

1999

Annual Report

CONSTRUCTION  
BENEFIT SERVICES



Construction Industry Long Service Leave Board

**TO THE HONOURABLE DR. MICHAEL ARMITAGE M.P.,**

**Minister for Government Enterprises**

I have pleasure in presenting to you the Construction Industry Long Service Leave Board's Annual Report for the year ended 30<sup>th</sup> June 1999.

A handwritten signature in black ink, appearing to read 'D. McNeil', with a large, stylized initial 'D'.

David McNeil  
Presiding Officer  
Construction Industry Long Service Leave Board

30th September 1999



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## VISION

*To be and be recognised as a professional, innovative, progressive client driven worker benefit scheme administrator contributing to the prosperity of the construction industry in South Australia.*

## MISSION

*In accordance with statutory requirements, we will deliver a range of worker benefit services of the highest order to the construction industry through professional administration and service delivery and prudential fund management.*

## BUSINESS OBJECTIVES

- Utilise technology in a cost effective manner to improve business operations;
- Maximise investment returns through prudential fund management and investment strategy;
- Monitor industry developments and liaise with industry in contributing to the formulation of Government policy regarding portable long service leave;
- Implement marketing initiatives that promote the concept of industry based long service leave;
- Develop programs and processes designed to provide ethical and superior customer service; and
- Introduce policies and training initiatives aimed at promoting self development of staff and a culture focused on continuous improvement.



## HIGHLIGHTS

- ◆ Levy and investment income up 12.9% and 40.8% to \$2.46m and \$2.1m respectively.
- ◆ 8.2% return on investments.
- ◆ Accrued liability of \$24.6m (1997/98 - \$22.3m).
- ◆ Total assets of \$25.015m.
- ◆ 27.5% reduction in scheme administration costs.
- ◆ 10% increase in registration levels.
- ◆ 871 claims paid at a total cost to the Fund of \$3.2m.
- ◆ Staff establishment level reduced by 7.7%.
- ◆ 25% increase in inspection activity by field staff resulting in \$193,000 additional levy income.
- ◆ Industry survey indicated 87% of clients rate the Board's performance highly.
- ◆ Industry endorsed legislative amendments submitted to Government for approval.
- ◆ All Board systems analysed and tested under Year 2000 project.
- ◆ Full implementation of optical character and imaging solution.

*The Construction Industry Long Service Leave Board was established in 1977 through the Long Service Leave (Building Industry) Act, 1975. The Board administers the Construction Industry Long Service Leave Act, 1987, the governing legislation for the construction industry based portable long service leave scheme.*

# PRESIDING OFFICER'S REPORT

I am pleased to present this Annual Report on the Construction Industry Long Service Leave Board's activities for 1998/99.

During the year the Board made significant progress towards improving internal productivity and efficiencies while also providing expanded client services and reducing the operating costs of the scheme. This was achieved in an environment of declining fund reserves brought about in the main by an 8% increase in average weekly earnings across the industry. It has therefore remained imperative for the Board to focus both on cost control and investment returns.

I have previously reported on the decision taken in 1997 to revise investment strategy and appoint fund managers. This decision resulted in an improved investment return of 8.2% in 1998/99. This is marginally under the average return for market-linked pooled funds.

In October 1998, the Board recommended to Government various provisions of the Construction Industry Long Service Leave Act be amended in order to protect the sufficiency of the Construction Industry Fund and assist in maintaining the levy rate at its current level of 1%. Regrettably, Government did not support an amendment to reintroduce the levy rate on apprentices, a measure designed to increase cash flow while affecting only an estimated 12% of registered employers. At the 30th June 1999, the Board was awaiting Cabinet's reconsideration of the matter.

The Board, through management and the National Forum of long service leave scheme administrators, is monitoring industrial reforms proposed on both a

federal and state basis. Reviews of portable long service leave schemes have also been conducted by the Productivity Commission and the Labour Ministers' Council.

Although total registrations increased by 10.1% in 98/99, this growth is unlikely to be maintained next financial year. Industry activity is forecast to fall during the period 1999-2001 before improvement in 2002. While it is pleasing to report a 35% reduction in the cost of administering the scheme (expressed as a cost per registered member), it will be difficult to maintain this trend in light of the anticipated reduction in registration levels and cash flow. The Board is positioned to provide services to a larger and more industry diverse client base. However, while subject to the governing legislation, it is limited to pursuing long service leave related business opportunities which may occur within the construction industry.

June 30th marks the end of the term of appointment for the current Board. I would like to thank all Board members for their contribution during the last three years, a period of significant operational change. On behalf of the Board, I wish to also record our appreciation and thanks to management and staff for their contribution throughout the year.

The Board has established a solid foundation for the future. The current momentum and strategic direction will be maintained to support the construction industry and the significant contribution it makes to the South Australian economy.

David McNeil  
Presiding Officer

# CHIEF EXECUTIVE OFFICER'S OVERVIEW

The past year has produced excellent results as well as significant initiatives, new developments and challenges for the future.

Registration levels and levy income peaked in September/October 1998 before commencing to decline. The number of new employers and workers joining the scheme are down by 58% and 12% respectively. This is consistent with industry projections. The gradual downturn is yet to be reflected in levy income. Income from this source was \$2.46m, the highest level since 1993 when the levy rate was reduced from 1.5 to 1.25%. As indicated by the Presiding Officer, this is a direct result of wages growth throughout the industry.

Administrative costs have been reduced by \$274,000 (27.5%) in 1998/99. The reduction in overheads is critical in the context of the Construction Industry Fund's diminishing reserve and sufficiency to maintain the levy rate at its current level of 1%. The amendments to the Act sought by the Board was an important measure in protecting the Fund while also making the Act more equitable and consistent with the State Long Service Leave Act. The protracted consultation process with Government has impacted on projected cash flow and in turn exacerbated the tenuous position of the Fund.

A survey was conducted of all client groups during the year to determine such matters as the revised needs of the industry, client perception of the scheme, levels of satisfaction, employer IT capacity etc. As the scheme's administrator, it is pleasing to report 87% of clients rated our performance highly. The industry's response has been invaluable to the Board in framing marketing and information technology strategies and future legislative initiatives.

The Board and management are actively involved in the Year 2000 project. A full

review has been undertaken to assess the impact of the Year 2000 on the system and supporting infrastructure. Compliance certification was sought from all service providers.

The benefits of statutory portable long service leave schemes are under review on both a national and state basis. The schemes do not have the support of the Federal Government on the grounds they are contrary to workplace relations policy. The medium to longer term future is therefore uncertain.

In June 1999, the Board approved a Management Plan which represents a "pathway" to the new millenium. The Plan proposes consideration of the concept of privatisation or alternatively further amendments to the Act which will enable the Board to actively pursue additional business both internal and external to the construction industry.

The employment pattern of the construction industry remains itinerant. The Board's data base indicates 57.4% of registered workers have worked for more than one employer. Since the inception of the scheme in 1977, the Board has paid out \$43.5m in claims. There are currently 1643 registered workers with an entitlement for long service leave. What started out as a pilot scheme has proved an outstanding success. This must be capitalised upon through continuous improvement and a broader business base, both of which will benefit the industry.

The significant progress and improvement which was achieved during the year is a reflection of the commitment of staff. I would like to acknowledge their hard work, enthusiasm and support. Management and staff look forward to the challenges ahead.

Ian Hopkins  
Chief Executive Officer

## FINANCIAL PERFORMANCE

### Investment

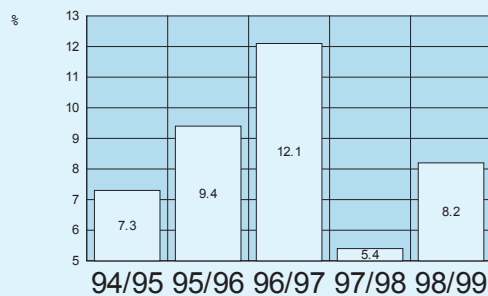
The Board's investment objective is to achieve a real rate of return relative to the CPI of at least 4% in the medium to longer term with a probability of a negative nominal return of no more than once every five years.

The overall return on the Board's investment portfolio for the year was 8.2% (1997/98 - 5.4%). This compares favourably to that achieved by pooled superannuation fund managers where the average return was 8.6%. With the \$3.13m total of leave payments made to workers exceeding levy income, investment performance remains vital to the sufficiency of the scheme.

The decision by the Board in 1997/98 to appoint fund managers and adopt a more growth oriented approach to investments, subjects the Board to the vagaries of domestic and international markets. Investment in equities realised excellent returns despite difficult trading conditions particularly in the first quarter of the year due to the level of volatility in the market.

The Board's fixed and inflation linked investments underperformed during the period January/June due to the impact of inflationary pressures in the US. The Australian market broadly followed the world trend of higher economic growth and bond rates. This resulted in the early gains made by the Board being eroded out in the latter part of the year.

### Return on Investments



Details of the specialist fund managers' performance is set out hereunder.

		Portfolio Valuation	Return %
International Equities	Lend Lease	\$4,172,681	4.8
Australian Equities	Credit Suisse	\$3,439,388	19.4
	Macquarie		
	Day Cutten	\$6,075,000	9.3
Fixed Interest	UBS Brinson	\$4,136,325	} 2.5
Inflation Linked	UBS Brinson	\$2,142,713	
Cash*	UBS Brinson	\$1,003,391	

(\* Cash management was transferred from the Board to UBS Brinson in April 1999.)

# YEAR IN REVIEW

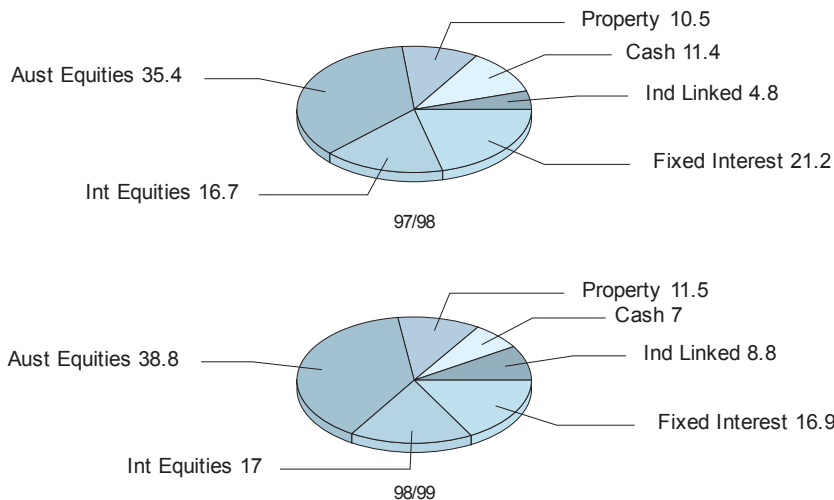
The Board's investment portfolio also includes direct property. Two properties are owned by the Board on Greenhill Road. The return on this investment was 6.4% in 1998/99.

Although each manager has an agreed investment mandate, it is the practice of the Board to review fund manager performance on a monthly basis. Each manager is also required to meet with the Board on a biannual basis.

The investment consultant Towers Perrin was also contracted by the Board during the year to provide an analysis of investment performance. These measures ensure proper corporate governance of the Fund.

The Board proposes to develop new fund manager monitoring strategies in 1999/2000.

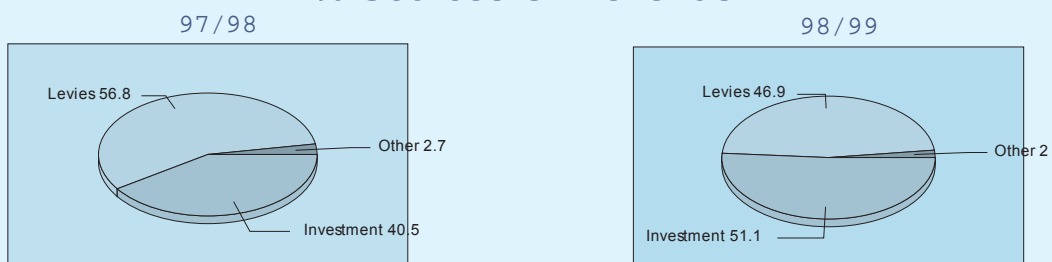
## Investments by Asset Allocation



## Financial Operations

Total income to the Board in 1998/99 was \$4.6m (1997/98 - \$3.7m). This was made up of \$2.46m from levies, \$2.1m from investments and rent and \$24,000 from sundry income, penalty fines and penalty interest.

## % Sources Of Revenue



Average contributions per billing cycle were approximately \$404,250 (1997/98 - \$340,000).

The state of the Construction Industry Fund at the 30th June 1999 was \$25.1m (1997/98 - \$24.4m).

The Board is required to have an annual actuarial review of the Fund's sufficiency and appropriateness of the levy rate. The Board's actuary William M Mercer has estimated the liability of the scheme at \$24.6m as at 30th June 1999. The Fund's reserve (excess of assets over liabilities) is therefore 1% (1997/98 - 8%). The current levy rate of 1% has been in operation since the July 1995 when the Fund reserve was estimated at 24%. The levy rate has absorbed reserves each year of an estimated \$1.3m.

The Board is currently considering the actuary's report and recommendation in conjunction with a review of the legislative measures previously submitted to Government. In accordance with the Act, a recommendation on the levy rate will be forwarded to the Minister.

The Board's audit services are provided by Pannell Kerr Forster. A Balance Sheet, Income and Expenditure Statement and Statement of Cash Flows have been prepared and are attached to the Report.

## Property Management

The Board's investment in direct property (target asset allocation of 10% of investment portfolio) is confined to two adjoining properties on Greenhill Road. The property occupied by the Board was purchased in 1988 and was revalued during the year at \$1.55m. The adjoining property at 83 Greenhill Road was purchased in 1997 (\$1m) and is now valued at \$1.26m.

The Board was successful in reletting a total of 1060 square metres of office space following the termination of two leases. The new leases are both for terms of six years. The Board anticipates the modest rental growth will translate into improved capital growth in the year 2000.

Major upgrades were carried out to the entrance foyers of both buildings during the year and a formal maintenance program developed.

## Fund Reserve

	94/95	95/96	96/97	97/98	98/99
Asset base	\$24.6m	\$24.1m	\$25.1m	\$24.4m	\$25.1m
Accrued liability	\$19.15m	\$19.63m	\$21.11m	\$22.25m	\$24.6m
Fund Reserve \$	\$5.45m	\$4.47m	\$3.99m	\$2.15m	\$0.5m
Fund Reserve %	28	23	19	10	1

## OPERATIONS

### Legislation

In October 1998, the Board forwarded a submission to the Minister recommending various amendments to the Act. The amendments sought to make the Act more relevant to the industry today and to protect the sufficiency of the Fund. Set out below are details of the amendments.

Reintroduce the levy on apprentices;

Reduce the period of allowable absence from three years to two years for workers with less than five years accrued service;

Extend the voluntary registration scheme to working directors;

Limit the recognition of previous long service payments to those only made under the Construction Industry Long Service Leave Act when making pro rata termination payments;

Limit to two years the recognition of service for an absence resulting from a work related injury; and Clarify the position regarding the payment of levies and crediting of service when a worker is on an allowable absence.

In December 1998, Cabinet approved all amendments with the exception of the proposed reintroduction of the levy on apprentices. The Board has since reinforced to Government that all amendments (in conjunction with the revised investment strategy referred to earlier in this Report) were integral to maintaining the levy rate at its current rate of 1%. At the 30th June the Board was awaiting a reply from Government.

During the year the Board conducted a survey of all client groups to determine how the scheme may be improved. Many

of the suggestions submitted to the Board are currently being considered in the context of additional amendments to the Act.

The Board negotiated with the Civil Contractors Federation during the year to extend coverage under the Act to workers in the civil construction industry. A proposal to amend the Act to enable registration on a voluntary basis was rejected by the Federation on the grounds the employment profile was dissimilar to the construction industry. To this end the Board conducted a random survey of employers to ascertain the level of itinerancy. The results of the survey proved inconclusive and the Board determined to take no further action at this time.

At the 30th June the Board was in the process of obtaining the Minister's approval to extend the National Reciprocal Agreement to include TasBuild (the Tasmanian portable long service leave scheme).

The Board continued to work in conjunction with the Building Industry Redundancy Scheme Trust in assessing the feasibility of integrating the redundancy and portable long service leave schemes on legislative and operational grounds. Draft legislation was circulated throughout the industry for comment in July 1998. Opposition to various provisions of the draft act by the Employers' Chamber are currently receiving consideration.

Consistent with the objective of pursuing business opportunities, the Board made representations to a Government working party to become the collection agent for the construction industry training levy.

## Computing Services

The importance of technology in the provision of information services across all sectors of the Board's operations is recognised. It will continue to be a critical success factor in the Board achieving its business objectives and in the delivery of services to the industry.

The key initiative of the 1998/99 work program was to implement an optical character and imaging solution. This resulted in significant productivity gains in the processing of employer returns and updating of data.

The survey of all client groups indicated an increasing use of the internet throughout the industry. This has justified further evaluation and development of internet associated projects. ie. remote access to the data base, electronic lodgement of returns. A web site will be developed early in 1999/2000 to disseminate information on the scheme. The National Forum has commenced a project whereby the tracking of workers moving between states will be improved. The recognition of interstate service under the National Reciprocal Agreement will also be simplified thereby enabling the prompter processing of payment claims. Adoption of common data base systems and addressing different legislative entitlements is also a priority of the National Forum.

The Board and management have been actively involved in a Year 2000 project. The Board is confident all core applications and supporting infrastructure are compliant with controls in place to ensure ongoing changes to the system do not introduce Year 2000 problems.

## Compliance

The most common breaches by employers under the Act are the failure to lodge returns, respond to Section 30 Notices to Produce or payment of penalty fines. In 1998/99, penalty fines and penalty interest totalled \$41,500 and \$25,000 respectively. A total of 867 fines were imposed on 487 employers (28.7%) during the year. 315 fines were waived by the Board in an effort to provide assistance in the lodgement of returns and levy process. No cases resulted in litigation.

As an unsecured creditor without priority, it is important that debt be managed effectively and efficiently. (It is interesting to note proposals under consideration by the Federal and NSW Governments to protect workers' entitlements include changes to the Company's Act whereby employees have a higher ranking on the list of unsecured creditors.)

On a positive note the number of bankruptcies/liquidations fell in 1998/99 to 3. This compares with 10 in 1997/98.

As it is apparent existing policy is not acting as a sufficient deterrent to employers, new strategies are being trialed on an ongoing basis. During the year a rationalisation of the compliance function resulted in the compliance function becoming the direct responsibility of industry liaison staff.

## FIELD SERVICES

### Marketing

A new marketing strategy was approved by the Board in March 1998. The strategy sought to address the difficulties associated in marketing a scheme with long term benefits.

A “what’s in it for me” theme has been incorporated in the strategy with a particular emphasis on the worker client base. New brochures have been developed to support the new direction.

A survey of all registered employers occurred in conjunction with the issue of the May/June 1998 employer return. The survey sought the industry’s views on scheme promotion, legislative changes, service delivery, industry ownership, etc. The survey will be extended to workers and self employed contractors next year with all results to be analysed before final consideration by the Board.

The Board has actively pursued the extension of the scheme to cover workers in the civil construction industry. Similar coverage occurs interstate and it is the Board’s view many workers are denied the benefits of long service leave through not being covered by the Construction Industry Long Service Leave Act. In April 1998 the Board met with representatives of the Civil Contractors Federation to discuss various registration options.

Board Industry Liaison staff have been pro-active in the promotion of the scheme. These staff have worked closely with TAFE, the Master Builders

Association and for the first time, the Housing Industry Association.

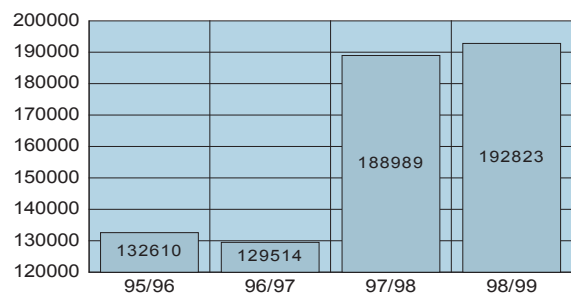
The cooperation of the HIA was sought as a means of promoting the voluntary contractor investment scheme to its membership. The Board has also participated in the Association’s industry information seminars. The effectiveness of these seminars is currently being assessed.

A total of 513 site visits were conducted by Industry Liaison staff in both the metropolitan area and country regions. This represented a 31% increase on the previous year.

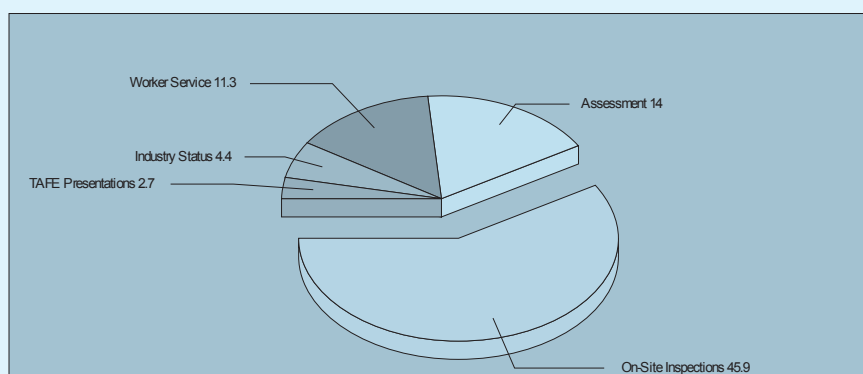
In addition to these visits, a further 1077 inspections were carried out identifying \$190,000 in outstanding levies.

Desk audits were reintroduced on a structured basis to monitor the application of enterprise bargaining agreements.

### Levies Identified by Inspectors



### Inspections Conducted

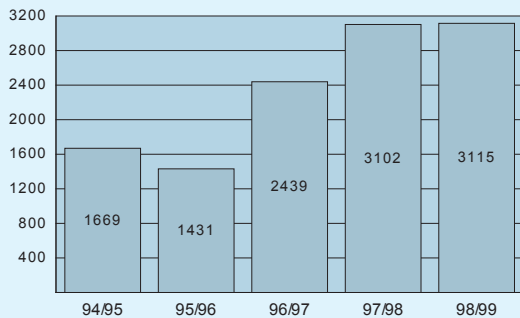


## Registrations

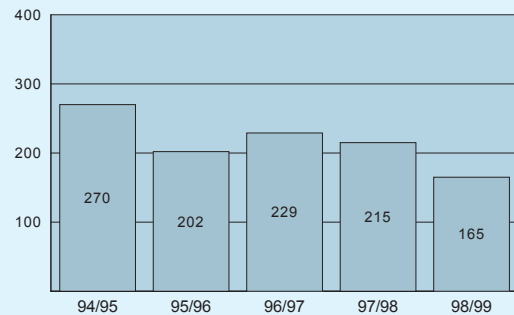
At the 30th June 1999 there were 1688 employers (1997/98 - 1719) and 9273 workers (1997/98 - 9315) registered. A total of 465 contractors are registered of which 82% contribute to the scheme on a regular basis.

The application of enterprise bargaining agreements within the industry is being closely monitored by the Board. Some employers are now electing to register non defined workers in accordance with the agreement. This has the potential to undermine the scheme's governing legislation.

### Workers Joining Scheme

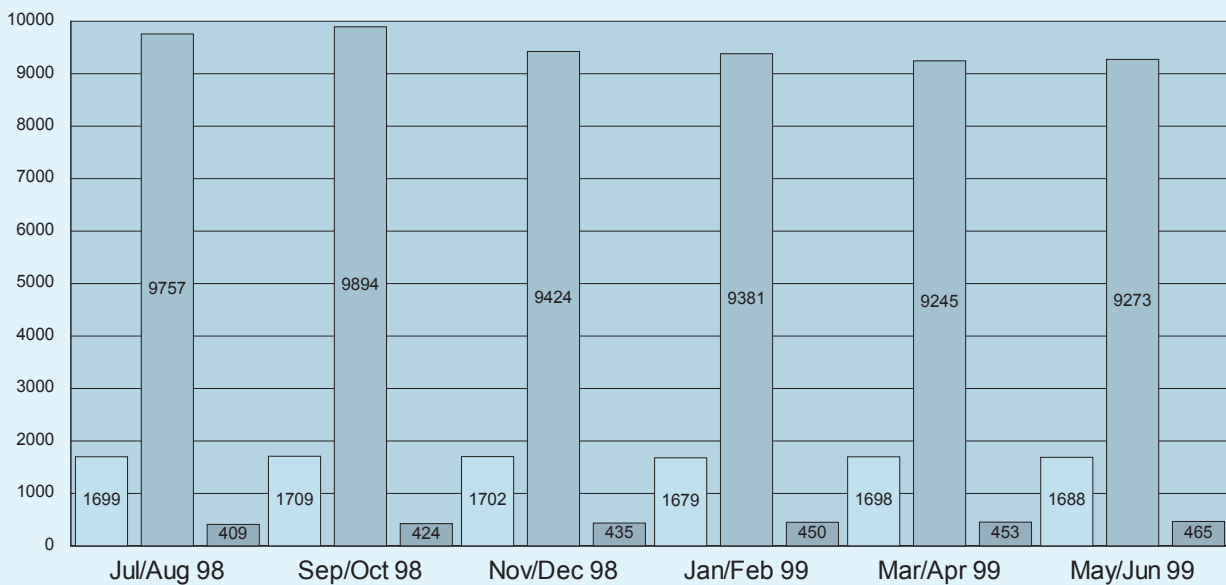


### Employers Joining Scheme



## Registrations

Employer  
 Worker  
 Contractor



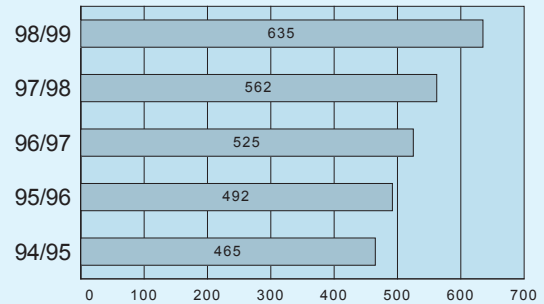
## Payments

The Board paid out a total of 871 claims in 1998/99 (1997/98 - 1106) at a cost of \$3.2 million. Enterprise bargaining agreements again impacted on the average weekly earnings and the average weekly payment. These increased by 9.6% and 5% to \$635 and \$578 respectively.

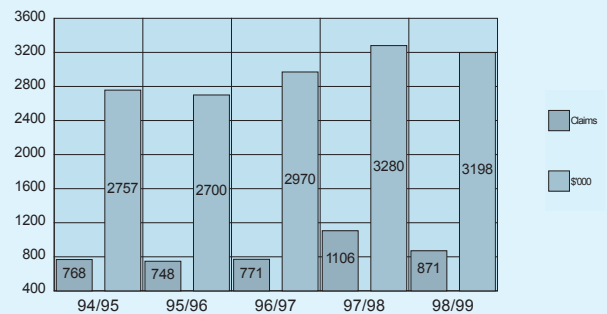
A total of 21 payments were made under the National Reciprocal Agreement. The Agreement allows workers moving between the states to accrue service credits towards their long service leave in more than one state.

In 1998/99 the Board introduced electronic funds transfer to enable workers to have long service leave payments credited directly to their bank account. Approximately 60% of payments are now made in this manner.

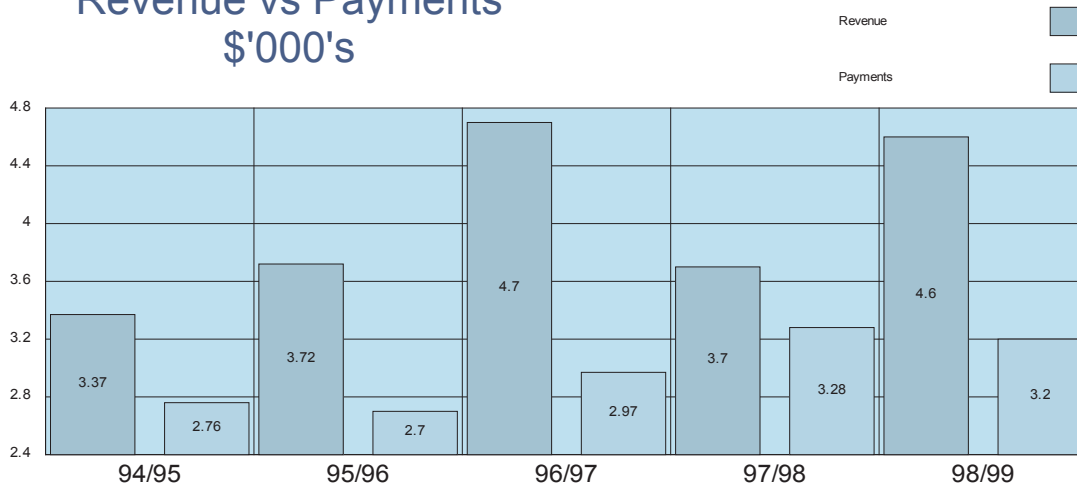
## Average Weekly Earnings



## Payments to Workers



## Revenue vs Payments \$'000's



## HUMAN RESOURCES

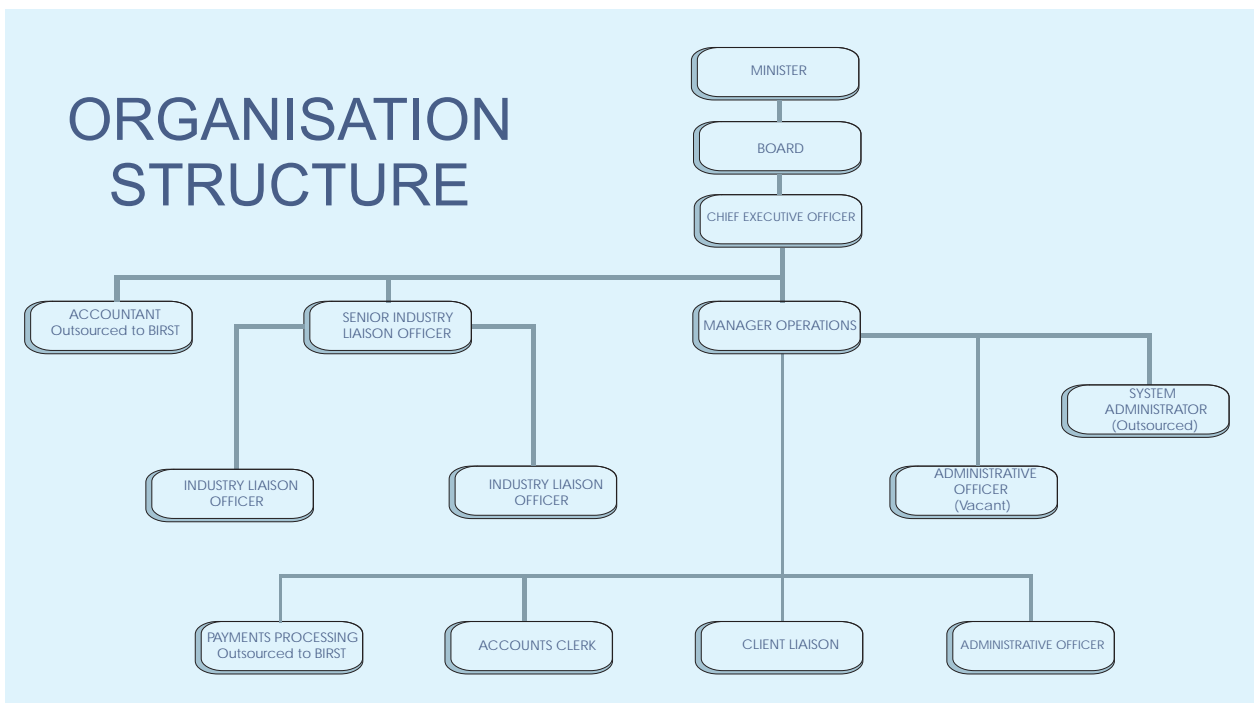
### Staffing

The Board's establishment level at 30th June 1999 was 9 FTE, a reduction of 7.7% on the previous year. Further savings are anticipated with the rationalisation of IT resources early in 1999/2000.

Work associated with the payment of worker claims and accounting functions continues to be contracted out to the staff of the Building Industry Redundancy Scheme Trust. This arrangement is cost

neutral to the Board as it reciprocates the provision of rent free office space, reception, and system development services. The organisation structure as at 30th June 1999 is set out hereunder.

The Board continues to place a high emphasis on training and development with the aim of linking professional development with improved productivity. Training programs were conducted both internally and externally.



### Occupational Health and Safety

The Board is committed to the provision of a healthy and safe working environment for its staff and clients.

In 1998/99 the Board developed new instructions, procedures and policies in

relation to workplace health and safety. Revised fire evacuation procedures are being developed following the letting of office space to new tenants.

No days were lost due to work related accidents in 1998/99.

# CORPORATE GOVERNANCE

The Construction Industry Long Service Leave Board is a statutory body established under the provisions of the Construction Industry Long Service Leave Act.

The Board consists of seven members.

Three members are appointed to represent employers. They are nominated by the South Australian Employers' Chamber, Engineering Employers Association, National Electrical Contractors Association and the Master Builders Association.

To represent employees, three members are selected from nominations by the United Trades and Labor Council. The Presiding Officer is appointed by the Minister.

The Board is responsible for the administration of the portable long service leave scheme established under the Construction Industry Long Service Leave Act, 1987.

The Board is entirely self funded. It is subject to the direction of the Minister for Government Enterprises.

The Board in conjunction with senior management, is responsible to clients within the industry for overall business performance. It approves corporate goals and objectives, strategic plans and performance targets. The Board ensures appropriate policies, procedures and systems are in place to manage risk, optimise business performance and maintain high standards of ethical behaviour and statutory compliance.

A new Board was appointed from the 1<sup>st</sup> July 1996 for a term of three years. The members of the Board are as follows:

Mr David McNeil	Presiding Officer
Mr Peter Kennedy	Master Builders Association
Mr Kevin Kelly	Engineering Employers Association
Mr David Steel	S.A. Employers' Chamber
Mr Ben Carslake	United Trades and Labor Council
Mr John Gresty	United Trades and Labor Council

The Deputy Board members are:

Sandra Renneisen  
Roy Ellin  
Martin O'Malley  
David Smith

Mr David Smith has attended meetings as a deputy member following the resignation of Mr Tony Bush.

In October 1998, the Master Plumbers Association wrote to the Board seeking representation on the new Board scheduled for appointment in June 1999. In February the Board initiated action with the Minister to canvass the industry for nominations for appointment to the new Board. The matter is currently before Government.

## Board Committees

The Board has implemented changes in the way it carries out its role. The Board considers it necessary, at this point in time, for matters on which it was previously assisted by subcommittees (audit and investment) to now be addressed by the full Board. The Audit and Investment Committees were therefore not retained during the year.

## Remuneration of Board Members

Board members receive fees as determined by the Government. The level of fees are categorised having regard to such matters as the degree of policy and operational advice provided to Government and the private sector, the size of the operation under management, annual budget etc.

## Attendance of Board Meetings

The Board is scheduled to meet 11 times each year. Other meetings may be held to consider specific matters which require attention between scheduled meetings.

The regular business considered by the Board includes the following areas:

- Chief Executive Officer's report
- Finance and investment
- Scheme administration (policy and general)
- Management and operational issues

Board Member	Eligible to Attend	Attended
D McNeil	11	11
P Kennedy	11	9
K Kelly	11	11
D Steel	11	10
B Carslake	11	10
J Gresty	11	9
D Smith	11	8
Deputy Member		

Apart from Mr D Smith's attendance as outlined above, no deputy members attended a Board meeting.



# **FINANCIAL STATEMENTS**

# FINANCIAL STATEMENTS

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
INCOME & EXPENDITURE STATEMENT  
FOR THE YEAR ENDED  
30-June-99**

	Note	1999 \$000's	1998 \$000's
Income			
Levies		2,463	2,181
Investment		2,100	1,491
Other		<u>24</u>	<u>(4)</u>
<b>TOTAL INCOME</b>		<u><b>4,587</b></u>	<u><b>3,668</b></u>
Expenses			
Worker Payments	8	5,342	4,265
Salaries & Related Costs		443	448
Investment		222	158
Administration		<u>279</u>	<u>548</u>
<b>TOTAL EXPENSES</b>		<u><b>6,286</b></u>	<u><b>5,419</b></u>
<b>OPERATING SURPLUS (DEFICIT)</b>		<u><b>(1,699)</b></u>	<u><b>(1,751)</b></u>
<b>ACCUMULATED SURPLUS</b> as at 1 July		1,972	3,723
<b>ACCUMULATED SURPLUS</b> as at 30 June		<u><u>273</u></u>	<u><u>1,972</u></u>

The above Income and Expenditure Statement should be read in conjunction with the accompanying notes.

# FINANCIAL STATEMENTS

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD**  
**BALANCE SHEET**  
as at  
**30-June-99**

	Note	1999 \$000's	1998 \$000's
<b>ASSETS</b>			
Current Assets			
Cash	2	1,725	2,715
Receivables	3	<u>407</u>	<u>435</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>2,132</b></u>	<u><b>3,150</b></u>
Non-Current Assets			
Investments	4	22,726	21,083
Plant & Equipment	5	<u>157</u>	<u>167</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>22,883</b></u>	<u><b>21,250</b></u>
<b>TOTAL ASSETS</b>		<u><u><b>25,015</b></u></u>	<u><u><b>24,400</b></u></u>
<b>LIABILITIES</b>			
Current Liabilities			
Creditors	6	1,138	964
Provisions	7	<u>3,019</u>	<u>3,026</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>4,157</b></u>	<u><b>3,990</b></u>
Non-Current Liabilities			
Provisions	7	20,585	18,438
<b>TOTAL LIABILITIES</b>		<u><b>24,742</b></u>	<u><b>22,428</b></u>
<b>NET ASSETS</b>		<u><u><b>273</b></u></u>	<u><u><b>1,972</b></u></u>
<b>EQUITY</b>			
Accumulated Surplus		<u><u><b>273</b></u></u>	<u><u><b>1,972</b></u></u>

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

# FINANCIAL STATEMENTS

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
30-June-99**

	Note	1999 \$000's	1998 \$000's
		Inflows (Outflows)	Inflows (Outflows)
Cash Flows From Operating Activities :			
Receipts From Levies & Operations		2,947	2,090
Payments to Workers		(3,133)	(3,265)
Payments to Suppliers & Employees		(969)	(918)
Dividends Received		-	165
Interest Received		137	1,059
Other Investment Income Received		-	542
Net Cash Used In Operating Activities	12	<u>(1,018)</u>	<u>(327)</u>
Cash Flows From Investing Activities :			
Redemption of Investments		1,000	20,050
Acquisition of Investments		(1,058)	(18,945)
Net Change in Investments		<u>(58)</u>	<u>1,105</u>
Registered Contractors Fund		118	132
Payment for Plant & Equipment		(66)	(62)
Proceeds from Sale of Plant & Equipment		34	10
Net Cash Provided by Investing Activities		<u>28</u>	<u>1,185</u>
Net Increase in Cash Held		<u>(990)</u>	<u>858</u>
Cash as at 1 July		2,715	1,857
Cash as at 30 June	2	<u><u>1,725</u></u>	<u><u>2,715</u></u>

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

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30-June-99**

**1. STATEMENT OF ACCOUNTING POLICIES**

**GENERAL**

The Construction Industry Long Service Leave Board is responsible for administering the Construction Industry Fund which controls levies collected and long service leave payments (worker payments) for employees in the construction industry.

The financial statements are a general purpose financial report that have been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements and Treasurer's instructions promulgated under the provisions of the Public Finance and Audit Act, 1987. The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values or, except for certain investments, current valuations of non-current assets. The accounting policies have been consistently applied.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements.

**LEVIES**

The levy rate prescribed in accordance with regulations under the Act for the Construction Industry Fund is 1% of gross payroll.

Levies outstanding at year end are brought to account and included in receivables as accrued levies. Levies are recognised as income for worker service prior to the end of the financial year. The amounts are due for settlement within 21 days of the end of the financial year.

**TRADE AND OTHER CREDITORS**

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**SUPERANNUATION COSTS**

The Board paid \$30,000 (1997/98 \$28,000) to a private fund manager for superannuation in respect of employees contracted by the Board.

**INVESTMENTS**

Bank bills and term deposits are valued at the cost price of acquisition.

CPI index linked bonds, bonds, equities, property trusts, managed funds and properties are revalued to reflect their current market value. Changes in value are included in investment income.

Investment income is brought to account in the period it is earned.

**PLANT & EQUIPMENT**

Plant and equipment are brought to account at historic cost.

All plant and equipment is depreciated over their expected useful lives of between 3 and 10 years commencing from the time the asset is first held ready for use. Depreciation rates are between 13.5% and 40%.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30-June-99**

1. **STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**PROVISIONS FOR EMPLOYEES ENTITLEMENTS**

Provision has been made in the financial statements for the Board's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees has been included in the determination of the liability.

**Annual Leave**

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

**Sick Leave**

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

**Long Service Leave**

Provision has been made for employee entitlements to long service and represents the present value of the estimated future cash flows to be made for those entitlements. The liability entitlement took into consideration the results of the benchmark estimate analysis conducted by the Department of Treasury and Finance of long service leave entitlements of employees across a large number of Government Agencies.

**PROVISION FOR WORKER PAYMENTS**

Provision is made for amounts due to construction industry employees under the current legislation based on an annual independent actuarial assessment of worker payment liabilities. The actuarial assessment is based on information provided to the actuary after the majority of employer returns for May and June have been processed. Any payments made after the end of the financial year, but before this information is finalised, are recognised as creditors in the Balance Sheet.

	<b>1999</b>	<b>1998</b>
	<b>\$000's</b>	<b>\$000's</b>

2. **CASH**

For the purpose of the Statement of Cash Flows, cash includes the balance of the Construction Industry Fund with Treasury, banks and cash investment funds. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows :

Funds with Treasury	3	2,715
Commonwealth Bank	719	-
UBS Brinson Cash Fund	<u>1,003</u>	<u>-</u>
<b>TOTAL CASH</b>	<b><u><u>1,725</u></u></b>	<b><u><u>2,715</u></u></b>

# FINANCIAL STATEMENTS

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30-June-99**

	1999 \$000's	1998 \$000's
<hr/>		
<b>3. RECEIVABLES</b>		
Debtors	78	135
Provision for Doubtful Debts	(41)	(103)
	<u>37</u>	<u>32</u>
Accrued Levies	370	377
Accrued Interest	-	26
Sundry Debtors & Prepayments	-	-
<b>TOTAL RECEIVABLES</b>	<u><u>407</u></u>	<u><u>435</u></u>
<hr/>		
<b>4. INVESTMENTS</b>		
Bonds	-	1,002
Managed Funds	19,901	17,581
Properties	2,825	2,500
<b>TOTAL INVESTMENTS</b>	<u><u>22,726</u></u>	<u><u>21,083</u></u>
<hr/>		
<b>5. PLANT &amp; EQUIPMENT</b>		
Office Equipment at Cost	152	161
less Accumulated Depreciation	(101)	(80)
	<u>51</u>	<u>81</u>
Office Furniture & Fittings at Cost	23	23
less Accumulated Depreciation	(15)	(14)
	<u>8</u>	<u>9</u>
Motor Vehicles at Cost	140	125
less Accumulated Depreciation	(42)	(48)
	<u>98</u>	<u>77</u>
Systems Development Expenditure	247	247
less Accumulated Amortisation	(247)	(247)
	<u>-</u>	<u>-</u>
Total Plant & Equipment at Cost	562	556
less Accumulated Depreciation and Amortisation	(405)	(389)
<b>TOTAL PLANT &amp; EQUIPMENT</b>	<u><u>157</u></u>	<u><u>167</u></u>
<hr/>		

# FINANCIAL STATEMENTS

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30-June-99**

	1999 \$000's	1998 \$000's
<hr/>		
<b>6. CREDITORS</b>		
Worker Payments	643	580
Registered Contractor Contribution Fund	430	297
Trade Creditors	55	53
Sundry Creditors	10	34
<b>TOTAL CREDITORS</b>	<u><u>1,138</u></u>	<u><u>964</u></u>
<hr/>		
<b>7. PROVISIONS</b>		
<b>CURRENT PROVISIONS</b>		
Provision for Annual Leave	13	20
Provision for Long Service Leave	6	6
Provision for Worker Payments	3,000	3,000
<b>TOTAL CURRENT PROVISIONS</b>	<u><u>3,019</u></u>	<u><u>3,026</u></u>
 <b>NON-CURRENT PROVISIONS</b>		
Provision for Long Service Leave	60	60
Provision for Worker Payments	20,525	18,378
<b>TOTAL NON-CURRENT PROVISIONS</b>	<u><u>20,585</u></u>	<u><u>18,438</u></u>
<hr/>		
<b>8. WORKER PAYMENTS</b>		
Actuarial Assessment of 30 June Liability	23,525	21,378
Creditors as at 30 June	643	580
Worker Payments during the Year	3,132	3,265
Actuarial Assessment in Previous Year	(21,378)	(20,120)
Creditors in Previous Year	(580)	(838)
<b>WORKER PAYMENTS</b>	<u><u>5,342</u></u>	<u><u>4,265</u></u>
<hr/>		
<b>9. AUDITOR'S REMUNERATION</b>		
Amounts received, or due and receivable by the auditors		
Auditing the Accounts	10	10
Other Services	-	-
	<u><u>10</u></u>	<u><u>10</u></u>
<hr/>		
<b>10. CONSULTANCY FEES</b>		
The following consultants received income from the board in the following ranges :		
\$0 to \$9,999		
5 individual consultants (5 in 1997/98)	21	14
 \$10,000 to \$49,999		
Michael J White	48	-
William M Mercer Pty Ltd	-	13
Towers Perrin	-	18
	<u><u>48</u></u>	<u><u>31</u></u>
Aggregate amount paid to consultants	<u><u>69</u></u>	<u><u>45</u></u>

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30-June-99**

	1999 \$000's	1998 \$000's
<hr/>		
<b>11. BOARD MEMBERS REMUNERATION</b>		
Total income received, or due and receivable by Board Members was \$14,000 (1996/97 \$14,000)		
The number of Board Members whose income from the entity falls within the following band is :		
	<b>No. Of Members</b>	<b>No. Of Members</b>
Band		
\$0 to \$9,999	7	7
The names of Board Members who have held office during the financial year are :		
David McNeil		
Peter Kennedy		
Bentley Carslake		
John Gresty		
Kevin Kelly		
David Smith		
David Steel		
<hr/>		
<b>12. RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO OPERATING SURPLUS (DEFICIT)</b>		
Operating Surplus (Deficit)	(1,699)	(1,751)
Non Cash Flow Items in Operating Surplus :		
Depreciation	52	57
Amortisation	-	124
Loss (Profit) on Sale of Fixed Assets	(9)	6
Increase (Decrease) in Provisions	2,140	1,275
Registered Contractors Interest	15	10
Investment (Gain) Loss	(1,586)	180
Changes in Assets and Liabilities		
Increase (Decrease) in Worker Payments	63	(258)
Increase (Decrease) in Trade & Sundry Creditors	(22)	(91)
(Increase) Decrease in Debtors	(5)	4
(Increase) Decrease in Accrued Levies	7	(55)
(Increase) Decrease in Accrued Interest	26	168
(Increase) Decrease in Sundry Debtors & Prepayments		
Net Cash (Used In) Provided By Operating Activities	(1,018)	(327)

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30-June-99**

**13. FINANCIAL INSTRUMENTS**

**(a) Credit Risk Exposures**

The credit risk on financial assets of the Board which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount.

**(b) Interest Rate Risk Exposures**

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Board intends to hold fixed rate assets and liabilities to maturity.

Fixed interest maturing in:						
1999	Note	Floating	1 year	Over 1	Non-interest	1999
	s	interest	or less	year	bearing	Total
		rate				
		\$000's	\$000's	\$000's	\$000's	\$000's
<b>Financial Assets</b>						
Cash and deposits	2	1,725	-	-	-	1,725
Receivables	3	-	-	-	407	407
Investments	4	-	-	-	19,901	19,901
		<u>1,725</u>	<u>-</u>	<u>-</u>	<u>20,308</u>	<u>22,033</u>
Weighted average interest rate		4.95%				
<b>Financial Liabilities</b>						
Accounts Payable	6	-	-	-	65	65
Other Liabilities	6	430	-	-	643	1,073
		<u>430</u>	<u>-</u>	<u>-</u>	<u>708</u>	<u>1,138</u>
Weighted average interest rate		4.95%				
<b>Net financial assets</b>		<u>1,295</u>	<u>-</u>	<u>-</u>	<u>19,600</u>	<u>20,895</u>

Fixed interest maturing in:						
1998	Note	Floating	1 year	Over 1	Non-interest	1998
	s	interest	or less	year	bearing	Total
		rate				
		\$000's	\$000's	\$000's	\$000's	\$000's
<b>Financial Assets</b>						
Cash and deposits	2	2,715	-	-	-	2,715
Receivables	3	-	-	-	435	435
Investments	4	-	1,002	-	17,581	18,583
		<u>2,715</u>	<u>1,002</u>	<u>-</u>	<u>18,016</u>	<u>21,733</u>
Weighted average interest rate		4.95%	4.85%			
<b>Financial Liabilities</b>						
Accounts Payable	6	-	-	-	87	87
Other Liabilities	6	297	-	-	580	877
		<u>297</u>	<u>-</u>	<u>-</u>	<u>667</u>	<u>964</u>
Weighted average interest rate		4.95%	-	-		
<b>Net financial assets</b>		<u>2,418</u>	<u>1,002</u>	<u>-</u>	<u>17,349</u>	<u>20,769</u>

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30-June-99**

**13. FINANCIAL INSTRUMENTS (Cont'd)**

**Reconciliation of Net Financial Assets to Net Assets**

	Notes	1999 \$000's	1998 \$000's
Net financial assets as above		20,895	20,769
Investment Property	4	2,825	2,500
Property, plant and equipment	5	157	167
Provisions	7	(23,604)	(21,464)
Net assets per balance sheet		273	1,972

**(c) Net Fair Value of Financial Assets and Liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date.

Other than shares in listed companies, none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

**14. YEAR 2000 COMPLIANCE**

The systems critical to the Board's ongoing operation and preparation of financial information (including application systems, hardware and other devices that rely on computer technology) have been reviewed to establish the impact, if any, which Year 2000 date change will have on the accuracy of calculations, processing and reporting. This review extends to systems external to the Board, such as those of suppliers and service providers that may expose the Board to the risks associated with the Year 2000 systems issue.

Plans are in place to modify systems, as required, before the impact of Year 2000 date change creates significant errors in accounting records or adversely impacts on business operations or customer services.

The insurers of the Board will not cover any adverse financial effects resulting from the Year 2000 systems issue.



**Pannell Kerr Forster**  
Chartered Accountants



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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE PRESIDING OFFICER**

### **CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD**

#### **SCOPE**

We have audited the financial report of the Construction Industry Long Service Leave Board for the year ended 30 June 1999, comprising the Income & Expenditure Statement, Balance Sheet, Statement of Cash Flows and Notes to the Financial Statements. The Board is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Presiding Officer.

Our audit has been conducted in accordance with Australian auditing standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with accounting standards and other mandatory professional reporting requirements and the Treasurer's instructions promulgated under the provisions of the Public Finance and Audit Act, 1987 so as to present a view which is consistent with our understanding of the Board's financial position and performance, as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### **AUDIT OPINION**

In our opinion, the financial report presents fairly, in accordance with applicable accounting standards and other mandatory professional reporting requirements and the Treasurer's instructions promulgated under the provisions of the Public Finance and Audit Act, 1987, the financial position of the Construction Industry Long Service Leave Board as at 30 June 1999 and of its performance for the year then ended.

PANNELL KERR FORSTER  
Chartered Accountants

D A MAJOR  
Partner

Signed at Adelaide this 30th day of September 1999.

**A South Australian Partnership**

# STATEMENT BY THE BOARD

## STATEMENT BY THE BOARD

In the opinion of the Board

- 1 (a) The accompanying Income and Expenditure Statement gives a true and fair view of the deficit of the Construction Industry Long Service Leave Board for the year ended 30<sup>th</sup> June 1999;
  - (b) The accompanying Balance Sheet gives a true and fair view of the state of affairs of the Construction Industry Long Service Leave Board as at 30<sup>th</sup> June 1999;
  - (c) The accompanying Statement of Cash Flows gives a true and fair view of the cash flows of the Construction Industry Long Service Leave Board for the year ended 30<sup>th</sup> June 1999; and
  - (d) The internal controls over financial reporting have been effective throughout the reporting period.
- 2 At the date of this statement there are reasonable grounds to believe that the Construction Industry Long Service Leave Board can meet its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board this 30<sup>th</sup> day of September 1999.



D.B. McNeil  
Presiding Officer



D.I. Hopkins  
Chief Executive Officer

