059	983	826
Expenses			
Employee Expenses	71	34	45
Supplies and Services	37	27	32
Long Service Leave Benefits Expense	916	543	579
Other Expenses	6	4	11
Total Expenses	1,030	608	667
Operating Surplus	29	375	159
Total Comprehensive Income	29	375	159

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 28. Operating Statement and Balance Sheet for Long Service Leave Schemes – Continued
Security Industry Scheme – Balance Sheet

	Actual 2016 \$'000	Original Budget 2016 \$'000	Actual 2015 \$'000
Current Assets			
Cash and Cash Equivalents	15	40	21
Receivables	413	236	216
Investments	2,054	2,382	1,328
Total Current Assets	2,482	2,658	1,565
Total Assets	2,482	2,658	1,565
Current Liabilities			
Payables	3	-	4
Provision for Long Service Leave Benefits			
- Expected to be Settled Within 12 months	-	-	-
- Expected to be Settled After 12 months	-	-	-
Employee Benefits	6	17	-
Total Current Liabilities	9	17	4
Non-Current Liabilities			
Provision for Long Service Leave Benefits	1,852	1,483	970
Employee Benefits	2	4	-
Total Non-Current Liabilities	1,854	1,487	970
Total Liabilities	1,863	1,504	974
Net Assets	619	1,154	591
Equity			
Accumulated Funds	619	1,154	591
Total Equity	619	1,154	591

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability, are disclosed in Note 2 - *Significant Accounting Policies*.

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Authority's exposure to interest rate risk is limited mainly to its cash and cash equivalents which are subject to variable interest rates. The Authority's cash and cash equivalents are relatively immaterial in comparison to other financial assets and any movements in interest rates would not have a material impact on the Operating Statement. The cash component in the Authority's funds under management is managed by Vanguard Australia by maintaining the fixed-term deposits and debt securities in high-quality, short-term money market and by continuously monitoring the market trends to produce a portfolio return broadly in line with that of the benchmark. As a result, interest rate risk is not actively managed by the Authority.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on income and expense or total equity from fluctuations in interest rates is immaterial.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment losses.

A significant portion of the receivables are accrued industry contributions by employers. The employers are required by legislation to pay the contributions for employees working in the Australian Capital Territory. The receivables are generally spread over a large number of entities thereby reducing the concentration of credit risk. The Authority expects to collect all financial assets that are not past due or impaired. The Authority manages its overdue debtors by sending out reminder notices to all outstanding debtors before and after the due date.

Credit risk is managed by the Authority for investments by only investing surplus funds with the appointed external fund manager (Vanguard), which has appropriate investment criteria to invest the Authority's surplus funds in accordance with the Authority's approved investment strategy.

The Authority's exposure to credit risk and the management of this risk has not changed since the previous reporting period.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due.

The Authority manages the liquidity risk related to financial liabilities by maintaining sufficient cash reserves and liquid investments to meet the obligations as and when they fall due. The Authority has sufficient amount of investments that are readily convertible into cash in the short-term. The Authority's exposure to liquidity risk and the management of this risk has not changed since the previous reporting period.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments - Continued

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer; or by factors affecting all similar financial instruments traded in the market. The price risk which the Authority is exposed to is significant and results from its investments. The Authority has investments which are managed by an independent investment manager, and includes exposure to listed and unlisted equities and property, fixed interest and other securities and instruments. The Authority's investments fluctuate in value. The price fluctuations are caused by movements in the underlying investments of the portfolio.

To limit price risk, the investments are managed by an independent professional investment manager (Vanguard Australia). The manager targeted a portfolio allocation of 65% to growth-oriented assets (shares and property securities) and 35% to income-oriented asset classes (cash and fixed interest securities). Actual allocations are permitted to deviate from the target allocation provided that they are within the set allocation ranges.

The investment fund seeks to match the weighted average return of the target indexes of the underlying funds before taking into account fund fees and expenses.

The following table indicates the Authority's exposure to price risk, by showing the estimated impact on the profit/(loss) and equity of the Authority of a +/- 20% movement in unit price of the fund in which the schemes have invested and therefore a +/- 20% in the value of the investments. The Authority considers a +/- 20% movement in markets to be reasonably foreseeable.

Sensitivity Analysis

	Carrying Amount	+20% Price Movement	-20% Price Movement
		Profit/Equity	Profit/Equity
	2016 \$'000	2016 \$'000	2016 \$'000
Financial Assets			
Investments	131,396	26,279	(26,279)
	2015 \$'000	2015 \$'000	2015 \$'000
Financial Assets			
Investments	122,398	24,480	(24,480)

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments - Continued

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes to foreign currency exchange rates. The Authority's transactions are carried out in Australian dollars and does not directly hold any foreign currency. The Authority's underlying investment holdings of international fixed interest and property securities are fully hedged reducing exposure to foreign currency risk. The Authority's underlying international equity exposure is not hedged however the fund is measured in Australian dollars and is invested in a diversified pool of international equities of the currency allocation up to 20 countries further reducing currency risk. The Authority's exposure to currency risk is therefore considered immaterial. The Authority's exposure to currency risk and the management of this risk has not changed since the previous reporting period.

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Note	Carrying	Fair	Carrying	Fair
		Amount	Value	Amount	Value
		2016	2016	2015	2015
		\$'000	\$'000	\$'000	\$'000
Financial Assets	No.				
Cash and Cash Equivalents	16	1,409	1,409	1,246	1,246
Investments	18	131,396	131,396	122,398	122,398
Receivables	17	5,964	5,964	3,101	3,101
Total Financial Assets		138,769	138,769	126,745	126,745
Financial Liabilities					
Payables	24	949	949	567	567
Total Financial Liabilities		949	949	567	567

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments - Continued

The following table sets out the Authority's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

	Note No.	Weighted Average Interest Rate	Fixed Interest Maturing in 1 Year or Less		Fixed Interest Maturing between 1 and 5 years		Non Interest Bearing		Total	Weighted Average Interest Rate	Fixed Interest Maturing in 1 Year or Less		Fixed Interest Maturing between 1 and 5 years		Non Interest Bearing		Total
			2016	2016	2016	2016	2015	2015			2015	2015	2015	2015			
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets																	
Cash	16	2.81%	1,409	-	-	-	1,409		3.24%	1,246	-	-	-	-	-	1,246	
Investments	18		-	-	-	131,396	131,396			-	-	-	122,398	-	122,398		
Receivables	17					5,964	5,964			-	-	-	3,101	-	3,101		
Total Financial Assets			1,409	-	-	137,360	138,769			1,246	-	-	125,499	-	126,745		
Financial Liabilities																	
Payables	24		-	-	-	949	949			-	-	-	567	-	567		
Total Financial Liabilities			-	-	-	949	949			-	-	-	567	-	567		
Net Financial Assets			1,409			136,411	137,820			1,246			124,932		126,178		

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments - Continued

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Carrying Amount of Each Category of Financial Assets and Financial Liability		
Financial Assets		
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	131,396	122,398
Loans and Receivables Measured at Amortised Cost	5,964	3,101
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	949	567

The Authority does not have any financial assets in the 'Held to Maturity' or 'Available for Sale' categories and as such these categories are not included above. Also, the Authority does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
(Losses)/Gains on Each Category of Financial Assets and Financial Liability		
(Losses)/Gains on Financial Assets		
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	(1,959)	6,967
Gains/(Losses) on Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	-	-

Fair Value Hierarchy

The Authority is required to classify financial assets and financial liabilities into a Fair Value Hierarchy that reflects the significance of the inputs used in determining fair value. The Fair Value Hierarchy is made up of the following three levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either derived from prices directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table of next page. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and as such are not included in the above mentioned table.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 29. Financial Instruments - Continued

Fair Value Hierarchy - Continued

2016	<u>Classification According to the Fair Value Hierarchy</u>			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit and Loss				
Investments	-	131,396	-	131,396
	-	131,396	-	131,396

2015	<u>Classification According to the Fair Value Hierarchy</u>			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit and Loss				
Investments	-	122,398	-	122,398
	-	122,398	-	122,398

Transfer Between Categories

There have been no transfers of financial assets or financial liabilities between levels during the current and previous reporting periods.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 30. Commitments

Operating Lease Commitments

The Authority has one non-cancellable operating lease entered during the reporting period for two photocopy machines. The lease expires in December 2016.

Due to a change in the whole-of-government car leasing arrangements with SG Fleet on 23 April 2015, the motor vehicle under a finance lease was converted into an operating lease from 23 April 2015. The lease is for 31 months and expires on 27 November 2017.

Non-cancellable operating lease commitments are payable as follows:

	2016	2015
	\$'000	\$'000
Within One Year	10	13
Later than One Year but no Later than Five Years	3	13
Total Operating Lease Commitments	13	26

All amounts shown in the commitment note are inclusive of GST.

Note 31. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets at 30 June 2016 (Nil at 30 June 2015).

Note 32. Events Occurring after Balance Date

There were no events occurring after balance date that would affect the financial statements as at 30 June 2016.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 33. Cash Flow Reconciliation

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet.

	2016	2015
	\$'000	\$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,409	1,246
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	1,409	1,246

(b) Reconciliation of the Operating Surplus to the Net Cash Inflows from Operating Activities

Operating Surplus	3,847	11,309
Add/(Less) Items Classified as Investing or Financing		
Loss/(Gain) on Disposal of Non-Current Assets	6	(1)
Loss/(Gain) on Investment	1,959	(6,967)
Investment Distributions	(8,638)	(5,126)
Management Fee Rebate	(297)	(263)
Add/(Less) Non-Cash Items		
Accrued Long Service Leave Liability	8,807	9,813
Depreciation and Amortisation	81	89
Waivers and Impairment Losses	56	280
(Gain)/Loss on Revaluation of Investment Property	(40)	5
Other Non-Cash Items	(56)	(310)
Cash before Changes in Operating Assets and Liabilities	5,725	8,829
Changes in Operating Assets and Liabilities		
(Increase) in Trade and Other Receivables	(937)	(120)
(Increase)/Decrease in Other Assets	(83)	9
Increase/(Decrease) in Other Payables	382	43
Increase in Other Liabilities	6	51
Net Changes in Operating Assets and Liabilities	(632)	(17)
Net Cash Inflows from Operating Activities	5,093	8,812

(c) Non-Cash Financing and Investing Activities

There was no non-cash financing and investing activities during the reporting period.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 34. Related Party Transactions

Governing Board

Ms Glenys Roper was appointed as the independent Chair of the Board from 1 January 2010 for four years to 31 December 2013, and she was re-appointed as Chair on 19 February 2014 for a further four years.

Mr Howard Pender was appointed as the Deputy Chair from 25 May 2012 as an independent member for a term of four years. Mr Pender's appointment was renewed on 24 May 2016 for a further four years to 23 May 2020.

Ms Erryn Cresshull's appointment took effect on 3 April 2015, for a term of four years to 2 April 2019.

Mr Peter Middleton was appointed as the employers' representative on 1 January 2010 for four years to 31 December 2013. He was re-appointed on 19 February 2014 for a further four years.

Ms Shayne Hall was appointed as the employees' representative on 19 February 2014 for a term of four years to 18 February 2018.

Mr Chris Redmond was appointed on 11 October 2013 representing employer organisations for a term of four years.

The Chief Executive Officer/Registrar is a non-voting member of the Governing Board. Following from a recruitment round in late 2014-15, Ms Tracy Savage was appointed as Registrar/CEO in August 2015 for a term of three years. Since the resignation of the previous CEO, Mr Rob Barnes, on 12 June 2015, the deputy registrar, Mr Goran Josipovic, was the acting CEO prior to Ms Savage's appointment.

Board Member Compensation

The remuneration for the Chair and Deputy Chair is set annually by the ACT Remuneration Tribunal.

All other Board members are paid on the basis of a 'per diem' rate (i.e. per meeting attended) also determined by the ACT Remuneration Tribunal.

A superannuation contribution of 9.50% of remuneration is paid to the Chair's and Deputy Chair's superannuation funds.

The Registrar's remuneration is in accordance with her senior executive contract with the ACT Government.

There were no other transactions with any other related parties.

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 35. Budgetary Reporting

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if both of the following criteria are met:

- (a) The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- (b) The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Operating Statement Line Items	Actual 2015-16 \$'000	Original Budget ¹² 2015-16 \$'000	Variance \$'000	Variance %	Variance Explanation
Other Revenue	9,394	3,248	6,146	189	The increase is mainly from the higher than expected investment distribution in the reporting period. The original budget was prepared based on 7.5% per annum investment return to be achieved for a combined 70% of the return from investment gain (\$6.5 million) and the rest 30% derived from investment distribution (\$3.2 million). In 2015-16, the Authority achieved 3.84% of annual return, which comprised \$1.9 million of investment loss and \$8.9 million of investment distribution. The fund manager (Vanguard Australia) determined how much distribution to be allotted to each investor based on total units held, fund performance, and fund activities occurred during the year, which were unanticipated by the Authority when the original budget was considered.

Note: # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.

¹² Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2015-16 Statement of Intent).

LONG SERVICE LEAVE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2016

Note 35. Budgetary Reporting - Continued

Balance Sheet Line Items	Actual 2015-16 \$'000	Original Budget 2015-16 \$'000	Variance \$'000	Variance %	Variance Explanation
Investment Property	230	190	40	21	The Authority engaged an independent property valuer to assess the market value of its investment property (unit 5 of the National Associations Centre). The increase of the property value is as a result of the property valuer's assessment predominately based on the rent return achieved and a comparison of similar properties in the market.
Property, Plant, and Equipment	864	1,025	(161)	-16	The Authority engaged an independent property valuer to assess the market value of its office building (units 6-8 of the National Associations Centre). The decrease of the property value is as a result of the property valuer's assessment. The level of building outgoings negatively impacts the value of the property.
<i>Statement of Changes in Equity</i>					These line items are covered in other financial statements

Cash Flow Statement Line Items	Actual 2015-16 \$'000	Original Budget 2015-16 \$'000	Variance \$'000	Variance %	Variance Explanation
Proceeds from Sale of Investments	870	0	870	100	The higher than anticipated investment fund withdrawal is mainly due to additional cash required to pay for the higher than expected long service leave claims received during 2015-16 predominantly for the building and construction industry scheme.

B.3 CAPITAL WORKS

The Authority had no capital projects planned or undertaken in 2015-16.

B.4 ASSET MANAGEMENT

The Authority managed a total of \$146 million assets as at 30 June 2016. These assets were cash (\$1.4 million), receivables (\$11.8 million), investments (\$131.4 million), intangible assets (\$0.3 million) and properties (\$1.02 million). During 2015-16, the Authority had few asset additions and asset disposals to the asset register. Refer to Note 22 – Property, Plant and Equipment under B2. Financial Statements, page 67-70. There were some minor software upgrade to the Authority's database, Leave Track, undertaken during the reporting period with a total expenditure of approximately \$6,000. Further upgrade of Leave Track is scheduled in 2016-17 to accommodate the system changes from the schemes expansion to include aged care workers to the Community sector scheme and the waste workers to the Contract Cleaning industry scheme effective 1 July 2016.

CASH AND CASH EQUIVALENTS

The Authority has four accounts for the four administered schemes with Westpac as part of the Whole of Government banking contract arrangement. Funds for each scheme are held separately in these accounts for the receipting and payment of the day to day operational income and expenses, including long service leave claim payments.

FUNDS UNDER MANAGEMENT

The Authority invests scheme assets in pooled funds managed by Vanguard Australia. Underlying asset allocation is structured in accordance with the Authority's investment plan, approved by the Treasurer.

PROPERTIES - UNIT 5-8, NATIONAL ASSOCIATIONS CENTRE, 71 CONSTITUTION AVE, CAMPBELL, ACT

The Authority owns unit 5 to unit 8 of the National Associations Centre, at 71 Constitution Ave in Campbell ACT. Unit 5 is leased to the ACT Building and Construction Training Fund Authority with approximately \$20,000 per annum rent income. The Authority uses units 6 to 8 as its office accommodation with a total of 281 square meter for 12 staff members. There were no staff employed in non-office environments.

These units were valued at \$1.02 million as at 30 June 2016. The valuation was conducted using the 'fair value' methodology by a qualified independent property valuer.

INTANGIBLE ASSETS - INFORMATION TECHNOLOGY AND SOFTWARE

The Authority developed its own database system, Leave Track, in 2010 soon after the Authority was established under the *Long Service Leave (Portable Schemes) Act 2009*. Leave Track maintains long service leave benefits records of the registered employees and issues return statement and levy payment notices to registered employers and contractors of the administered schemes. Leave Track was also leased to the New South Wales Long Service Corporation for 3 years at \$50,000 per year until the end of 2016-17, and to the Northern Territory NT Build for 5 years at \$45,000 plus CPI per year, from 1 December 2015 to 1 December 2020 with an option to extend the term for a further 5 years.

B.5 GOVERNMENT CONTRACTING

During 2015-16, the Authority engaged external contractors to provide IT, investment management, internal audits and other assurance reviews for its governance and administrative support. The Authority's procurement and contracting activities are in accordance with the provisions under the *Government Procurement Act 2001* and the *Government Procurement Regulation 2007*. The Governing Board's approval is required for large projects and with appropriate legal advice sought from the ACT Government Solicitor's Office should circumstances require.

A summary of the Authority's main contracts used during 2015-16 is provided below:

Contract	Contractor	Additional Information	Amount	Date
Compliance Audit on Processing of Long Service Leave Entitlement Payments	Axiom Associates	The contractor provided a review of the Authority's long service leave entitlement payments including review of legislation compliance and effectiveness of internal controls surrounding the claim payment cycle.	\$23,558	February to March 2016
Property Valuation	CBRE	The contractor provided independent property valuation services to the Authority's office premises in Campbell for financial reporting purpose at the financial year end.	\$2,310	30 June 2016
ACT Community Sector Workforce Analysis	Piazza Research Pty Ltd	The contractor provided a complete data analysis on the community sector employee data extracted from Leave Track.	\$19,173	January 2016
Funds Management	Vanguard Investments Australia Limited	Management of the Authority's investment funds for all administered schemes during the financial year, in accordance with the Authority's approved Investment Plan. The management fee applicable is based on an agreed percentage of the value of the units held by the schemes in the Vanguard funds.	Management fee is reflected in the unit price allotted to the investment portfolio. No other fees were paid to Vanguard.	Contract entered in 2009 and is ongoing with no expiry date until contract termination.
Software Support and Maintenance and Software Development Services for Leave Track	Formation Technology	Leave Track is the Authority's long service leave database and the IT consultant provides software maintenance services and any system enhancement.	\$160,080	November 2015 to 8 November 2017

Contract	Contractor	Additional Information	Amount	Date
Provision of Actuarial Services	Professional Financial Solutions Pty Ltd	The contractor provides actuarial services to the Authority including long service leave benefits estimate and levy recommendations. The original contract was entered in October 2010 for 3 years with an option of 3-year extension exercised at the end of the original contract.	\$108,036.50 plus annual AWOTE increase	1 Oct 2013 to 30 Sep 2016

Note: the contract amount above is inclusive of GST.

B.6 STATEMENT OF PERFORMANCE



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

REPORT OF FACTUAL FINDINGS

LONG SERVICE LEAVE AUTHORITY

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Long Service Leave Authority (the Authority) for the year ended 30 June 2016 has been reviewed.

Responsibility for the statement of performance

The Governing Board is responsible for the preparation and fair presentation of the statement of performance of the Authority in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures used to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2016*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Authority, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the statement of performance. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, then they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Authority for the year ended 30 June 2016, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.



Bernie Sheville
Director, Financial Audits
8 September 2016

Long Service Leave Authority

Statement of Performance

For the Year Ended 30 June 2016

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Long Service Leave Authority's records and fairly reflects the service performance of the Long Service Leave Authority for the year ended 30 June 2016 and also fairly reflects the judgements exercised in preparing it.



Glenys Roper
Chairperson
Long Service Leave Authority
2 August 2016

**LONG SERVICE LEAVE AUTHORITY
STATEMENT OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

Objective	Measure	2015-16 Target	2015-16 Result	Variance from Target	Notes
1. Ensure the maximum number of eligible employers and their employees are registered with the Authority.	Percentage of employer registrations completed within 10 working days of receipt of a correctly completed and verified application form.	96%	100%	4.17%	1
	Number of visits to employer sites or premises to ensure that all employees working in the covered industries are registered with the Authority.	70	80	14.29%	2
	Percentage of eligible unregistered active businesses, identified through a Yellow Pages review, contacted and registered with the Authority.	100%	100%	-	3
	Annual statements made available to employees by 30 September.	100%	100%	-	4
2. Ensure that employers' contribution levies are collected efficiently and effectively.	Percentage of employer returns and payments submitted by due date (five working days after the end of the month following the relevant quarter).	80%	88.04%	10.05%	5
3. Ensure that payments to employees, contractors and reimbursements to employers are made in accordance with the Act.	Percentage of payments completed within 10 working days of receipt of a correctly completed and verified claim form.	85%	100%	17.65%	6

**LONG SERVICE LEAVE AUTHORITY
STATEMENT OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

Objective	Measure	2015-16 Target	2015-16 Result	Variance from Target	Notes
4. Ensure that long service leave funds are invested to ensure a long term surplus of assets over liabilities.	Annual net return on funds under management in accordance with the Investment Plan.	3.5% above CPI averaged over five years.	8.03%	50.94%	7
5. Ensure each scheme has adequate assets to meet its liabilities.	The ratio of total assets over total liabilities as at 30 June of the financial year for each administered scheme is maintained at least of the target.	110%	Construction: 118.94% Cleaning: 173.32% Community: 135.90% Security: 133.23%	Construction: 8.13% Cleaning: 57.56% Community: 23.55% Security: 21.12%	8

The above Statement of Performance should be read in conjunction with the accompanying notes.

Notes to the Statement of Performance

1. The Authority registered 250 employers during the year ended 30 June 2016. The Authority registered all 250 employers within the 10 working days of receipt of a correctly completed registration form.
2. The Authority visited 74 building and construction sites to ensure that employers and workers are registered according to the *Long Service Leave (Portable Schemes) Act 2009*. The Authority also visited three building and construction employer premises and three Community Sector employers to discuss the scope of the relevant industry coverage within the legislation and to ensure employees working in the covered industries are registered. A total of 80 visits to employers were conducted.
3. The 2015-16 annual yellow pages review required staff to contact employers in the Contract Cleaning, Community Sector and Security Industries. The 2015-16 review identified 6 unregistered businesses within these industries. All businesses were registered before 30 June 2016.
4. All annual statements were made available to employees via the online portal.
5. The Authority processed 8,531 returns and payments for the 2015-16 financial year with 7,511 being received within 5 working days from the quarterly return due date.
6. The Authority processed 1,524 eligible long service leave claims within the reporting period, with all claims paid within 10 working days from receipt of a completed claim form.
7. The Authority invests the funds of its administered schemes in the investment portfolio according to the Authority's investment plan, approved by the Treasurer. The investment plan prescribes a strategic asset allocation incorporating 65 per cent in growth-oriented assets, such as equity and property funds, and 35 per cent in defence assets including cash and fixed interest investments, through Vanguard Australia. Investment return is net of management fees and includes reinvestment of all distributions. The target for this measure as at the reporting date (3.5% above CPI averaged over 5 years) is 5.32%.
8. At 30 June 2016, the Authority had sufficient assets to meet its liabilities for all four administered schemes.

JUSTICE AND COMMUNITY SAFETY

C.1 BUSHFIRE RISK MANAGEMENT

The Authority is exempt from the reporting requirement under the *Emergencies Act 2004* as the Authority is not a manager or owner of unleased Territory Land.

C.2 FREEDOM OF INFORMATION (FOI)

Under the *Freedom of Information Act 1989*, the Authority made the following statements:

SECTION 7 STATEMENT – ORGANISATION, FUNCTION, AND DECISION-MAKING POWERS

The Authority was established under its enabling legislation, the *Long Service Leave (Portable Schemes) Act 2009* (the Act) on 1st of January 2010¹³, and its main function is to administer the long service leave schemes for the covered industries, including the Building and Construction Industry, Contract Cleaning Industry, the Community Sector, and the Security Industry.

In accordance with the Act, the Governing Board of the Authority was formed with representation from the industry employers and employees, to ensure fairness and balance in any policies and procedures made. Both the Chair and Deputy Chair of the Board are independent from management and industry. Board meetings are carefully documented with proposed actions undertaken to follow up decisions made by the Board.

The Authority publishes its annual reports on its official website and maintains a range of promotional and explanatory documents and booklets explaining the benefits and obligations under each long service leave schemes. Members of the public can contact the Authority via phone, email, and visits to the office located in Campbell to obtain any information in association with the administration of the covered schemes by the Authority. The Authority also holds industry consultation sessions from time to time, usually when a new scheme is established, expanded, or as requested through industry representations or stakeholders.

The Authority's maintains a register (Leave Track) to record employee service history, accrued long service leave benefits, and correspondence with employers regarding their compliance activities and submissions of returns and payments. An annual statement summarising the employees' service days and average wage information is made available to all scheme workers as prescribed by the Act. Registered employers and employees are also provided with secure access to their account details on line, through the Authority's website at www.actleave.act.gov.au.

SECTION 8 STATEMENT – INDEX OF DOCUMENTS

The Authority maintains documents and guidelines for the purpose of making decisions and recommendations under the Act – all of which are available to the public on the Authority's website or upon request. They include:

¹³ Prior to the establishment of the one Authority administering multiple portable long service leave schemes on 1st of January 2010, there were two independent long service leave boards for the building and construction industry and contract cleaning industry respectively in the ACT.

- *Long Service Leave (Portable Schemes) Act 2009* and its instruments;
- Composition of the Governing Board and Audit Committee;
- Annual reports;
- Statements of Intent;
- Fact sheets and application forms for each administered scheme;
- Guidelines for Employees;
- Guidelines for Employers;
- Ordinary remuneration definition and guidance; and
- Interstate long service leave entities' contact details.

SECTION 79 STATEMENT – NUMBER OF FOI REQUESTS

There were no FOI inquiries or applications made to the Authority to access documents during 2015-16.

C.3 HUMAN RIGHTS

The Authority endeavours to follow the human rights standards under the *Human Rights Act 2004* (HRA) when administering the *Long Service Leave (Portable Schemes) Act 2009*. The Authority promotes, among its staff and stakeholders, human right principles such as freedom, respect, equity, and dignity, and makes decisions that are consistent with these rights. The processes and procedures adopted by the Authority for its business operations are in line with the provisions of the HRA.

Staff members are aware of the public information provided by the ACT Human Rights Commission and training opportunities. The Authority made available for staff suitable training in relation to HRA, with such training mainly sourced from Shared Services Human Resources and/or the Human Rights Commission ACT.

There were no cabinet submissions or human rights issues identified or consulted with any human rights advisors or any litigation cases brought before courts or tribunals which have involved arguments concerning the HRA during 2015-16.

C.4 LEGAL SERVICES DIRECTIONS

The Authority may from time to time bring legal cases to the ACT Civil and Administrative Tribunal (ACAT) regarding non-complying employers. The Authority may also seek legal advice from the ACT Government Solicitor's Office should the legal matter become complicated and therefore external legal advice would be sought. The Authority is well aware of the requirements and the responsibilities under the *Law Officers Act 2011* and its directions such as the *Law Officers (General) Legal Services Directions 2012* and *Model Litigant Guidelines 2010*. The Authority ensures these legal provisions are complied with throughout the litigation process.

During 2015-16, there were some legal matters that required liaison or advice from the ACT Government Solicitor's Office in relation to the application of the *Long Service Leave (Portable Schemes) Act 2009* in areas of scheme coverage and entitlement claims.

There were no breaches of the legal services directions during the reporting period.

PUBLIC SECTOR STANDARDS AND WORKFORCE PROFILE

D.1 CULTURE AND BEHAVIOUR

The Authority is committed to creating a positive, respectful, supportive and fair work environment where employee differences are respected, valued and utilised to create a productive and collaborative workplace. Almost one quarter of Authority staff are from a culturally and linguistically diverse background, around 75% of Authority staff are female and all age ranges, from under 25 to over 55, are represented.

In order to support staff the Authority has a Performance and Development Framework which is aimed at providing all employees the opportunity to plan, discuss and review performance on a regular basis as well as providing opportunities to address the development needs of staff. In support of this framework, individual performance agreements describe staff outputs and deliverables, their expected conduct and behaviour and the skills and knowledge that each employee should have, or is developing, in order to effectively meet work performance expectations. This Framework was reviewed in 2015-16 to ensure that it continued to align with the broader ACT Public Service Performance Framework.

In 2015-16, several Authority staff attended training in relation to:

- Certificate IV Government Investigations
- Certificate III Accounts Administration
- Team management and staff supervision
- Diploma of Leadership and Management

D.2 PUBLIC INTEREST DISCLOSURE

The Authority recognises its responsibilities under the Public Interest Disclosure Act 2012 (the PID Act) to ensure legislative requirements are fulfilled. The Authority's public interest disclosure requests are overseen by the Registrar and the Registrar undertakes necessary investigations if required. During the reporting period, there were:

- No PID requests received or investigated;
- No PIDs were referred by other agencies; and
- No PIDs were referred to other agencies.

D.3 WORKFORCE PROFILE

The Authority's staff are employed under the Public Sector Management Act 1994 and are officers of the ACT Public Service. The Registrar is also the Chief Executive Officer of the Authority and a non-voting member of the Authority's Governing Board. Under the Long Service Leave (Portable Schemes) Act 2009, members of the Governing Board were appointed by the responsible Minister, currently comprising two independent members, two members representing employers, and two members representing employees. Refer to A.1 Organisational Review, page 7, for the Authority's organisation structure.

ATTRACTION AND RETENTION INCENTIVES (ARINS):

During 2015-16:

- No staff entered into or were terminated under the Attraction and Retention Incentives (ARIns);

- No staff were transferred from Special Employment Arrangements (SEAs); and
- No staff were provided with privately plated vehicles.

STAFF PROFILE

The Authority employed 12 Full Time Equivalent (FTE) Permanent staff as at 30 June 2016 with the staff profile as shown in the tables below:

FTE & Headcount by Gender

	Female	Male	Total
Full Time Equivalent	9	3	12
Headcount by Gender	9	3	12
% of Workforce	75%	25%	100%

Headcount by Classification and Gender

Classification Group	Female	Male	Total
Administrative Officers	7	2	9
Senior Officers	1	1	2
Executive Officer	1	0	1
TOTAL	9	3	12

Headcount by Employment Category and Gender

Employment Category	Female	Male	Total
Casual	0	0	0
Permanent Full-time	7	3	10
Permanent Part-time	0	0	0
Temporary Full-time	2	0	2
Temporary Part-time	0	0	0
TOTAL	9	3	12

Headcount by Age Group and Gender

Age Group	Female	Male	Total
Under 25	0	1	1
25-34	3	0	3
35-44	4	0	4
45-54	1	2	3
55 and over	1	0	1

Headcount by Length of Service, Generation and Gender

Length of Service	Pre-Baby Boomers		Baby Boomers		Generation X		Generation Y		Total	
	F	M	F	M	F	M	F	M	F	M
0-2	0	0	0	0	2	0	1	1	3	1
2-4	0	0	0	0	0	0	2	0	2	0
4-6	0	0	0	0	2	0	0	0	2	0
6-8	0	0	1	0	1	1	0	0	2	1

8-10	0	0	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0	0	0
14 plus	0	0	0	0	0	1	0	0	0	1

Generation	Birth years covered	Generation	Birth years covered
Pre-Baby Boomers	prior to 1946	Generation X	1965 to 1979 inclusive
Baby Boomers	1946 to 1964 inclusive	Generation Y	from 1980 and onwards

Average Length of Service by Gender

Gender	Average length of service
Female	3.2
Male	7.5
Total	4.3

Headcount by Diversity Group

	Headcount	% of Total Staff
Aboriginal and/or Torres Strait Islander	0	0.0%
Culturally & Linguistically Diverse	3	25.0%
People with a disability	0	0.0%

D.4 TERRITORY RECORDS

The Authority's records are managed in accordance with Records Management Program endorsed by the Authority's Registrar and the Disposal Schedule approved by the Territory Records Office. The purpose of this program is to comply with the current requirements specified by the Territory Records Act 2002 and to provide the Authority and its staff with clear guideline on the management of the Authority records.

The records management procedures outlined in the Program are implemented within the Authority. There is also training and resources are available to all staff on records management.

The Authority's records are backed up daily and stored in a secured location which is part of the Authority's business contingency plan and risk management.

The Authority's staff are well aware of the importance of sound recordkeeping and the Authority endeavours to ensure compliance with the records keeping policy issued by the Territory Records Office.

Records Disposal Schedule	Effective	Year and No.
Territory Records (Records Disposal Schedule – Industry Long Service Leave Records) Approval 2006 (No 1)	14 July 2006	NI2006—256

COMPLIANCE STATEMENT

The 2015-16 Long Service Leave Annual Report must comply with the 2015 Annual Report Directions (the Directions). The Directions are found at the ACT Legislation Register:

<http://www.legislation.act.gov.au/ni/2015-207/default.asp>.

The Compliance Statement indicated the subsections, under the five parts of the Directions, which are applicable to the Long Service Leave Authority and the location of information that satisfies these requirements:

PART 1 – DIRECTIONS OVERVIEW

The requirements under part 1 of the 2015 Directions relate to the purpose, timing and distribution, and records keeping of annual reports. The 2015-2016 Long Service Leave Annual Report complies with all subsections of Part 1 under the Directions.

In compliance with section 13 Feedback, Part 1 of the Directions, contact details for the Long Service Leave Authority are provided within the 2015-2016 Long Service Leave Annual Report to provide readers with the opportunity to provide feedback.

PART 2 – AGENCY ANNUAL REPORT REQUIREMENTS

The requirements within Part 2 of the Directions are mandatory for all agencies and the Long Service Leave Authority complies with all subsections. The information that satisfies the requirements of Part 2 is found in the 2015-2016 Long Service Leave Annual Report as follows:

- Transmittal Certificate, see page 5.
- Organisational Overview and Performance, inclusive of all subsections, see pages 7-17.
- Financial Management Reporting, inclusive of all subsections, see pages 23-102.

PART 3 – REPORTING BY EXCEPTION

The Long Service Leave Authority has nil information to report by exception under Part 3 of the Directions for the 2015-16 Reporting Period.

PART 4 – AGENCY SPECIFIC ANNUAL REPORT REQUIREMENTS

The Long Service Leave Authority has no agency specific reporting obligation under the Directions.

PART 5 – WHOLE OF GOVERNMENT ANNUAL REPORTING

All subsections of Part 5 of the Directions apply to the Long Service Leave Authority. Consistent with the Directions, the information satisfying these requirements is reported in the one place for all ACT Public Service Directorates, as follows:

- Community Engagement and Support, see the 2015-16 annual report of Chief Minister, Treasury and Economic Development Directorate;
- Justice and Community Safety, including all subsections C.1 – C.4, see pages 103-104.
- Territory Records, see page 107.

COMPLIANCE INDEX

TRANSMITTAL CERTIFICATE

ORGANISATION OVERVIEW AND PERFORMANCE

- A.1 Organisational Overview
- A.2 Performance Analysis
- A.3 Scrutiny
- A.4 Risk Management
- A.5 Internal Audit
- A.6 Fraud Prevention
- A.7 Work Health and Safety
- A.8 Human Resources Management
- A.9 Ecologically Sustainable Development

FINANCIAL MANAGEMENT REPORTING

- B.1 Financial Management Analysis
- B.2 Financial Statements
- B.3 Capital Works
- B.4 Asset Management
- B.5 Government Contracting
- B.6 Statement of Performance

JUSTICE AND COMMUNITY SAFETY

- C.1 Bushfire Risk Management
- C.2 Freedom of Information (FOI)
- C.3 Human Rights
- C.4 Legal Services Directions

PUBLIC SECTOR STANDARDS AND WORKFORCE PROFILE

- D.1 Culture and Behaviour
- D.2 Public Interest Disclosure
- D.3 Workforce Profile
- D.4 Territory Records