



**Long Service**  
CORPORATION

Long Service Corporation  
Annual Report

2011 • 12



# Letter to the Minister

31 October 2012

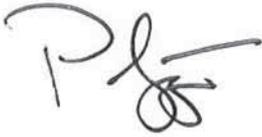
The Hon Mike Baird MP  
Treasurer and Minister for Industrial Relations

Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*,  
I have pleasure in submitting for your information and presentation to  
Parliament, the Annual Report for the Long Service Corporation  
for the financial year ended 30 June 2012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Gaetjens', with a stylized flourish at the end.

**Philip Gaetjens**  
Chief Executive Officer

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## // Our Vision

To increase involvement and retention of workers in participating NSW industries by providing portable long service entitlements.

## Our Mission

Leverage technology to deliver user-friendly and effective portable long service schemes.



# Year in Review

The 2011/12 year has been a busy and challenging one for the Corporation - the 37th year of operation for the building and construction industry's portable long service scheme. The most significant change for the organisation this year has been the commencement of a new portable long service scheme for the Contract Cleaning Industry on 1 July 2011.

Considering the implications of such a significant change to the organisation's scope of work, it is extremely pleasing that our frontline service delivery results have been very positive. Performance statistics demonstrate that more work was completed overall, in spite of the fact that fewer staff resources were available. Claim requests increased by 14%, yet the number of claims processed improved by 15%. The number of inbound Helpline calls also increased, but again the number of successfully answered increased by more than 3%. The number of compliance visits increased by 24%, written correspondence to the Corporation increased by 28% and the number of correspondence items resolved increased by 31%.

On the external front, poor performance in global investment markets have had an impact on the Corporation's funds locally, resulting in significantly lower than expected returns on scheme investments. In conjunction, the slowing of the building and construction industry has led to decreased levy revenues and increases in claims payments and scheme liabilities, leaving the Corporation with a significant financial deficit situation at the end of the year. It is relevant to note, however, that these results are comparable with similar schemes in other states.

As we look to the new financial year, the Corporation is expecting to see improvements to its business in a number of significant areas. A more efficient organisational structure is to be implemented, along with additional cost-saving measures in service provision. These initiatives will leave the Corporation positioned very well for the years ahead.



# About Us

## Charter

Established in 1982 to administer the *Building and Construction Industry Long Service Payments Act 1986* the Corporation provides a portable long service payments scheme to building and construction workers in NSW.

With the introduction of the *Long Service Corporation Act 2010* and the *Contract Cleaning Industry (Portable Long Service Scheme) Act 2010*, the Corporation's name changed from the Building and Construction Industry Long Service Payments Corporation to the Long Service Corporation.

From 1 July 2011, the Long Service Corporation provides portable long service schemes to approximately 280,000 active workers and 30,000 active employers in the building and construction and contract cleaning industries.

## Corporate Direction and Reporting

The Corporation's 2011/12 Annual Report is structured to provide information using the key objectives and organisational outcomes identified in the 2011-2016 Corporate Plan.

The key objectives are:

- Successful integration and implementation of new schemes;
- Improved customer experience;
- Viable financial management;
- Expanded organisational capability and learning; and
- Effective and efficient operational management.

The financial statements contain the audited financial statements for the year ended 30 June 2012.

The appendices to this report provide additional information required under the *Annual Reports (Statutory Bodies) Act 1984* and its regulations, *Government Information (Public Access) Act 2009*, Treasury Circulars and Premier's Memoranda.

## Our Functions

- Ensuring eligible workers are registered and recording service.
- Ensuring eligible employers are aware of and complying with their obligations.
- Collecting long service levies and managing the funds.
- Paying claims.
- Marketing.

## Our Services

Services provided by the Corporation include:

- Helpline operating from 8:30am – 5:00pm Monday to Friday;
- Interpreter services offering support to our many workers and employers from non-English speaking backgrounds;
- Face to face customer service from our two office locations at Gosford and Lidcombe;
- Field advisory services – inspectors are available to do site and office visits to employers to explain long service obligations, benefits and coverage queries;
- TAFE presentations to building industry apprentices;
- Presentations at industry events including trade evenings or association meetings;
- Union delegate training;
- Advisory service to other industry stakeholders such as accountancy firms and taxation agents;
- Provision of an electronic return for councils;
- Field visits to private certifiers and 152 local councils to provide support and assist in levy matters;
- Presentations at industry events organised by local councils or certifiers.



## Principal Officers

### **Philip Gaetjens**

BA(Hons), Grad Dip Prof Acc  
Secretary,  
NSW Treasury  
Chief Executive Officer,  
Long Service Corporation

### **Vicki Telfer**

BSc, DipEd, MPA, MALP, MAICD  
Executive Director,  
NSW Industrial Relations

### **Scott Warr**

BA, MGMT  
Director

### **Sam Soialo**

BIT, CMgr, MBA  
Assistant Director (Operations)

### **Paul Stalling**

Dip Financial Markets, Dip Project Management  
Manager Strategy, Policy and Planning

## Access

### **Head Office**

Level 1, 19-21 Watt Street  
Gosford, NSW 2250

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Lidcombe, NSW 2141

### **Mail**

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### **Internet Address**

<http://www.longservice.nsw.gov.au>

### **Email**

[info@longservice.nsw.gov.au](mailto:info@longservice.nsw.gov.au)

### **Hours**

8.30am to 5.00pm Monday to Friday

# Chief Executive Officer's Report

In September 2012, the Premier created a separate Industrial Relations portfolio which was allocated to the Treasurer, who is now also the Minister for Industrial Relations. As a result, the Corporation was transferred to NSW Treasury from the Department of Finance and Services and I took on the role of Chief Executive Officer of the Corporation in October 2012. I thank Michael Coutts-Trotter who was CEO of the Corporation for the 2011-2012 financial year for his stewardship and guidance to the Corporation.

A significant highlight in the last year was the Contract Cleaning Industry Portable Long Service Leave Scheme, which commenced on 1 July 2011. There were a number of challenges to have the Scheme up and running from day one. However, the Corporation was able to inform stakeholders in the contract cleaning industry about the Scheme and educate them about their new rights and obligations under the legislation. The vast majority of this activity is being done on line, marking a shift in how the Corporation undertakes its business.

The Corporation is now in its 37th year of administering the Building and Construction Industry Long Service Payments Scheme. In this time it has paid benefits to over 185,000 workers, totalling over \$780 million. The Corporation continues to deliver a high quality service to the workers and employers in that industry.

From a financial perspective, 2011/12 was a difficult and challenging year for the Corporation given global investment markets and the continued slow down in the building and construction industry. Operationally, the Corporation was able to take on the additional workloads associated with the new scheme yet increase its frontline service delivery performance results.

The Corporation's future direction is to continue to implement its strategy for an online self service delivery model, which by leveraging technology will enable it to achieve its vision. The Corporation will continue to refine its current suite of online facilities and introduce further facilities over the coming years – the most notable being the planned integration of both scheme operational business systems into one system.

I would like to thank members of both scheme Industry Committees for their contribution to the Corporation's business through providing advice and guidance. I also thank the Corporation's staff for their continued commitment and drive to provide an excellent service to our customers and all our stakeholders.



**Philip Gaetjens**  
Chief Executive Officer,  
Long Service Corporation

# Director's Report

The Corporation's primary focus for the 2011/12 financial year has been on the establishment and initial operation of the Contract Cleaning Industry Portable Long Service Leave Scheme, which commenced on 1 July 2011. In addition to this major initiative, the Corporation has also extended the delivery of scheme services to the Building and Construction Industry by reviewing its structure and processes, instigating proactive refinements of its investment strategy, and updating its online capabilities.

In general, the responsibilities of the Corporation have grown enormously. The building and construction industry scheme alone saw claims payments totalling \$68 million to 11,700 workers, \$72.5 million in levies collected, as well as the registration of 28,900 new workers and 2,604 new employers. The commencement of the Contract Cleaning Industry Scheme has added responsibility for collecting \$7.7m in levy payments and registering approximately 25,000 workers and 850 employers.

From a financial perspective, it has been a difficult year for the Corporation. Little respite for investors has occurred since the onset of the Global Financial Crisis in 2008 and the Corporation was not immune to the challenges posed by continued volatility in the financial markets in the last year. The investment performance for the 2011/12 financial year was well below expectations with the Corporation's investments returning -0.73%. While the return was 1.34% behind the Treasury Corporation's strategic benchmark of 0.61%, and behind the 'Median Growth Manager' benchmark of 0.1% provided by the Corporation's Asset Consultant, PricewaterhouseCoopers it was consistent with investment returns of similar long service schemes in other states and territories.

The building and construction industry in NSW continued to experience a slowdown resulting in lower than expected levy revenues. The final part to a challenging year for the Corporation was an increase in claims payments, well above expectations. This is a further reflection of the slowdown in the industry with people 'cashing in' entitlements to help tide them over the slowdown.

## Highlights

Of the many highlights for the year, one of the proudest achievements for me, as Director, has been overseeing the tremendous work done by the implementation project team for the Contract Cleaning Industry Scheme. As one would expect, the first year of operations provided a number of challenges, the most significant of which was trying to establish who the employers in the cleaning industry were. With the assistance of employer associations, United Voice (trade union), WorkCover NSW, the Australian Business Register and some investigative work using directory and online services, the project team was able to exceed its first year target of industry 'pickup' (employer and worker registrations in the scheme and levies paid).

During the year, the Corporation also completed a detailed capacity review, including a full business process mapping and planning exercise to ensure we effectively leverage existing resources to meet core present and future business requirements. The resulting data and analysis provided the evidence to design a new structure that is flexible and scalable and will serve the needs of the Corporation well into the future, including allowing for the full integration of the Contract Cleaning Industry Scheme and any other schemes that may eventuate.

A key challenge for 2012/13 will be to continue to build on the high levels of service delivery and customer satisfaction by ensuring the delivery of core business services as efficiently as possible. Implementing and adjusting to the Corporation's new structure early in the new financial year will greatly assist in achieving this goal.

As mentioned previously, there have been significant financial challenges during the year, and further challenges lie ahead for both the Building and Construction and the Contract Cleaning Industry Schemes, particularly with sectors of the industry continuing to experience a slowdown in activity. The investment markets continue to be nervous and uncertain but the Corporation, with the assistance of its new asset consultant – PricewaterhouseCoopers – and NSW Treasury Corporation, will position the Funds to best take advantage of the market and focus on reducing the Scheme's deficit. The Corporation also reappointed Professional Financial Solutions as its actuaries for the next three years.

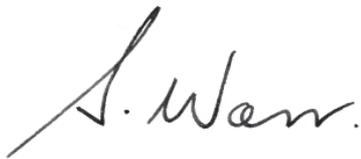
Another main focus will be looking at ways to improve the Corporation's financial position through such initiatives as implementing a new Investment Strategy, proposing changes to the legislation and business focus to provide a greater level of certainty with revenue streams. The Corporation will continue to monitor the effectiveness of its legislation and is ready to assist the Industrial Relations Advisory Council in its review of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*.

Leveraging technology to deliver a user-friendly and effective portable long service scheme continues to be part of the Corporation's mission. Making the schemes even easier for people to use and understand is fundamental to our success and helps the Corporation play its part in delivering increased customer satisfaction with government services. Fully engaging with the industries we serve is also fundamental to the Corporation in achieving its vision of an online self service model.

In 2011/12, the Corporation undertook a project to update the layout and content of its website to better reflect the needs of its customers and simplify the way information is presented to them. The new website, which launches early in the new financial year, will provide a key platform for delivering the Corporation's mission and vision.

Another key part of 2012/13 will be the development of the Corporation's information technology strategy which will incorporate defining the high level user requirements for an integrated business system solution. It will also detail the requirements for a data cleanup project, online services review and upgrade including a claims online capability. Additionally, we have plans to develop and implement a business management information strategy to enable the effective creation and monitoring of practical and relevant key performance indicators for the areas that support the Corporation's Corporate Plan 2011-2016.

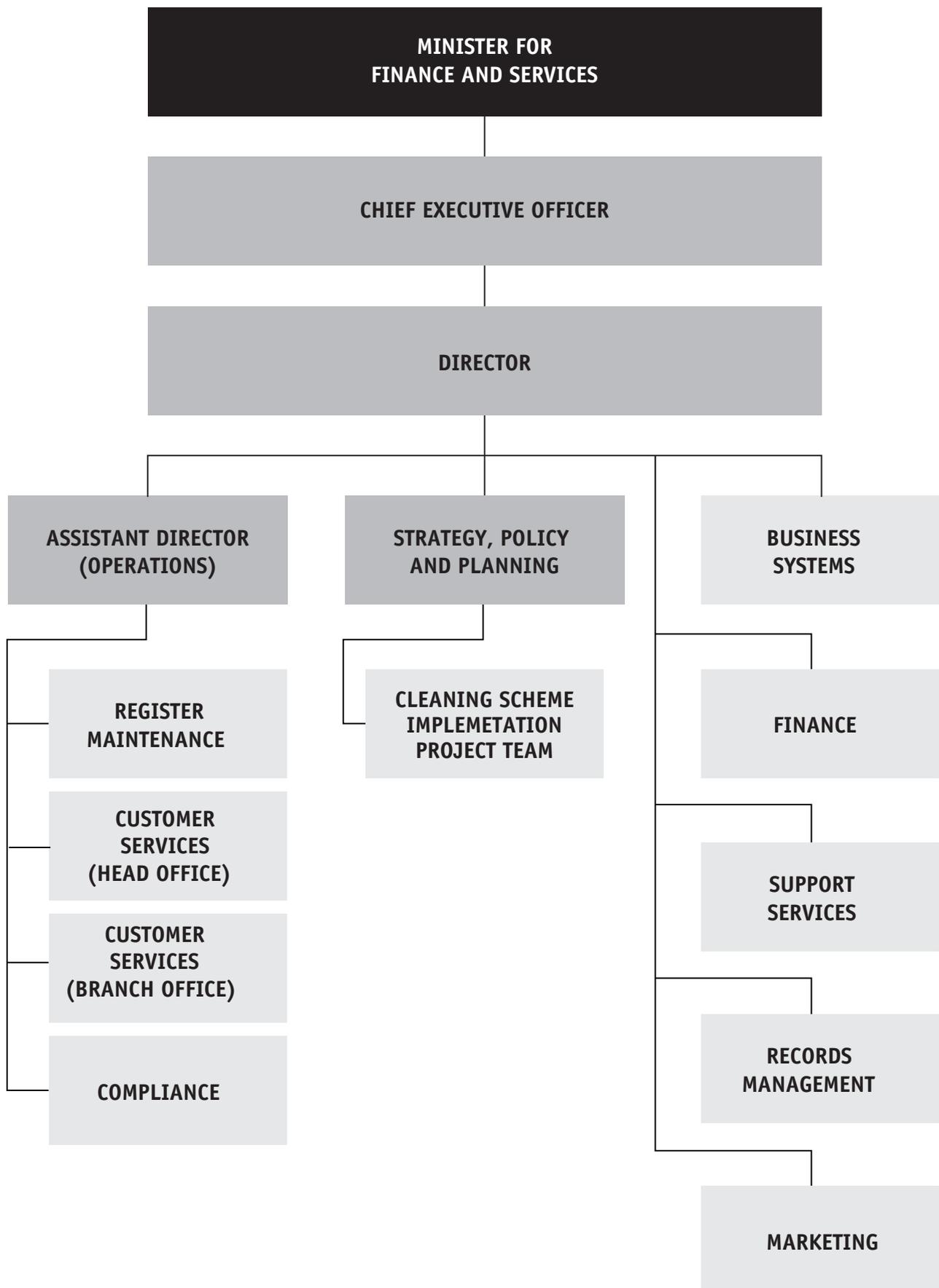
Overall, the Corporation continues to administer the *Building and Construction Industry Long Service Payments Act 1986* to an excellent standard and is now applying that same high standard to administering the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. The new financial year brings with it many challenges and opportunities for the Corporation to build on the good work and excellent achievements of 2011/2012. I look forward to working in partnership with the building and construction industry and the contract cleaning industry to further improve the efficiency and ease with which we deliver our services to workers and employers.

A handwritten signature in black ink, appearing to read 'S. Warr'.

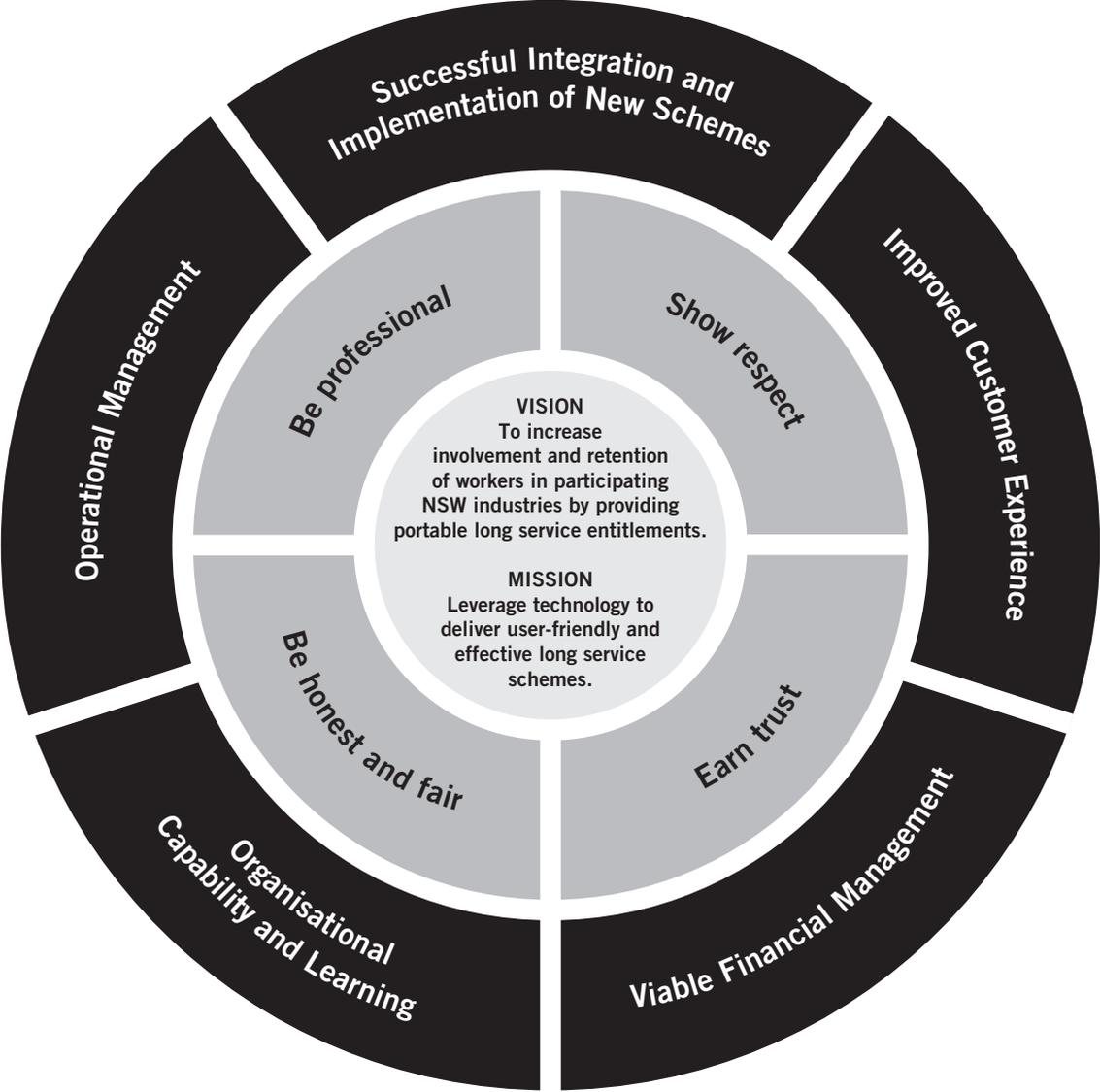
**Scott Warr**  
Director, Long Service Corporation

# Organisational Structure

For the year ended 30 June 2012



# Corporate Plan 2011-2016



# Successful Integration and Implementation of New Schemes

## Contract Cleaning Industry Portable Long Service Leave Scheme

The Contract Cleaning Industry Portable Long Service Scheme commenced operation on 1 July 2011. Scheme promotion became the Corporation's responsibility from that date onwards with significant efforts made to identify industry employers and to advise them of their obligations under the Act.

Local councils, cleaning franchises, accounting and bookkeeping bodies and other organisations were issued with requests to advise their cleaning providers and members of the scheme's existence and their obligations. A significant amount of research was undertaken – data was accessed from the Australian Business Register and more than 11,000 letters issued to industry participants. Further industry employers were identified using various directory and other sources. Editorials were also placed in the InClean magazine and the NSW IR email update service. In addition WorkCover NSW performed a mail-out on behalf of the Corporation to more than 1,700 workers compensation policy holders that were classified as being members of the contract cleaning industry.

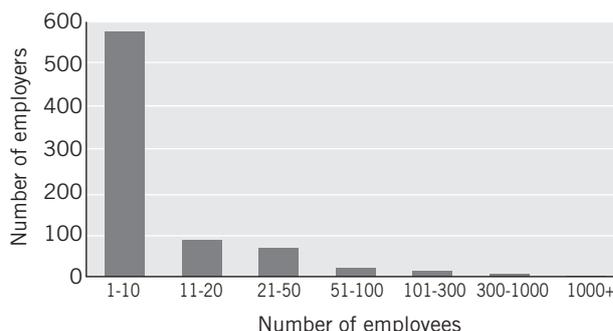
Scheme training was delivered to delegates of United Voice – the union representing the cleaning industry – and a presentation was delivered to the NSW Building Service Contractors Association of Australia annual general meeting. Future investigation of unregistered industry employers will be undertaken by the Corporation's compliance unit.

Comprehensive scheme information for employers and workers is published on the Corporation's website and includes multilingual translations. The Corporation continues to lease the Leave Track registry system and make enhancements to the system to meet legislative requirements.

A team of experienced Corporation staff was established to administer the implementation of the scheme's operations. The team consisted of a Senior Inspector and three senior administration staff who were supervised by a principal officer of the Corporation. The group was responsible for all scheme administration functions including: processing employer applications to register, employer quarterly returns exceptions, employer reimbursements, responding to Helpline and written enquiries, identifying industry employers, drafting work procedures, process maps and system testing. The Corporation will implement a new organisational structure in 2012 and the functions of the cleaning scheme implementation team will be integrated within that structure. This initiative will provide synergies across the Cleaning Scheme and the Building and Construction Industry Long Service Payments Scheme.

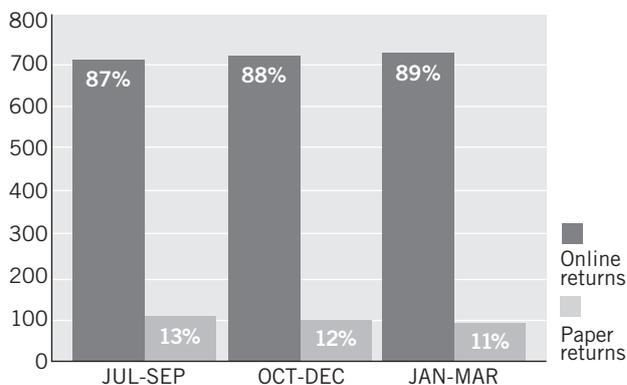
At the end of the financial year, there were 823 active employers and 25,127 workers registered in the scheme. Of the registered workers 21,817 are considered to be 'active' and had service lodged in the January-March quarter.

### Number of Workers by Employer



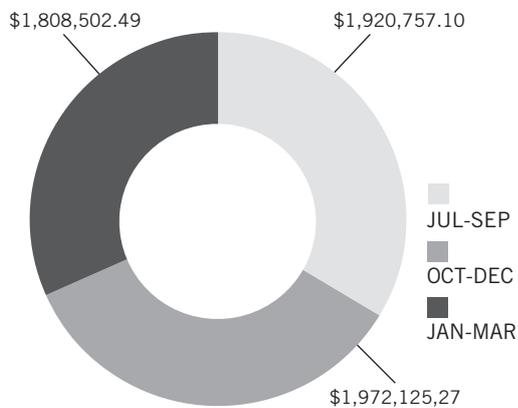
A program advising employers of the benefits of online return lodgement was instigated at scheme commencement. This has become the preferred method for employers lodging service returns and has demonstrated a gradual increase in online lodgement each quarter.

### Return Lodgement Methods by Quarter



There were three quarterly return periods due in the 2011 – 2012 financial year with \$7.7 million reported in levy income for those periods.

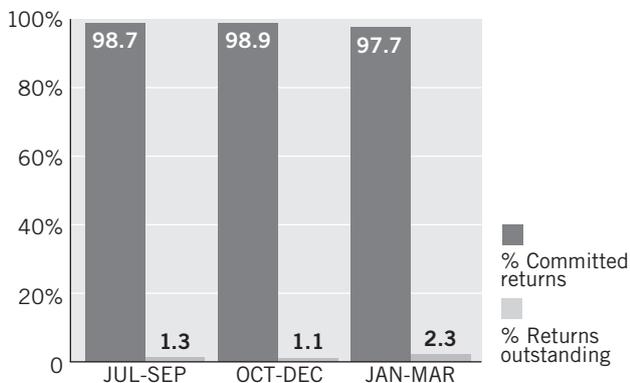
## \$ Value of Lodged Returns by Quarter



The value of returns lodged for the first three quarters does not represent the entire income levy for the year.

A very positive (more than 98.7% for all three quarters) level of compliance has been achieved on the lodgement of returns by registered employers. The Corporation intends to vigorously pursue all outstanding returns and levies due.

## Return Lodgement Rates



Nineteen employers were reimbursed the sum of \$3,127 under section 111 of the Act where their employee is paid an entitlement accrued under the *Long Service Leave Act 1955* and a levy was paid into the cleaning scheme for part of that entitlement.

Corporation staff continued to consult with representatives of the ACT and Queensland schemes to gain a better understanding of the contract cleaning industry and the issues surrounding the administration of a scheme funded by a payroll levy.

The Contract Cleaning Industry Long Service Leave Committee (the Industry Committee) was established and the inaugural committee meeting was held on Wednesday 9 May 2012. The Executive Director of NSW Industrial Relations chaired the meeting and several Corporation representatives attended as did all committee members and deputies except for one.

The meeting provided the opportunity to introduce participants, explain the role of the committee and committee governance matters, and present an update of scheme operations and other matters. There were no appeals heard at this meeting.

More information about the Industry Committee functions and member details are at page 24.

Scheme coverage is a significant matter for portable long service schemes and the issue of coverage for labour hire businesses and their workers was queried. It was confirmed that labour hire businesses meet the definition of an employer under the Act and their employees meet the definition of a worker. Significant to this matter was whether the Act supported the Corporation's request that employers registering after scheme commencement pay a levy for work performed in a return period prior to their registration date. Legal advice has confirmed that retrospective returns are to be lodged and the associated levy is payable.

Deloitte Touche Tohmatsu performed a review of the scheme during March and April, with no adverse findings. The review commented favourably on the establishment of the scheme and on the implementation of internal controls.

# Improved Customer Experience

## Improved Online Services

As part of the NSW Government, the Corporation continues to seek improvements in its services to the public via proven technological solutions. Currently employers and workers in the long service schemes are able to submit information, and view and update their relevant details online. Additionally, the Corporation has introduced an online facility for tax agents to submit self employed service for their clients, and an online credit card payment facility for long service levies.

The Corporation is investigating the viability of further expanding its online services to building and construction industry customers to include areas such as application for payments, and agent returns for levies. As mobile access to services gains momentum, the Corporation will incorporate further technological strategies to address the mobility needs of the customers in the coming years.

## Improved Website

The Corporation's website is a well utilised portal where workers and employers from the contract cleaning and building and construction industries can access Corporation information. This access continues to increase as stakeholders become more aware of the site and the Corporation continues to provide more efficient online services.

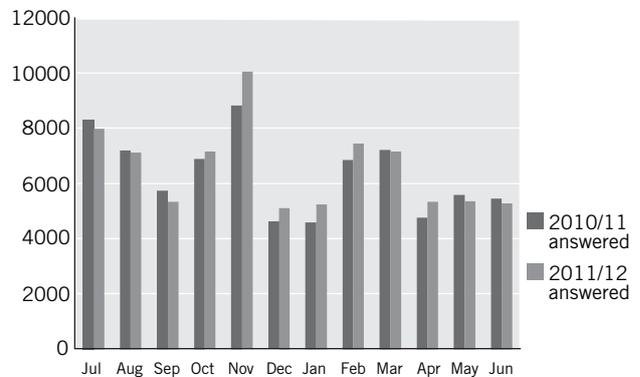
This financial year 212,916 hits were made to the Corporation website.

The Corporation is currently redeveloping its website to provide easier and more user-friendly access to services. This project is nearing completion and the new website with a fresh modern look is due to launch on 1 August 2012.

## Improved Helpline Services

The main channel for client contact with the Corporation is the 13 14 41 Helpline. An average of 6,515 calls is received each month by the Helpline equating to 88,454 this financial year - an increase of almost 3% from last financial year. Of these 78,176 (88%) of calls were successfully answered by a Customer Service Officer - 49% of these were answered within two minutes. The Helpline is operational from 8:30am to 5:00pm five days a week. Where demand exceeds available officers, a queuing mechanism is activated allowing callers to get an overview of recent changes. These customer focused messages are updated regularly.

## Improved Customer Service Helpline



## Levy Enhancements

To better serve the Corporation's customers, an EFT option for long service levy refunds has been implemented during this financial year. Levy payers can now obtain faster refunds on overpayments of levies, once appropriate documentation has been processed. This also delivers cost and time savings to the Corporation by reducing the need to process traditional payments by cheque.

The Levy System which was developed in 1997 has also been identified as one of the priority projects for re-development in the new financial year. The online services capability of the new system will be a major focus of the project.

## Survey and Review Stakeholder Feedback on Revised Website

Feedback received from customers and the Corporation's continuous improvement program led to the development of a new and improved website for the Corporation.

The website will be launched on 1 August 2012. Once the site has been bedded in and stakeholders have had some time to experience the new layout and online facilities, users will be given the opportunity to participate in a survey to provide feedback on the revised website, at which point the Corporation will determine where further enhancements can be made.

# Viabile Financial Management

Since the Global Financial Crisis, the Corporation has struggled to consistently arrest its financial deficit. It has seen the value of its investment eroded by factors effecting overseas markets, levy income decreasing and associated worker payments increasing as a direct result of the economic slowdown in the building and construction industry. The Corporation's liabilities have increased significantly as a result of the decrease in the 10 year Commonwealth bond rate. The Corporation has always remained cash flow positive through this period.

The Corporation is addressing the deficiency of capital by developing or improving the following strategies:

- Long and short term investment growth
- Revenue generation from levies – Building and Construction Industry
- Budgetary constraints

## Long and Short Term Investment Growth

The Corporation has appointed PricewaterhouseCooper Securities Limited (PWC) as asset consultants. PWC are undertaking a complete review of the Corporation's investment strategy. Utilising information from the Corporation, Treasury Corporation, and Professional Financial Solutions (actuaries), PWC will monitor the Corporation's investments and provide advice on the investment strategy.

## Revenue Generation from Levies – Building and Construction Industry

The Corporation's actuaries have recommended an increase in the levy rate from .35% to .45%. However the Corporation is reviewing its policies around levy determination and collection with a view to increasing revenues this way rather than increasing the overall levy rate.

## Budgetary Constraints

In line with the NSW government's policy on Enhanced Framework for Budget Compliance the Corporation has no tolerance to exceed its Net Cost of Services. The Corporation through its restructure has budgeted for a decrease in personnel services expenditure of \$111,000 for the 2012 year.

The timeline to arrest the deficiency of capital rests with a positive economic climate, however the Corporation is endeavouring to return to surplus by 2015 - 2016.

# Organisational Capability and Learning

## Capability

To ensure that the people with the most appropriate skills are identified and placed into the correct roles in an effective structure, the Corporation carried out a thorough review of its current business processes as well as existing and forecasted workload in order to reposition the organisation to deliver a more effective and efficient service. This activity also resulted in the rewriting of job descriptions to better reflect the activities of a new one-stop case management approach to customer services.

This new structure is well underway and will be implemented on the 3 September 2012. Aided by the Corporation's recently implemented Performance Management Strategy that encourages future development, the Corporation has ensured its capability to deliver its strategic objectives as defined in the Corporate Plan.

## Empowered, Productive and Supportive Workplace

The Corporation has always had a very positive and supportive approach to staff and the workplace. Flexible work options for staff have been available for many years and a number of staff have availed themselves of these opportunities. The Corporation's delegations manual was reviewed and updated with the transfer of the Corporation to the Department of Finance and Services. The authority and ability to make decisions at relevant functional levels of the organisation is a fundamental principle of the delegations, thus empowering staff to perform at optimum levels. A detailed capacity review of the Corporation conducted as part of the restructure process has given the Corporation processes and tools by which to objectively measure the productivity of various business units. All staff have access to an Employee Assistance Program, which provides independent, professional, and confidential counselling services to staff and their immediate family members free of charge.

## Trained and Competent Staff

The Corporation continues to encourage staff to participate in training to strengthen knowledge and confidence. A number of staff have been provided with financial assistance to undertake individual study in work related areas such as finance, business and proof reading. Staff also attended training in risk management, information technology, marketing, business continuity planning, business improvement, work health and safety and records management in addition to routine training and development. The Corporation also marked the completion of the Certificate IV in Government by all participating staff.

The new performance management system has provided staff with a more focused opportunity to discuss with their manager or supervisor their specific training or development needs and this will continue in the next financial year.

## Performance Management

The Corporation's new Performance Management Strategy was introduced early in the 2011/12 financial year. It is a strategic and integrated tool designed to help deliver continued success to the Corporation, achieved by developing the capabilities of individuals and units. In essence it is linking and aligning the performance of individuals and units with the Corporation's vision, mission and key result areas. This enables a clear understanding of the value of individual roles in the purpose of the overall organisation. Communication, recognition and feedback are fundamental to the success of the scheme.

All staff were required to participate in performance management discussions with their manager or supervisor in the first half of the year. Individual performance objectives were discussed, agreed and monitored through the remainder of the year. Discussions around personal development were part of the process and individual training and development needs addressed.

# Operational Management

## Utilise Data to Measure and Improve Performance

Effective management of the long service schemes depend heavily on recording and storing large volumes of data to enable accurate and efficient collection of levies and disbursement of payments. The Corporation stores data for approximately 280,000 active workers and 30,000 active employers. This information is analysed to identify developing trends within the industry.

## Improve Management Information and Decision Making

In the 2011/12 financial year, management dashboards were introduced into the Corporation for better trend analysis. These dashboards are extremely effective in supporting enhanced decision making and, ultimately, improved performance. All operational units within the Corporation experienced increases in workload, but positively the number of issues resolved also increased. For example, compared to the previous financial year, the number of claims lodged increased by 14% whereas the number resolved also increased by 12%. The number of inbound Helpline calls increased by almost 3%, and again the number of calls successfully answered improved by more than 3%. Better still, the number of requests received for an earlier registration date increased by 28%, and again the number resolved increased by 31% - all this with less staff than the previous year as some existing staff were seconded to setting up the Contract Cleaning Scheme project.

## Relevant, Effective and Informative KPIs and Service Standards

Public sector responsibility dictates that the Corporation continually review service standards and improve activities against private sector standards and its own key performance indicators (KPIs). The Corporation has continued to meet the previous service standards and will continue to develop and implement any appropriate KPIs to help it meet customer expectations.

## Business Applications Meet the Corporation's Business Needs

Customer expectation for more effective and efficient service requires better utilisation of human resources. Therefore, yesterday's business applications such as email engines, dynamic websites, and online self service portals must be reinvented to increase productivity. To this end, new applications which integrate those independent technologies will be utilised within the Corporation in the very near future. These changes will allow workers to check their service balance, lodge an online claim, read annual statements, update their contact details, submit documentation and stay informed with issues that affect them.

## Legislation Kept up to Date

Periodically, the Corporation reviews its practices and policies to determine whether changes are required to the legislation. These changes are then investigated for their impact and, if required, recommendations are made to the industry committee.

There are specific positions within the Corporation's structure that are dedicated to ensuring compliance with all relevant legislation.

# Major Operational Performance Statistics

## Building and Construction Industry

Activity Description	2009/10	2010/11	2011/12
Long service payments	10,456	10,309	11,706
Value of long service payments made	\$58.0M	\$59.7M	\$67.9M
Cumulative number of payments made since scheme began	164,888	175,197	186,903
Cumulative value of payments made since scheme began	\$653.3M	\$713.0M	\$780.9M
New worker registrations approved	24,146	28,302	28,448
Workers removed from register (including bulk cancellation)	24,275	21,219	19,683
Total number of approved workers	281,398	288,481	297,246
New employer registrations approved	2,523	2,314	2,660
Total number of registered employers	39,966	31,315	33,231
Number of employed worker service years recorded	107,736	108,255	112,180
Number of self employed worker service years recorded	25,122	24,173	25,123
Number of other service years recorded	1,038	825	956
Objections by workers to service credits per 1000 workers	6	3	4.5
Appeals determined	1,608	364	295
% of employer audits with satisfactory ratings	92.3%	94.8%	97.0%
Total incoming telephone enquiries to 13 14 41 Helpline	83,618	86,072	88,454
% of 13 14 41 Helpline calls answered in two minutes	68.0%	66.0%	49.0%
Total incoming telephone enquiries resolved on 13 14 41 Helpline	78,491	75,641	77,719
Total written enquiries	9,002	8,574	10,453
Total counter enquiries	2,729	3,027	3,669
Total funds invested	\$540.5M	\$610.0M	\$601.8M
Scheme liabilities	\$633.7M	\$668.7M	\$734.4M
Investment income	\$53.2M	\$45.7M	\$3.2M
% investment return - cash	4.5%	5.4%	4.9%
% investment return - long term growth	11.3%	8.5%	-0.73%
Long service levy income	\$81.2M	\$84.1M	\$72.5M
% of levy audits with satisfactory ratings	99.0%	99.0%	99.0%
Net administration costs	\$10.2M	\$9.1M	\$15.1M
Appeals to the Industry Committee	547	427	434
Number of payments in conjunction with interstate schemes	684	642	873
Annual Statements (notice of service) issued	254,749	240,558	249,632
Employer advisory and audit visits made	199	300	414
TAFE talks to second year apprentices	133	318	92
Medical service credits granted	991	947	992
Medical service days granted	139,324	126,325	141,115
Value of medical service credits granted	407,533	369,510	415,252
Medical claims paid	395	325	324
Value of medical claims paid	1,140,041	1,054,553	1,037,387

## Contract Cleaning Industry

Activity Description	2010/11	2011/12
Long service payments	N/A	19
Value of long service payments made	N/A	\$3,128
New worker registrations approved	N/A	25,156
Workers removed from register	N/A	29
Total number of approved workers	N/A	25127
Total number of registered employers	N/A	823
Total incoming telephone enquiries to 13 14 41 Helpline	N/A	3,552
% of 13 14 41 Helpline calls answered in two minutes	N/A	90.15%
Total incoming telephone enquiries resolved on 13 14 41 Helpline	N/A	3,383
Total written enquiries	N/A	519
Total counter enquiries	N/A	4
Total funds invested	N/A	\$7.1m
Scheme liabilities	N/A	\$6.3m
Investment income	N/A	\$0.2m
% investment return - cash	N/A	4.9%
% investment return - long term growth	N/A	N/A
Long service levy income	N/A	\$7.7m
% of levy audits with satisfactory ratings	N/A	N/A
Net administration costs	N/A	\$1.6m
Appeals to the Industry Committee	N/A	0
Number of payments in conjunction with interstate schemes	N/A	0
Employer advisory made	N/A	7

# The Building and Construction Industry Long Service Payments Committee

(Referred to as BCI Industry Committee)

The Industry Committee is constituted under the *Building and Construction Industry Long Service Payments Act 1986* as an advisory and appellate body, consisting of ten part-time members appointed by the Minister and chaired by the Chief Executive Officer or delegate. The Industry Committee is empowered under Section 9 of the Act to advise on administration of the Act including matters concerning publicity, the investment of funds and the rate of the long service levy.

The Industry Committee adjudicates appeals lodged against Corporation decisions to:

- Reject an application for registration in the scheme made on behalf of or by workers
- Cancel registrations of workers in the scheme
- Refuse service credits to registered workers

It also decides appeals lodged by levy payers in respect of:

- An assessment made of the amount of a long service levy due in respect of the erection of a building
- A direction given, or refusal to give such direction, in relation to interest payable on a long service levy not paid before the due date, or extension of time for payment of a long service levy

Apart from its legislated functions, the Committee also acts as 'Customer Council' in relation to service standards and helps ensure the quality and effectiveness of service delivery is maintained.

The term of the current Industry Committee was from 1 December 2008 to 30 November 2011. This year the Industry Committee met on two occasions.

During the year the Committee continued to provide support and advice to the Corporation regarding amendments to the *Building and Construction Industry Long Service Payments Act 1986*. The Committee reviewed proposals for improvements in scheme administration for consideration by the Minister and potential future legislative change. Significant matters considered included award modernisation, advice regarding tendering for an independent asset consultant, the transition of the Long Service Corporation from the Compensation Authorities Staff Division to the Department of Finance and Services, and scheme eligible work including workers performing non-destructive excavation.

## Appeals

Sections 49-54 of the Act empower the Industry Committee to determine appeals lodged by workers, employers and levy payers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documentary evidence submitted by the parties involved. There were no appeals lodged by levy payers in the year.

The Committee heard and gave consideration to three appeals from workers as shown in Table A on the next page. In March 2012, the Committee also endorsed the bulk cancellation of workers under section 19(1) of the Act, where workers had not recorded service for at least four years, and under section 19(2) of the Act, where a worker registration should not have been approved.

Workers identified for cancellation received notification in March. Appeals lodged as a result of the cancellation run were received in the 2011/12 financial year but will not be heard until the 2012/13 financial year (refer Table B on the following page).

## Results of Appeals

Table A

Appeal Against	Upheld		Dismissed	
	10/11	11/12	10/11	11/12
Refusal of registration (Section 49(1)(a))	1	0	0	0
Refusal of service credits (Section 50(1))	1	0	1	3
Assessment of the amount of long service levy due (Section 51(1))	0	0	0	0
Interest on, and extension of time for payment of long service levy (Section 52)	0	0	0	0
Total	2	0	1	3

## Appeals Lodged as a Direct Result of the Cancellation Run

Table B

Appeal Against	Carried over from 2010/2011	Number Withdrawn After Lodgement				Carried Forward to 2012/2013
		Received	Upheld	Dismissed	Withdrawn	
Cancellation of registration (Section 19(1A)) – 4 year service gap	368	417	211	42	138	394
Cancellation of registration (Section 19(2)) – registration should not have been approved	53	12	28	11	4	12
Total	421	429	239	53	142	406

# BCI Industry Committee Members

## Chairperson

### Vicki Telfer

BSc, DipEd, MPA, MALP, MAICD  
Executive Director,  
NSW Industrial Relations (NSWIR)

**Meeting attendance:** 2 out of 2

Vicki Telfer joined the NSW Department of Industrial Relations in October 2010 as Executive Director and has extensive industrial relations experience. Prior to this Vicki was at WorkCover NSW for over 10 years with the last six in the role of General Manager Strategy and Policy. In her current role she has worked on a range of issues most notably reforms to public sector industrial relations, the federal test case on equal remuneration and long service leave schemes as well as building a strong relationship between NSWIR and the Fair Work Ombudsman to ensure delivery of contracted compliance programs. Vicki is a member of the Institute of Company Directors. Vicki took on the role of Chair of the Building and Construction Industry Long Service Payments Committee following the transfer of the Corporation to the Department of Finance and Services agency cluster.

## Members nominated by Unions NSW

### Russ Collison

State Secretary,  
Australian Workers Union NSW

**Meeting attendance:** 2 out of 2

Russ Collison is State Secretary for the Australian Workers Union NSW. He is a member of the Building and Construction Industry Long Service Payments Committee and First State Super Corporation. Russ is Vice President of Unions NSW. He is also a member of the Racing Industry Committee Group.

### Michael Doust

Organiser,  
Electrical Trades Union of Australia

**Meeting attendance:** 2 out of 2

Michael Doust is the Organiser of the Electrical Trades Union of Australia and a Member of the Building and Construction Industry Long Service Payments Committee. He is also a Trustee Director of Energy Industry Super.

### Keryn McWhinney

Dip Ind Law  
Senior Claims/Industrial Officer,  
Co-ordinator Construction Forestry Mining Energy Union (CFMEU), Construction & General Division) NSW Branch

**Meeting attendance:** 2 out of 2

Keryn has worked in the trade union movement since the mid 1980's. She commenced her union career with the Building Workers Industrial Union (BWIU) and a few years later moved to BWIU's National Office as National Systems Officer. In 1998 Keryn moved to the CFMEU, NSW Branch as Claims Officer. During this time she was seconded to the position of General Manager for 18 months. In 2000 Keryn was made an Industrial Co-ordinator.

Keryn is a Member of the Building and Construction Industry Long Service Payments Committee and the NSW Government Appeal and Ministerial Advisory Committee. She is also a current member of the NSW Government Department of Education and Training's Vocational Training Tribunal and Vocational Training Appeal Panel. Keryn has been invited to speak at conferences on a national and international level.

## Members nominated jointly by the Master Builder's Association of NSW and Employers First

### Brian Seidler

Executive Director,  
Master Builders' Association of NSW

**Meeting attendance:** 2 out of 2

Brian Seidler is Executive Director of the Master Builders' Association of NSW. He is the MBA of NSW Representative of the Building Awards Conciliation Committee, the Building Apprenticeship Conciliation/Training Committee and the Construction Industry Training Advisory Board (NSW). Brian is a Member of the Building and Construction Industry Long Service Payments Committee. Brian is also a Committee Member of the Construction Policy Steering Committee and the Construction Industry Consultative Committee.

Brian is Director of the Australian Construction Industry Redundancy Trust, Director of COMET Training and Director of the Building Workers' Assistance Centre. Brian is also a Committee Member of the Building and Construction Industry Drug and Alcohol Foundation and a participant of the Australian Traineeship System Working Party.

## Dr John Elder

AM BBus, MIR (Hons), PhD (Syd Univ), Dip IR

**Meeting attendance:** 2 out of 2

Dr John Elder is Director of the Australian Construction Industry Redundancy Trust and Chair of COMET Training. John is also a Member of the Building and Construction Industry Long Service Payments Committee.

## Tony Doyle

B.Com (Hons) (Industrial Relations),  
M.Com (Distinction) (Workplace Relations)  
Manager, Workplace Relations with the Australian Federation of Employers & Industries

**Meeting attendance:** 0 out of 2

Tony Doyle is Manager, Workplace Relations, with the Australian Federation of Employers & Industries. Tony is a Member of the Building and Construction Industry Long Service Payments Committee

## Members directly appointed by the Minister

### Doug Wright

AM Bec, BA

**Meeting attendance:** 2 out of 2

Doug Wright is a former Director of the Metal Trades Industry Association (NSW Branch), and a member of the TAFE Commission Board, NSW Building and Construction Industry Long Service Payments Committee, the Governing Board of TAFE Higher Education, the Board of the Vocational Education and Training Accreditation Agency, and the Board of the Hunter Valley Training Co. He is Director of World Skills Inc., representing The Australian Industry Group and is also Director of Commonwealth Study Conferences Australia (Incorporated).

Doug was a member of the WorkCover NSW Board from August 1995 to May 2010, and is Chair of the Compensation Authorities Audit and Risk Committee.

## Brian Beer

**Meeting attendance:** 2 out of 2

Brian Beer is retired State President of the Australian Manufacturing Workers Union. He is a Member of the Building and Construction Industry Long Service Payments Committee, the Australian Government Central Trades Committee and, the Australian Government NSW Local Trades Committee. Brian is the Independent Chairperson of the NSW Department Primary Industries Estuary Prawn Trawl Management Advisory Committee and the NSW Primary Industries Marine and Estuarine Recreation Charter Management Advisory Committee.

## Chris Christodoulou

BA IND REL  
Assistant Secretary, Unions NSW

**Meeting attendance:** 1 out of 2

Chris Christodoulou is Director of Asset Super and Sydney Alliance for Community Building Limited. Chris is a board member of Asset Super, Greenacres Disability Services, the Contract Cleaning Industry Long Service Leave Committee, and the Building and Construction Industry Long Service Payments Committee. He is also a former Board Member of the Sydney Olympic Park Authority.

## David Bare

BA Metallurgy (Materials Engineering), Business Management Certificate (General Management)  
Executive Director, NSW – Housing Industry Australia

**Meeting attendance:** 2 out of 2

David Bare is a highly experienced strategic marketing and business development professional. He is the Executive Director of the Housing Industry Association (HIA) NSW. He has held executive management positions in leading the marketing and business development functions for both BHP and BlueScope Steel over the past fifteen years.

David is a Founding Member of the Australian Architecture Association and Member of the Building and Construction Industry Long Service Payments Committee. David also acts as a Business Advisor to the CEO and Board of Clean Up Australia and Clean Up The World. He is a past Member of the Illawarra Regional Management Support Group.

## Deputy Members nominated by Unions NSW

### Terry Kesby

CFMEU Organiser,  
Director of CITAB,  
Member, Vocational Training Tribunal

**Meeting attendance:** Not required to attend

### Steve McCarney

State Secretary,  
CEPU Plumbing Division NSW Branch

**Meeting attendance:** Not required to attend

### Paul Farrow

Organiser, Australian Workers Union NSW Branch

**Meeting attendance:** Not required to attend

## Deputy Members nominated jointly by the Master Builders' Association of NSW and Employers First

### Peter Slattery

Master of Business (Employment Relations)  
Employee Relations Manager, Laing O'Rourke

**Meeting attendance:** 1 out of 2

### Fiona Curdie-Evans

BAppSc (OT), Cert IV (Workplace Ass) OHS Auditor  
Managing Director, Mend Group Pty Ltd  
Managing Director, Mend Services Pty Ltd  
Executive, ARPA NSW  
Working Parties with WorkCover N/A

**Meeting attendance:** Not required to attend

### Peter Glover

JP, Director Construction,  
Master Builders Association of NSW  
Representative of MBA NSW,  
Vocational Training Tribunal  
Committee Member, Construction Industry Consultative  
Committee

**Meeting attendance:** Not required to attend

## Deputy members directly appointed by the Minister

### Michelle Bass JP

Dip Human Resources Management  
OHS and Training Manager, Civil Contractors Federation NSW  
Branch

**Meeting attendance:** Not required to attend

### Adam Kerslake

LLB, BA Industrial Relations  
Deputy Assistant Secretary, Unions NSW

**Meeting attendance:** 1 out of 3

# The Contract Cleaning Industry Long Service Leave Committee (Referred to as CCI Industry Committee)

The Industry Committee is constituted under the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. It is an advisory and appellate body, consisting of eight part-time members appointed by the Minister and chaired by the Chief Executive Officer or delegate. The Industry Committee is empowered under Section 9 of the Act to advise on administration of the Act including matters concerning publicity, the investment of funds and the rate of the long service levy.

The Industry Committee adjudicates appeals lodged by workers against Corporation decisions to:

- Reject an application for registration in the scheme made on behalf of or by workers
- Cancel registrations of workers in the scheme
- Apply a limitation to the minimum and maximum rates of pay used to claim

The Industry Committee also decides appeals lodged by employers against Corporation decisions to:

- Reject an application for registration in the scheme by an employer
- Cancel registration of employers in the scheme
- Refuse or reject an application to register a worker
- Refuse to grant an exemption or revocation of an exemption from lodging a return
- Refuse to grant an extension of time to pay a levy
- Refuse to waive or reduce interest on unpaid levies
- Make an assessment on an unpaid levy

Apart from its legislated functions, the Committee also acts as 'Customer Council' in relation to service standards and helps ensure the quality and effectiveness of service delivery is maintained.

The term of the current Industry Committee is from 22 February 2012 to 22 February 2013. This year the Industry Committee met on one occasion.

## Appeals

Sections 77-84 of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* empowers the Contract Cleaning Industry Long Service Leave Committee to determine appeals lodged by workers and employers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved. There were no appeals lodged this financial year.

# CCI Industry Committee Members

## Chairperson

### Vicki Telfer

BSc, DipEd, MPA, MALP, MAICD  
Executive Director  
NSW Industrial Relations (NSWIR)

**Meeting attendance:** 1 out of 1

Vicki Telfer joined the NSW Department of Industrial Relations in October 2010 as Executive Director and has extensive industrial relations experience. Prior to this Vicki was at WorkCover NSW for over 10 years with the last six in the role of General Manager Strategy and Policy. In her current role she has worked on a range of issues most notably reforms to public sector industrial relations, the federal test case on equal remuneration and long service leave schemes as well as building a strong relationship between NSWIR and the Fair Work Ombudsman to ensure delivery of contracted compliance programs. Vicki is a member of the Institute of Company Directors.

## Members nominated by Unions NSW

### Chris Christodoulou

BA IND REL  
Assistant Secretary, Unions NSW

**Meeting attendance:** 1 out of 1

Chris Christodoulou is Director of Asset Super and Sydney Alliance for Community Building Limited. Chris is a board member of Asset Super and Greenacres Disability Services and the Building and Construction Industry Long Service Payments Committee. He is also a former Board Member of the Sydney Olympic Park Authority.

### Rebecca Reilly

Branch President, Unions NSW

**Meeting attendance:** 1 out of 1

Rebecca has been a union official for 15 years and is an elected leader for United Voice NSW. She has previous experience working with the BSCAA.

## Members nominated by United Voice

### Mark Boyd

Secretary, United Voice

**Meeting attendance:** 1 out of 1

Mark has been a union official for 26 years. Mark is responsible for the development of Branch budgets and the coordination of Branch political engagement. He is lead negotiator for United Voice on legislation implementation. Mark is a board member of Sydney Alliance and Campaign Action.

### Mel Gatfield

BA Industrial Relations/Political Science  
Assistant Secretary United Voice

**Meeting attendance:** 1 out of 1

Mel has strong experience in industrial relations and 20 years experience as a union official. She coordinates Branch campaigns in cleaning, homecare and community engagement.

## Members nominated by the Building Service Contractors Association of Australia (BSCAA)

### Ravindra Naidoo

BA Economics, CPA  
BSCAA

**Meeting attendance:** 1 out of 1

Ravindra is Financial Controller for Quad Services. He has many years experience in finance and industrial relations. Ravindra is a member of CPA Australia, the Australian Institute of Management and the Australian Institute of Credit Management.

### Barbara Connolly

BA  
Executive Director BSCAA

**Meeting attendance:** 1 out of 1

Barbara is Executive Director of the NSW Division of the BSCAA. She is also National Executive Officer performing administration for the National Board. Barbara is a non voting member of the BSCAA NSW Division Executive Committee, the BSCAA National Board and the Steering Committee for Cleaning and Hygiene Council of Australia.

## Members nominated by Australian Cleaning Contractors' Alliance (ACCA)

### John Laws

Cert IV Assessment, Cert IV Finance Broking  
Executive Director ACCA

**Meeting attendance:** 1 out of 1

John has 35 years experience in the cleaning industry. He has a background in HR and Industrial Law.

### Natalie Stephens

General Manager/Director Procure Property Services,  
Vice President ACCA

**Meeting attendance:** 1 out of 1

Natalie has 25 years experience in the cleaning industry along with experience in supervision and operational management. She is Vice President of the ACCA.

## Deputy Members nominated by Unions NSW

### Emma Maiden

Deputy Assistant Secretary Unions NSW

**Meeting attendance:** 0 out of 1

### Kate Minter

BA Social Science  
Research and Campaigns Officer Unions NSW

**Meeting attendance:** 1 out of 1

## Deputy Members nominated by United Voice

### Peter Campise

Assistant Secretary United Voice

**Meeting attendance:** 1 out of 1

### Georgia Potter Butler

LLB/BA Barrister and Solicitor NZ  
Industrial Officer United Voice

**Meeting attendance:** 1 out of 1

## Deputy members nominated by the Building Service Contractors' Association (BSCAA)

### Lemi Stipcevic

BA Economics  
Manager NSW/ACT Pickwick Group Pty Ltd

**Meeting attendance:** 1 out of 1

### Adam Atkin

NSW State Manager OSC

**Meeting attendance:** 1 out of 1

## Deputy members nominated by the Australian Cleaning Contractors' Alliance (ACCA)

### Charlie Vasilas

Group General Manager Ezko Property Services  
(Aust) Pty Ltd

**Meeting attendance:** 1 out of 1

### Kay Halliday

ACCA

**Meeting attendance:** 1 out of 1

# Financial Performance Summary

## REVENUE AND EXPENSES

During the financial year, revenue from all sources amounted to \$77.2 million, whilst expenditure amounted to \$156.6 million. This resulted in a deficit net result of \$79.4 million.

The Net Result was substantially less than the budget expectations of \$26.3 million surplus for the year. The variance from budget of \$105.8 million, is primarily due to the following:

	<b>\$'000</b>
• Negative return on TCorp long term growth facility	(51,817)
• Reduced collection of levies from both Schemes	(21,507)
• Increased claims paid and other expenses	28,523
• Increased Scheme expense due to unwinding of discount rate	(61,000)
	<u>(105,801)</u>

## BUDGET FORECAST AND RESULT

### Expenses excluding losses

	<b>Actual 2011/2012 \$'000</b>	<b>Budget 2011/2012 \$'000</b>	<b>Budget 2012/2013 \$'000</b>
Operating expenses			
Personnel services	12,448	6,416	6,744
Other operating expenses	82,362	116,005	124,370
Depreciation and amortisation	641	867	589
Finance costs	61,211	211	211
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>156,662</b>	<b>123,499</b>	<b>131,914</b>

### Revenue

Investment revenue	(2,989)	48,142	51,746
Retained taxes, fees and fines	80,193	101,700	114,400
Other revenue	2	6	6
<b>Total Revenue</b>	<b>77,206</b>	<b>149,848</b>	<b>166,152</b>

Gain/(loss) on disposal	4	-	-
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## NET RESULT

	<b>(79,452)</b>	<b>26,349</b>	<b>34,238</b>
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FINANCIAL TRENDS	Actual	Actual	Actual	Actual	Actual
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>					
Operating expenses					
Personnel services	5,088	8,374	6,017	5,022	12,448
Other operating expenses	44,259	67,163	65,345	67,923	82,362
Depreciation and amortisation	916	599	601	586	641
Finance costs	33,880	37,227	27,698	29,812	61,211
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>84,143</b>	<b>113,363</b>	<b>99,661</b>	<b>103,343</b>	<b>156,662</b>
<b>Revenue</b>					
Investment revenue	(58,905)	(54,033)	53,197	45,749	(2,989)
Retained taxes, fees and fines	79,631	63,090	81,237	84,136	80,193
Other revenue	346	1,529	301	530	2
<b>Total Revenue</b>	<b>21,072</b>	<b>10,586</b>	<b>134,735</b>	<b>130,415</b>	<b>77,206</b>
Gain/(loss) on disposal	8	6	-	2	4
<b>NET RESULT (DEFICIT)SURPLUS</b>	<b>(63,063)</b>	<b>(102,771)</b>	<b>35,074</b>	<b>27,074</b>	<b>(79,452)</b>

## FINANCIAL POSITION

The principal assets continue to be investment of \$584.9 million in TCorp Long Term Growth Facility and the principal liabilities are the estimates for the Provision for Scheme Liabilities of \$746.5 million as assessed by actuarial consultants. Equity diminished by \$79.5 million from an accumulated deficit of \$59 million at 30 June 2011 to an accumulated deficit of \$138.5 million as at 30 June 2012.

## INVESTMENTS

The Corporation invested its funds in the "Long Term Growth" and "Cash" Hour-Glass Investment Facility Trust administered by NSW Treasury Corporation (TCorp) utilising external managers under contract to TCorp.

The following table shows the movement in funds within these facilities and indicates the rate of return compared with the benchmark return.

FUND CATEGORIES	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCH MARK
	30 JUNE 2011 \$'000	30 JUNE 2012 \$'000	INCOME \$'000	RETURN %	RETURN %
Long term growth	589,210	584,909	(4,301)	-0.73%	1.34%
Cash	21,014	16,927	913	4.90%	4.70%
<b>TOTAL</b>	<b>610,224</b>	<b>601,836</b>	<b>(3,388)</b>		

## ACCOUNTS PAYABLE PERFORMANCE

Aged analysis at end of each quarter		Current (within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days \$'000	Between 61 and 90 days overdue \$'000	More than 90 days overdue \$'000
<b>All suppliers</b>						
	Sep-11	721,863	-	-	-	-
	Dec-11	623,887	-	-	-	-
	Mar-12	476,798	-	-	-	-
	Jun-12	627,808	-	-	-	-
<b>Small business suppliers</b>						
	Sep-11	16,002	-	-	-	-
	Dec-11	12,446	-	-	-	-
	Mar-12	11,969	-	-	-	-
	Jun-12	12,879	-	-	-	-

Note: Although Small business registration with the Corporation commenced in January 2012 in accordance with NSWTC 11/12, payments have been tracked from July 2011. A small business is defined as an Australian or New Zealand business with annual turnover of less than \$2 Million dollars.

### Accounts due or paid within each quarter

Measure	Sep-11	Dec-11	Mar-12	Jun-12
<b>All suppliers</b>				
Number of accounts due for payment	243	238	281	293
Number of accounts paid on time	243	238	281	293
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	721,863	623,887	476,798	627,808
Dollar amount of accounts paid on time	721,863	623,887	476,798	627,808
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil
<b>Small business suppliers</b>				
Number of accounts due for payment	10	9	6	4
Number of accounts paid on time	10	9	6	4
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	16,002	12,446	11,969	12,879
Dollar amount of accounts paid on time	16,002	12,446	11,969	12,879
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil

### Commentary

The Corporation has a policy of payments to all suppliers within 14 days from receipt of a correctly rendered invoice. This is better than the Government directive of 30 days per NSWTC11/12.

The Corporation has not been required to make interest payments to small business in the financial year.

# Financial Statements

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## **LONG SERVICE CORPORATION**

### **FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **STATEMENT BY CHIEF EXECUTIVE OFFICER**

#### **LONG SERVICE CORPORATION**

Under Section 41C of the *Public Finance and Audit Act, 1983*, I state that in my opinion: The accompanying consolidated financial statements and notes thereto exhibit a true and fair view of the financial position of the Long Service Corporation as at 30 June 2012 and the transactions for the period then ended.

The financial statements have been prepared in accordance with the provisions of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation, 2010* and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Corporation



**Michael Coutts-Trotter**  
**Chief Executive Officer, Long Service Corporation**

Note: On 12 September 2012 Administrative Orders transferred the Long Service Corporation to the Treasury cluster. At the time of signing off the 2011/2012 Financial accounts further administrative orders were pending which will transfer the staff of the Long Service Corporation, including the position of Chief Executive Officer, from the Department of Finance and Services to NSW Treasury. The Administrative Order is expected to back date the transfer to 12 September 2012.

**Dated 28<sup>th</sup> September 2012 at Sydney**



## INDEPENDENT AUDITOR'S REPORT

### Long Service Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Long Service Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

### The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

3 October 2012  
SYDNEY

# Statement of comprehensive income

For the year ended 30 June 2012

		Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
	Notes			
<b>Expenses excluding losses</b>				
Operating expenses				
Personnel services expense	2(a)	12,448	6,416	5,022
Other operating expenses	2(b)	82,362	116,005	67,923
Depreciation and amortisation	2(c)	641	867	586
Finance costs	2(d)	61,211	211	29,812
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>156,662</b>	<b>123,499</b>	<b>103,343</b>
<b>Revenue</b>				
Investment revenue	3(a)	(2,989)	48,142	46,272
Retained taxes, fees and fines	3(b)	80,193	101,700	84,136
Other revenue	3(c)	2	6	7
<b>Total Revenue</b>		<b>77,206</b>	<b>149,848</b>	<b>130,415</b>
Gain/(loss) on disposal	4	4	-	2
<b>NET RESULT</b>		<b>(79,452)</b>	<b>26,349</b>	<b>27,074</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(79,452)</b>	<b>26,349</b>	<b>27,074</b>

The accompanying notes form part of these financial statements.

# Statement of financial position

For the year ended 30 June 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	31,113	17,354	26,127
Receivables	6	5,341	5,717	2,906
<b>Total Current Assets</b>		<b>36,454</b>	<b>23,071</b>	<b>29,033</b>
<b>Non-Current Assets</b>				
Financial assets at fair value	7	584,909	668,975	589,210
Property, plant and equipment				
- Plant and equipment	8	636	554	711
Intangible assets	9	6	51	229
<b>Total Non-Current Assets</b>		<b>585,551</b>	<b>669,580</b>	<b>590,150</b>
<b>Total Assets</b>		<b>622,005</b>	<b>692,651</b>	<b>619,183</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	10	1,059	3,602	1,078
Borrowings	11	758	706	706
Provisions	12	461,272	404,778	404,626
<b>Total Current Liabilities</b>		<b>463,089</b>	<b>409,086</b>	<b>406,410</b>
<b>Non-Current Liabilities</b>				
Borrowings	11	2,536	2,588	3,306
Provisions	12	294,888	313,100	268,523
<b>Total Non-Current Liabilities</b>		<b>297,424</b>	<b>315,688</b>	<b>271,829</b>
<b>Total Liabilities</b>		<b>760,513</b>	<b>724,774</b>	<b>678,239</b>
<b>Net Assets</b>		<b>(138,508)</b>	<b>(32,123)</b>	<b>(59,056)</b>
<b>EQUITY</b>				
Accumulated losses		(138,508)	(32,123)	(59,056)
<b>Total Equity</b>		<b>(138,508)</b>	<b>(32,123)</b>	<b>(59,056)</b>

The accompanying notes form part of these financial statements.

# Statement of changes in equity

For the year ended 30 June 2012

	<b>Accumulated Funds \$'000</b>
<b>Balance at 1 July 2011</b>	(59,056)
<b>Net result for the year</b>	<u>(79,452)</u>
<b>Other comprehensive income:</b>	
<b>Total other comprehensive income for the year</b>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>(79,452)</u>
<b>Balance at 30 June 2012</b>	<u><u>(138,508)</u></u>
<b>Balance at 1 July 2010</b>	(86,130)
<b>Net result for the year</b>	<u>27,074</u>
<b>Other comprehensive income:</b>	
<b>Total other comprehensive income for the year</b>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>27,074</u>
<b>Balance at 30 June 2011</b>	<u><u>(59,056)</u></u>

The accompanying notes form part of these financial statements.

# Statement of cash flows

For the year ended 30 June 2012

		Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
	Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Personnel services		(5,674)	(6,310)	(5,494)
Finance costs		(211)	(211)	-
Other		(72,002)	(67,469)	(62,795)
<b>Total Payments</b>		<b>(77,887)</b>	<b>(73,990)</b>	<b>(68,289)</b>
<b>Receipts</b>				
Interest received		1,312	530	828
Retained taxes, fees and fines		82,292	97,808	84,957
Other		326	380	284
<b>Total Receipts</b>		<b>83,930</b>	<b>98,718</b>	<b>86,069</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>6,043</b>	<b>24,728</b>	<b>17,780</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of plant and equipment		10	30	24
Purchases of plant, equipment		(129)	(50)	(14)
Purchases of investments		-	(32,248)	(8,000)
Other		(220)	(513)	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(339)</b>	<b>(32,781)</b>	<b>(7,990)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowing and advances		-	-	4,000
Repayment of borrowing and advances		(718)	(718)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(718)</b>	<b>(718)</b>	<b>4,000</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>4,986</b>	<b>(8,771)</b>	<b>13,790</b>
Opening cash and cash equivalents		26,127	26,125	12,337
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	<b>31,113</b>	<b>17,354</b>	<b>26,127</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For the year ended 30 June 2012

## 1. Summary of Significant Accounting Policies

### (a) Reporting entity

The Long Service Corporation is a NSW government entity. The Corporation is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Corporation has its principal office at 19-21 Watt Street, Gosford, and administers the *Building and Construction Industry Long Service Payments Act 1986* and *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. These Acts provide portable long service payments schemes to building and construction workers and contract cleaning workers in NSW.

Financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive Officer on 28 September 2012.

### (b) Basis of preparation

The entity's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation, and
- the Financial Reporting Directions published in the Financial Reporting Code for General Government Sector Entities or issued by the Treasurer.

The Corporation has applied the Financial Reporting Code TPP 12-01 for general government sector (GGS) entities for the first time this year. This has resulted in a change of format for the financial statements as a result of adopting the code. Comparative information has been reclassified as a result of this application.

Property, plant and equipment, and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### (c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### (d) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

(e) Insurance

The entity's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

(f) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

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

(g) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Investment Revenue

New South Wales Treasury Corporation (TCorp) administers the Corporation's investment funds through its Hour-Glass Investment Facilities. Investment income comprises interest and changes in the unit value of the investments in the TCorp cash and long term growth facilities.

Interest income is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement

(ii) Retained taxes, fees and fines

Long service levy income

A long service levy at a rate of 0.35% of the cost of building and construction work costing \$25,000 or more is levied. The levy is payable directly to the Corporation or to local government councils who act as agents for the collection of the long service levy in return for a commission. Long service levy income is recognised as it is paid to the Corporation and accrues those payments made to local government councils that have not been forwarded to the Corporation.

A long service levy at a rate of 1.7% of the cost of wages paid to workers in the contract cleaning industry is levied on employers of that industry. Those employers are required to lodge returns on a quarterly basis. Long service levy income is recognised as these returns are lodged with the Corporation on an accruals basis, i.e. income applicable to employer returns received in July for the June quarter are recognised as levy income in June.

(iii) Other Revenue

Other revenue consists of miscellaneous income that is recognised as it accrues.

(h) Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the entity. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate.

(i) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(ii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

As the Corporation does not own land, buildings or infrastructure assets, management does not believe that the revaluation of physical non-current assets over five years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of assets.

Most of the Corporation's assets are non-specialised assets with short useful lives and are measured at depreciated historical cost, as a surrogate for fair value.

(iii) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, AASB 136 Impairment of Assets effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for the entity are regarded as immaterial.

(iv) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Motor vehicles and plant and equipment are depreciated over five years and computer equipment is depreciated over three years. The Corporation's leasehold improvements are considered to have a useful life equivalent to the un-expired period of the lease.

(v) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(vi) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

The Corporation is not a party to any finance lease. Existing operating leases relate to leasing premises at 19-21 Watt Street, Gosford and 12 Railway Street, Lidcombe.

(vii) Intangible assets

The entity recognises intangible assets only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the entity's intangible assets, the assets are carried at cost less any accumulated amortisation.

The entity's intangible assets are amortised using the straight line method over a period of three or five years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(viii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ix) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

**Fair value through profit or loss** - The entity subsequently measures investments classified as 'held for trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

**The Hour-Glass Investment Facilities** - are designated at fair value through profit or loss using the second leg of the fair value option; i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the entity's key management personnel.

The risk management strategy of the Corporation has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987 No 33*.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the entity commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

(x) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

(xi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the entity has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the entity's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xii) Other Assets

Other assets are recognised on a cost basis.

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the entity and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on de-recognition.

(iii) Provision for Scheme Liabilities

The liability is determined by annual actuarial valuation. The assumptions used in arriving at that valuation are set out in note 12(b).

(a) Finance costs

Scheme liabilities are valued using AASB 137 Provisions, Contingent Liabilities and Contingent Assets, which provides that the increase in a provision resulting from the unwinding of the discount rate must be recognised as a borrowing cost.

(iv) Provision for Levy Refund

The liability is determined from assumptions based on past experience of the Corporation's levy refunds resulting from requests for redetermination of the leviable costs. The amount of the provision is set out in note 12(c).

(v) Personnel Services

The Corporation receives personnel services from the Department of Finance and Services (DFS). DFS is not a special Purpose Service Entity and does not control the Corporation under the arrangement. In accordance with NSW Treasury Circular 11/19 "Financial Reporting and Annual Reporting Requirements arising from Employment Arrangements" a liability representing the total amount payable to DFS is recognised in the Statement of Financial Position.

As the Corporation is not the employer, the disclosure requirements of AASB 119 "Employee Benefits" in respect of employee benefits do not apply. However, for clarity and transparency, the Personnel Services Provision is disaggregated in the notes to the financial statements into its major components which include Recreation Leave, Long Service Leave and Unfunded Superannuation.

(a) Salaries and wages, recreation leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), and recreation leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. The amount of the provision is set out in note 12(a).

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(b) Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 11/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value. The amount of the provision is set out in note 12(a).

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(vi) Other Provisions

Other provisions exist when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at 3.04%, which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(j) Equity and reserves

(i) Accumulated Losses

The category 'Accumulated Losses' includes all current and prior period retained funds.

(k) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(l) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(m) Going Concern

The going concern basis has been applied in the preparation of these financial statements even though the Corporation has a deficiency of capital of \$138.5 million at the reporting date. This is due to significant losses from investment in three of the past five years, declining levy income caused from a slow down in the building and construction industry and increase the valuation of liabilities driven by unfavourable bond yields as at 30 June 2012.

The Corporation has adopted the going concern basis, as it is cash flow positive and has adequate resources to pay its liabilities as and when they become payable. In addition to this the Government has the ability to alter the levy rates and legislation in order to increase revenue streams. The Corporation is currently undertaking revenue analysis, with a view to assessing the decrease in levy income from the Building and Construction Industry.

An actuarial review was conducted by Professional Financial Solutions in July to September 2012. The review points out that the Corporation's funds vested benefits exceeds its Fund Assets and has recommend an increase in the levy rate for the Building and Construction Industry Long Service Payments Fund from .35% to .45%. Should the levy rate be increased the fund would return to surplus in 4-5 years. However should the rate not increase or revenue streams not increase significantly then the fund will remain in a deficit beyond 2016.

(n) New Australian Accounting Standards issued but not effective

The following new Accounting Standards have not been applied and are not yet effective:

- AASB 9 and AASB 2010-7 regarding financial instruments
- AASB 1053 and AASB 2010-2 regarding differential reporting
- AASB 2010-10 regarding removal of fixed dates for first time adopters
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS Manual
- AASB 2011-4 removing individual key management personnel disclosures
- AASB 13 and AASB 2011-8 regarding fair value measurement
- AASB 119, AASB 2011-10 and AASB 2011-11 regarding employee benefits
- AASB 2011-9 regarding presentation of items of other comprehensive income
- AASB 2011-12 regarding Interpretation 20

## 2. Expenses Excluding Losses

### (a) Personnel services expenses

The Corporation receives personnel services from the Department of Finance and Services to resource the Corporation. The Corporation recognises the relevant employee related expenses associated with this arrangement as follows:

	2012	2011
	\$'000	\$'000
Salaries and wages (including recreation leave)	4,916	4,329
Salaries - voluntary redundancy	227	-
Superannuation – defined benefit plans *	6,110	(40)
Superannuation – defined contribution plans	313	281
Long service leave	605	180
Payroll tax and fringe benefits tax	262	256
Other expenses	15	16
<b>Total personnel services expense</b>	<b>12,448</b>	<b>5,022</b>

\* Superannuation – defined benefit plans

Defined benefit plans – contributions	278	281
Defined benefit plans – liability adjustments	5,832	(321)

\* Total Superannuation – defined benefit plans

<b>6,110</b>	<b>(40)</b>
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Superannuation net actuarial losses of \$6.3 million (\$0.13m in 2010-11) in respect of personnel who are members of defined benefit superannuation plans, are recognised directly in the Net Result. The increase in the net actuarial loss over the previous reporting period is mainly due to a substantial reduction in the discount rate used to determine the present value of the defined benefit obligations. The rate reduced from 5.28% at 30 June 2011 to 3.04% at 30 June 2012.

**(b) Other operating expenses including the following:**

	2012	2011
	\$'000	\$'000
Auditors remuneration - audit of financial statements	62	62
Long Service expense		
Claims paid	67,927	59,290
Liability Expense	11,010	5,190
	<b>78,937</b>	<b>64,480</b>
Operating Lease rental expense		
- minimum lease payment	351	348
Insurance	8	8
Consultants	56	37
Contractors	431	614
Computing	646	493
Marketing	43	64
Travel	34	48
Occupancy - outgoings, electricity cleaning and maintenance	172	278
Long Service Levy commissions	512	574
Services agreement	177	172
Other administrative expenses	933	745
<b>Total other operating expenses</b>	<b>82,362</b>	<b>67,923</b>

**(c) Depreciation and amortisation expense**

Depreciation		
- Plant and equipment	38	29
- Computer equipment	3	5
- Motor vehicles	20	20
- Leasehold improvements	137	138
	<b>198</b>	<b>192</b>
Amortisation		
- Computer software	443	394
	<b>443</b>	<b>394</b>
<b>Total depreciation and amortisation expense</b>	<b>641</b>	<b>586</b>

**(d) Finance costs**

Interest NSW Treasury advance	211	12
Unwinding of discount rate	61,000	29,800
	<b>61,211</b>	<b>29,812</b>

### 3. Revenue

	2012	2011
	\$'000	\$'000
(a) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss - Bank interest	399	523
Interest revenue from financial assets not at fair value through profit or loss - TCorp cash facility	913	305
TCorp Hour-Glass investment facilities designated at fair value through profit or loss - Long Term Growth	(4,301)	45,444
	<b>(2,989)</b>	<b>46,272</b>
(b) Retained taxes, fees and fines		
Long service levy income	86,773	85,559
Long service levy refunds	(6,580)	(1,423)
	<b>80,193</b>	<b>84,136</b>
(c) Other revenue		
Miscellaneous income	2	7
	<b>2</b>	<b>7</b>

### 4. Gain / (Loss) on disposal

Gain / (Loss) on disposal of property, plant and equipment	4	2
	<b>4</b>	<b>2</b>

### 5 Current Assets - Cash and Cash Equivalents

Cash at bank and on hand	14,186	5,113
Short Term Deposit		
TCorp Hour-Glass cash facility	16,927	21,014
	<b>31,113</b>	<b>26,127</b>

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short deposits in the TCorp Hour-Glass cash facility.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	31,113	26,127
Closing Cash and cash equivalents (per statement of cash flows)	<b>31,113</b>	<b>26,127</b>

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. **Current Assets - Receivables**

	2012	2011
	\$'000	\$'000
<b>Current</b>		
Retained taxes, fees and fines	5,191	2,790
Other	56	103
Less: Allowance for impairment	(4)	(10)
Prepayments	98	23
	5,341	2,906
Movement in the allowance for impairment		
Balance at 1 July	(10)	-
Amounts written off	17	2
Amounts recovered	-	-
(Increase) / decrease in allowance recognised in profit and loss	(11)	(12)
Balance at 30 June	(4)	(10)

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. **Non-Current Assets - Financial Assets at Fair Value**

**Non-Current**

TCorp - Hour-Glass long term growth facility	584,909	589,210
	584,909	589,210

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. **Non-Current Assets - Property, Plant and Equipment**

	Plant and Equipment	Leasehold Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2011 - fair value</b>					
Gross carrying amount	286	1,122	318	95	1,821
Accumulated depreciation and impairment	(217)	(539)	(318)	(36)	(1,110)
Net carrying amount	69	583	-	59	711
<b>At 30 June 2012 - fair value</b>					
Gross carrying amount	337	1,122	356	110	1,925
Accumulated depreciation and impairment	(254)	(676)	(321)	(38)	(1,289)
Net carrying amount	83	446	35	72	636

## Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Plant and Equipment	Leasehold Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2012</b>					
Net carrying amount at start of year	69	583	-	59	711
Additions	52	-	38	39	129
Disposals	-	-	-	(25)	(25)
Adjustments for disposals	-	-	-	19	19
Depreciation Expense	(38)	(137)	(3)	(20)	(198)
Net carrying amount at end of year	83	446	35	72	636

### At 1 July 2010 - fair value

Gross carrying amount	286	1,122	318	142	1,868
Accumulated depreciation and impairment	(188)	(401)	(313)	(40)	(942)
Net carrying amount	98	721	5	102	926

### At 30 June 2011 - fair value

Gross carrying amount	286	1,122	318	95	1,821
Accumulated depreciation and impairment	(217)	(539)	(318)	(36)	(1,110)
Net carrying amount	69	583	-	59	711

## Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

	Plant and Equipment	Leasehold Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2011</b>					
Net carrying amount at start of year	98	721	5	102	926
Additions	-	-	-	-	-
Disposals	-	-	-	(47)	(47)
Adjustments for disposals	-	-	-	24	24
Depreciation Expense	(29)	(138)	(5)	(20)	(192)
Net carrying amount at end of year	69	583	-	59	711

## 9. Intangible Assets

### Software

	<b>\$'000</b>
<b>At 1 July 2011</b>	
Cost (gross carrying amount)	2,055
Accumulated amortisation and impairment	<u>(1,826)</u>
Net carrying amount	<u>229</u>
<b>At 30 June 2012</b>	
Cost (gross carrying amount)	2,276
Accumulated amortisation and impairment	<u>(2,270)</u>
Net carrying amount	<u>6</u>
<b>Year ended 30 June 2012</b>	
Net carrying amount at start of year	229
Additions - externally acquired	220
Disposals	-
Adjustments for disposals	-
Amortisation	<u>(443)</u>
Net carrying amount at end of year	<u>6</u>
<b>At 1 July 2010</b>	
Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	<u>(1,432)</u>
Net carrying amount	<u>609</u>
<b>At 30 June 2011</b>	
Cost (gross carrying amount)	2,055
Accumulated amortisation and impairment	<u>(1,826)</u>
Net carrying amount	<u>229</u>
<b>Year ended 30 June 2011</b>	
Net carrying amount at start of year	609
Additions - externally acquired	14
Disposals	-
Adjustments for disposals	-
Amortisation	<u>(394)</u>
Net carrying amount at end of year	<u>229</u>

## 10. Current Liabilities - Payables

	2012	2011
	\$'000	\$'000
<b>Current</b>		
Personnel Services		
- Accrued salaries, wages and on costs	394	121
	394	121
Creditors and other accruals	301	480
Long Service Payments	314	428
Long Service Levy commissions	50	49
	<b>1,059</b>	<b>1,078</b>

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 11. Current / Non Current Liabilities - Borrowings

NSW Treasury Advance	3,294	4,012
Current Liability	758	706
Non Current Liability	2,536	3,306
	<b>3,294</b>	<b>4,012</b>

### Summary of Borrowing Arrangements

The Corporation in November 2010 was granted ministerial approval to borrow \$4 million in support of a start up fund for the Contract Cleaning Scheme. The advance was drawn down on the 10th June 2011 and is for a term of five years repayable half yearly at an interest rate of 5.5% per annum.

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 12. Current / Non-Current Liabilities - Provisions

	Note	2012 \$'000	2011 \$'000
<b>Current</b>			
Other Provisions			
Personnel Services			
- Recreation Leave		425	334
- Long service leave *		2,349	1,792
- Unfunded Superannuation Liability		-	-
	12(a)(i)	2,774	2,126
Scheme Liability	12(b)(i)	453,998	402,500
Provision for Levy Refund	12(c)(i)	4,500	-
		458,498	402,500
		461,272	404,626

The current Other Provisions Personnel Services included \$1.3 million (2011: \$0.9 million) of long service leave entitlements accrued but not expected to be taken within 12 months

The current other provisions includes \$454 million (2011: \$402.5 million) for scheme liability and although this amount represents the value for which the Corporation does not have an unconditional right to defer settlement for at least twelve months, the Corporation only expects to pay claims of \$72 million over the next twelve months.

### Non-current

	Note		
Other Provisions			
Personnel Services			
- Extended Leave		66	45
- Unfunded Superannuation Liability		8,110	2,278
	12(a)(ii)	8,176	2,323
Scheme Liability	12(b)(ii)	286,712	266,200
		286,712	266,200
		294,888	268,523

Aggregate personnel services and related on costs

Payables - Current		2,774	2,126
Payables - Non-Current		8,176	2,323
		10,950	4,449

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

### 12. (a) Provision for Personnel Services

(i)	Current	2,774	2,126
(ii)	Non-Current	8,176	2,323
		10,950	4,449

## Movement in Provision

### 30 June 2012

	<b>\$'000</b>
Carrying amount at beginning of year	4,449
Additional provisions recognised	7,172
Claims paid	(671)
<b>Carrying amount at end of year</b>	<b>10,950</b>

### 30 June 2011

Carrying amount at beginning of year	4,965
Additional provisions recognised	418
Claims paid	(934)
<b>Carrying amount at end of year</b>	<b>4,449</b>

## 12. (b) Provision for Scheme Liability

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
(i) Current	453,998	402,500
(ii) Non-Current	286,712	266,200
	<b>740,710</b>	<b>668,700</b>

## Movement in Provision

### 30 June 2012

	<b>Building and Construction Industry</b>	<b>Contract Cleaning Industry</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at beginning of year	662,700	6,000	668,700
Additional provisions recognised	79,697	(760)	78,937
Claims paid	(67,924)	(3)	(67,927)
Unwinding of discount rate	59,900	1,100	61,000
<b>Carrying amount at end of year</b>	<b>734,373</b>	<b>6,337</b>	<b>740,710</b>

The credit for Additional provisions recognised in the Contract Cleaning Industry was the result of less workers registering in the scheme for the first year. An original estimation of 30,000 workers was provided for in 2011 year. The actual number of active workers registered in the first year was 23,797.

30 June 2011	Building and Construction Industry	Contract Cleaning Industry	Total
	\$'000	\$'000	\$'000
Carrying amount at beginning of year	633,710	-	633,710
Additional provisions recognised	58,480	6,000	64,480
Claims paid	(59,290)	-	(59,290)
Unwinding of discount rate	29,800	-	29,800
<b>Carrying amount at end of year</b>	<b>662,700</b>	<b>6,000</b>	<b>668,700</b>

The *Long Service Corporation Act 2010*, under section 16, requires that actuarial investigations be undertaken to determine the sufficiency of the Funds and the adequacy of the long service levy rates at intervals not exceeding:

- 3 years for the *Building and Construction Industry Long Service Payments Act, 1986*
- 2 years for the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*

***Building and Construction Industry Long Service Payments Act, 1986***

A full actuarial investigation was undertaken by Professional Financial Solutions as at 30 June 2012. Based on this investigation, the actuaries estimated the scheme liabilities to be as follows:

	Note	2012 \$'000	2011 \$'000
AASB Valuation	(i)	734,373	662,700
Accrued Benefit Reserve	(ii)	685,892	639,400
Vested Benefits	(iii)	651,389	600,200

- (i) The AASB Valuation is a calculation of benefits in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets that requires Scheme liabilities, taking into consideration an allowance for unreported service of active workers, to be discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability, rather than the rate of return on the Scheme assets. The financial assumptions used in the actuarial update were: rate of increase in wages 4.0% per annum (2011: 4.0%) and a government bond rate 3.0% (2011: 5.2%).
- (ii) The Accrued Benefit Reserve is the calculation of scheme liabilities, taking into consideration an allowance for unreported service of active workers, and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Benefit Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Fund. The financial assumptions used to calculate the Accrued Benefit Reserve were: rate of increase in wages 4.0% per annum (2011: 4.0%) and a rate of return on assets 7.5% (2011: 7.5%).
- (iii) The Vested Benefit is the amount of benefits payable if service ceased on the valuation date. Workers qualify for a vested benefit if they have attained age 55 and have at least 55 days of accumulated service credits or if they are under 55 and have at least 1,100 days of accumulated service credits.

For the purpose of the above valuations the following numbers of workers were valued:

	2012	2011
Active within last two years	181,175	159,610
Inactive for last two years but active within two prior years	53,003	58,262
Inactive for four or more years	12,914	12,572
Total number of workers considered	<b>247,092</b>	<b>230,444</b>

***Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010***

A full actuarial investigation was undertaken by Professional Financial Solutions as at 30 June 2012. Based on this investigation, the actuaries estimated the scheme liabilities to be as follows:

	Note	2012	2011
		\$'000	\$'000
AASB Valuation	(i)	6,337	6,000
Accrued Benefit Reserve	(ii)	5,163	5,500
Vested Benefits	(iii)	-	-

- (i) The AASB Valuation is a calculation of benefits in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets that requires Scheme liabilities, taking into account the cost of establishing the Fund, the development of a data base, consisting of active workers some with entitlements to foundation credits (predating the 30th June 2011) for workers registered within the first six months of the Scheme's establishment. The scheme liability has been discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability, rather than the rate of return on the Scheme assets. The financial assumptions used in the actuarial update were: rate of increase in wages of 6% in the first year and then 4.0% per annum thereafter (2011 4.0%) and a government bond rate 3.0% (2011 5.2%).
- (ii) The Accrued Benefit Reserve is the calculation of scheme liabilities, taking into consideration the items mentioned in (i) above and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Benefit Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Fund. The financial assumptions used to calculate the Accrued Benefit Reserve were: rate of increase in wages of 6% in the first year then 4.0% per annum thereafter (2011 4%) and a rate of return on assets 7.5% (2011 7.5%).
- (iii) The Vested Benefit is the amount of benefits payable if service ceased on the valuation date and the worker has more than five years eligible service (including service prior to the commencement date). As workers do not become eligible for benefits until they have five years of service and the fund commenced on the 1st July 2011, there are no Fund vested benefits as at 30 June 2012.

For the purpose of the above valuations the following numbers of workers were valued:

	2012	2011
Active	23,797	30,000
Total number of workers considered	23,797	30,000

**12. (c) Provision for Levy Refund**

	2012	2011
	\$'000	\$'000
(i) Current	4,500	-
(ii) Non-Current	-	-
	4,500	-

**Movement in Provision**

**30 June 2012**

	2012
	\$'000
Carrying amount at beginning of year	-
Additional provisions recognised	11,080
Claims paid	(6,580)
<b>Carrying amount at end of year</b>	<b>4,500</b>

The Corporation has an obligation under section 42 of the *Building and Construction Industry Long Service Payments Act 1986* to refund monies where, upon application by in the approved form, it considers the cost of erection of the building is less than previously determined.

The liability is determined from assumptions based on past experience of the Corporation's calculation of levy refunds resulting from requests for redetermination of the leviable costs. The provision is based on an analysis of levies paid where the value of works were significant and no determination or refund requests had been received to date.

There is a degree of uncertainty surrounding the timing of refund requests. However based on past experience of the Corporation and discussions with major levy payers there is a high likelihood that there will be an economic outflow of funds from the Corporation within the next twelve months.

### 13. Commitments for expenditure

2012	2011
\$'000	\$'000

#### (a) Capital Commitments

Aggregate capital expenditure for the acquisition of plant and equipment contracted for at balance date and not provided for:

Not later than one year	-	22
Total (including GST)	-	22

The total capital commitments above include input tax credits of \$Nil (2011: \$2,000) that are expected to be recoverable from the ATO.

#### (b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	419	476
Later than one year and not later than five years	798	1,562
Later than five years	-	-
Total (including GST)	1,217	2,038

The total operating lease commitments above include input tax credits of \$111,000 (2011: \$164,000) that are expected to be recoverable from the ATO.

#### (c) Other Expenditure Commitments

Not later than one year	-	206
Later than one year and not later than five years	-	92
Total (including GST)	-	298

The total operating lease commitments above include input tax credits of \$Nil (2011: \$27,000) that are expected to be recoverable from the ATO.

### 14. Contingent Liabilities and Contingent Assets

There were no known contingent assets and liabilities as at balance date.

## 15. Budget Review

### Net result

The actual net result was lower than budget by \$105.8 million, primarily due to the following:

	<b>2012</b>
	<b>\$'000</b>
• Negative return on TCorp long term growth facility	(51,817)
• Reduced collection of levies from both Schemes	(21,507)
• Decreased claims paid and other expenses	28,523
• Increased Scheme expense due to unwinding of discount rate	(61,000)
	<u>(105,801)</u>

### Assets and liabilities

Total assets were lower than budget by \$70.6 million and total liabilities exceeded the budget by \$35.7 million. This resulted in a net increase in the Corporation's deficit by \$106.3 million over budget. This was primarily due to the following:

• Decrease in the fair value and the non derivation of income from the TCorp long term growth facility	(84,066)
• Increase in Scheme and employee benefit provisions due to decline in discount factor	(38,282)
• Increases in cash, receivable, plant and equipment	15,963
	<u>(106,385)</u>

### Cash flows

Cash availability increased by \$13.7 million over budget, this was primarily due to the following:

Reduction in cash flows from operating activities due to:

• decline in levy income collected primarily to the downturn in the building and construction industry	(15,516)
• increase in scheme payments and operating expenses	(3,897)
• better than expected returns from bank interest and miscellaneous items	730

Reduction in cash flows from investing activities due to:

• lower than expected Capital Expenditure	194
• lower than expected purchase of TCorp investments	32,248

13,759

## 16. Reconciliation of Cash Flows from Operating Activities to Net Result

	2012	2011
	\$'000	\$'000
Net result	(79,452)	27,074
Plus/(minus) non-cash items:		
Depreciation and amortisation	641	586
Investment (gains) / losses	4,301	(45,444)
Long service payments liability expense	10,896	5,190
Provision for Levy refund	4,500	-
Finance costs	61,000	29,812
Net (profit) on disposal of plant and equipment	(4)	(2)
Change in asset and liabilities:		
(Increase)/decrease in receivables	(75)	852
Increase/(decrease) in payables	(2,265)	185
Increase/(decrease) in provisions	6,501	(473)
Net cash flows from operating activities	<b>6,043</b>	<b>17,780</b>

## 17. Fund information

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2012	2011	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>							
Operating expenses							
Personnel services expenses		11,767	5,022	681	-	12,448	5,022
Other operating expenses		82,605	61,688	(243)	6,235	82,362	67,923
Depreciation and amortisation		502	586	139	-	641	586
Finance costs		59,900	29,800	1,311	12	61,211	29,812
<b>Total expenses excluding losses</b>		<b>154,774</b>	<b>97,096</b>	<b>1,888</b>	<b>6,247</b>	<b>156,662</b>	<b>103,343</b>
<b>Revenue</b>							
Investment revenue		(3,222)	46,272	233	-	(2,989)	46,272
Retained taxes, fees and fines		72,515	84,126	7,678	10	80,193	84,136
Other revenue		2	7	-	-	2	7
<b>Total Revenue</b>		<b>69,295</b>	<b>130,405</b>	<b>7,911</b>	<b>10</b>	<b>77,206</b>	<b>130,415</b>
Gain/(loss) on disposal		4	2	-	-	4	2
<b>Total comprehensive income</b>		<b>(85,475)</b>	<b>33,311</b>	<b>6,023</b>	<b>(6,237)</b>	<b>(79,452)</b>	<b>27,074</b>

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	5	23,423	22,117	7,690	4,010	31,113	26,127
Receivables	6	3,325	2,905	2,016	1	5,341	2,906
<b>Total Current Assets</b>		<b>26,748</b>	25,022	<b>9,706</b>	4,011	<b>36,454</b>	29,033
<b>Non-Current Assets</b>							
Financial assets at fair value	7	584,909	589,210	-	-	584,909	589,210
Property, plant and equipment	8	636	711	-	-	636	711
Intangible assets	9	6	229	-	-	6	229
<b>Total Non-Current Assets</b>		<b>585,551</b>	590,150	-	-	<b>585,551</b>	590,150
<b>Total Assets</b>		<b>612,299</b>	615,172	<b>9,706</b>	4,011	<b>622,005</b>	619,183
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	10	894	842	165	236	1,059	1,078
Borrowings	11	-	-	758	706	758	706
Provisions	12	461,158	403,426	114	1,200	461,272	404,626
<b>Total Current Liabilities</b>		<b>462,052</b>	404,268	<b>1,037</b>	2,142	<b>463,089</b>	406,410
<b>Non-Current Liabilities</b>							
Borrowings	11	-	-	2,536	3,306	2,536	3,306
Provisions	12	288,540	263,723	6,348	4,800	294,888	268,523
<b>Total Non-Current Liabilities</b>		<b>288,540</b>	263,723	<b>8,884</b>	8,106	<b>297,424</b>	271,829
<b>Total Liabilities</b>		<b>750,592</b>	667,991	<b>9,921</b>	10,248	<b>760,513</b>	678,239
<b>Net Assets</b>		<b>(138,293)</b>	(52,819)	<b>(215)</b>	(6,237)	<b>(138,508)</b>	(59,056)
<b>EQUITY</b>							
Accumulated funds		<b>(138,293)</b>	(52,819)	<b>(215)</b>	(6,237)	<b>(138,508)</b>	(59,056)
<b>Total Equity</b>		<b>(138,293)</b>	(52,819)	<b>(215)</b>	(6,237)	<b>(138,508)</b>	(59,056)

## 18. Financial instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the internal auditors on a regular basis.

### (a) Financial instrument categories

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2012 \$'000</b>	<b>Carrying Amount 2011 \$'000</b>
Cash and cash equivalents	5	N/A	31,113	26,127
Receivables *	6	Receivables (at amortised cost)	52	93
Financial Assets at fair value	7	At fair value through profit or loss	584,909	589,210

\* Excludes statutory receivables and prepayments

<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2012 \$'000</b>	<b>Carrying Amount 2011 \$'000</b>
Borrowings	11	Financial liabilities measured at amortised cost	3,294	4,012
Payables *	10	Financial liabilities measured at amortised cost.	1,059	1,078

\* Excludes statutory payables

**(b) Credit risk**

Credit risk arises when there is a possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables and deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the state.

**Cash**

Cash comprises cash on hand, cash at bank and deposits in the Hour-Glass cash facility. Interest on cash at bank is earned at 0.5% less than the cash rate. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

**(c) Liquidity risk**

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Corporation does not have any credit standby arrangements and has borrowings of \$4 million from NSW Treasury at 5.5% per annum. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, if trade terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers the Treasurer's Direction NSW TC 11/12 allows the Minister to award interest for late payment.

The table below summaries the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

	Nominal Amount	Interest Rate Exposure	Maturity Dates		
			<1 yr.	1-5 yrs.	>5 yrs.
<b>2012</b>					
Borrowings	3,294		928	2,787	-
Payables	1,059	Non Interest Bearing	1,059	-	-
<b>2011</b>					
Borrowings	4,000	5.5% per annum non variable	928	3,715	-
Payables	529	Non Interest Bearing	529	-	-
Other payables	4,570	Non Interest Bearing	4,570	-	-

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2011. The analysis assumes that all other variables remain constant.

**Interest rate risk**

The Corporation's exposure to interest rate risk arises primarily through interest bearing assets. A reasonable possible change of +/- 1% has been used, consistent with current trends in interest rates, resulting in a potential change to profit or loss of +/- \$142,000 (2011: +/- \$51,000). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

### Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2012	2011
			\$'000	\$'000
Cash Facility	Cash, money market instruments	Up to 1.5 years	16,927	21,014
Long-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	584,909	589,210

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Corporation's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on Net Result (rather than equity). A reasonably possible change is based on the percentage change in the unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit price	2012 \$'000	2011 \$'000
Hour Glass Investment – Cash facility	+/-1%	169	210
Hour Glass Investment – Long-term growth facility	+/-15%	87,736	88,381

**(e) Fair Value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Corporation's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

Except where specified below, the amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

There are no financial instruments where the fair value differs from the carrying amount.

**(f) Fair Value recognised in the statement of financial position**

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Derived from quoted prices in active markets for identical assets / liabilities
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2011 Total \$'000
<b>Financial assets at fair value</b>				
TCorp Hour Glass Facility	-	584,909	-	<b>589,210</b>
Total	-	584,909	-	<b>589,210</b>

The table above only includes financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the period ended 30 June 2012.

**19. After balance date events**

Subsequent to balance date there was a change in ministerial responsibilities. On 12 September 2012 Administrative Orders were published which transferred the legislation of the Corporation from the Department of Finance and Services Cluster to the Treasury Cluster. There are no financial impacts as a result of the change.

**End of Audited Financial Accounts**

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# Appendix 1

## Chief and Senior Executive Performance Statements – SES and Above

**Michael Coutts-Trotter**

Director General and Chief Executive Officer

**Total remuneration package:** \$499,600

**Performance pay:** Nil

**Period in position:** 4 April 2011 to 30 June 2012

During the 2011/2012 financial year, the CEO was responsible for overseeing the following major initiatives:

- The operational implementation of the new Contract Cleaning Industry Portable Long Service Scheme which commenced on 1 July 2011.
- A capacity review and restructure process for the Corporation enabling the Corporation to be more flexible and scalable to allow for the management of multiple schemes
- Development and upgrade of the Corporation website to better reflect the needs of its customers and simplify the way information is presented
- Development of user requirements for the introduction of an online claims facility to be delivered in the 2012/13 financial year
- Advised on remaking of Regulations under the Building and Construction Industry Long Service Payments Act 1986. The new regulations became effective on 1 September 2011
- Provided advice and recommendation to the Minister on entitlements

Signed

**Hon Greg Pearce**

Minister for Finance and Services

# Appendix 2

## Key Performance Indicators for Provision of Services

Service	Target	Results
Turnaround of long service payment applications	Will be processed within 10 working days. While applications are under investigation, applicants will be kept informed of progress at 10-day intervals from the application lodgement date.	84% within 10 days
Turnaround of objections to accuracy of records	Acknowledgements will be posted within 10 working days. While objections are being investigated, workers will be kept informed of progress at 42-day intervals from the original receipt date.	Achieved
Turnaround of applications for partial exemptions from payment of levies	Applications will be processed within three working days.	Achieved – 2.4 days
Turnaround of applications for refund of levy	Will be processed within 10 working days after monies have been received.	Achieved – 3.6 days
Answering of calls to the 13 14 41 Helpline	80% of calls will be answered within two minutes.	49% within 2 minutes
Turnaround of written enquires and worker and employer applications for registration.	A written response or acknowledgement of receipt will be posted within 10 working days. Where a matter remains unresolved after 10 working days, a letter will be issued advising progress at 42-day intervals from the original receipt date.	Achieved

### What if Customers Have any Problems or Suggestions?

Most matters can be resolved directly with the staff member providing assistance to the customer. This is the first action taken, but if unsuccessful or not considered appropriate, customers can ask to speak with the officer's manager or contact the Corporation's Executive Officer.

### The Customer Council

The independent Building and Construction Industry Long Service Payments Committee and the independent Contract Cleaning Industry Long Service Leave Committee both act separately as the Customer Council for the LSC. The Customer Council monitors the current level of service performance, advises on new or modified services, recommends performance indicators of service quality and advises on client needs.

Customers wishing to make suggestions to the Building and Construction Industry Long Service Payments Committee or the Contract Cleaning Industry Long Service Leave Committee regarding services can contact the Committee Secretary.

### Building and Construction Industry Appeals Against Decisions by the Corporation

Sections 49-54 of the *Building and Construction Long Service Payments Act 1986* empower the Building and Construction Industry Long Service Payments Committee to determine appeals lodged by workers, employers and levy payers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved.

### Contract Cleaning Industry Appeals Against Decisions by the Corporation

Sections 77-84 of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* empower the Contract Cleaning Industry Long Service Leave Committee to determine appeals lodged by workers and employers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved.

# Appendix 3

## Consumer Response

The Corporation implements a variety of customer feedback tools to help monitor customer service satisfaction.

Surveying the Corporation's customers plays an important role in the Corporation's overall marketing and communication strategy. Findings from these surveys are used to develop and deliver material that increases employers' understanding of their obligations and workers' knowledge of their entitlements.

Below is an overview of the surveys undertaken during the 2011/12 financial year.

### Survey of Employers Audited During 2011/12

This survey had a 52% response rate, which is above the average expected. The levels of satisfaction expressed by respondents were very high in relation to their audit experience.

100% of respondents reported that audits were conducted in a professional manner. 73% of those audited said the Inspector was very helpful in answering questions on the scheme.

All issues raised during the audit were followed up and 93% of respondents believe they now have a better understanding of the scheme and their obligations as a result of the visit.

### Website Redesign, User Workshops

Separate workshops were held for each of the industry groups to explore the user needs and expectations for the website. The following target user groups included:

- Building & Construction industry:
  - Employers
  - Employees
  - Tax agents
- Contract Cleaning industry:
  - Employers
  - Employees

In general, the groups expressed that they were comfortable using different forms of technology, as well as spending a considerable amount of time on the computer and the internet. The preferred source of communication was desktop devices rather than mobile devices. Most participants indicated they wanted their transactions completed in as short a time as possible and that they were very 'task oriented', only interacting with the Corporation to complete various online tasks.

Participants indicated that they prefer to use the website as the first point of reference to complete transactions and find information. If the website did not provide a solution to their problem, they would then call the Helpline. The interactions between the participants and the Helpline staff were also explored and participants praised the helpfulness and efficiency of staff in helping them complete their tasks or answer questions.

Overall, perceptions of the Corporation were very positive and participants identified staff as being helpful, friendly, useful, supportive and easy to interact with.

A summary of the recommendations for the redesign of the website were:

- The new site should maintain the design simplicity and uncluttered format, but aim to improve the visual aesthetics by including better imagery of people, to give the website a more personalised look and feel.
- Simplify the menu options displayed and include quick access/navigation directly to key tasks, including access to online tools.
- Inclusion of a search function.
- Inclusion of news items on the home page/industry home pages, e.g. changes in laws.
- More prominent display of contact details.
- Use of language suitable for the industry at which it is targeted.
- The website should render correctly on mobile devices however responsive design or a separate mobile site is not required as a key focus for the first phase of the redesign.

The recommendations from the user group workshops were paramount to the decisions made during the redesign of our website. The new user-friendly website with its fresh modern look is due to be launched on 1 August 2012.

# Appendix 4

## Marketing and Communication Activities

Marketing and communication activities are part of the Corporation's overall business strategy and these activities are designed to increase understanding of employer obligations and worker entitlements.

Advertisements appeared in trade journals and various newspapers to advise all industry employers of their obligations. Throughout the year, staff presented to members of trade associations including the Housing Industry Association, Master Builders Association, Master Painters Association and Master Plumbers Association. Staff also provided information services to many workers at the annual Building Trades Group of Unions picnic and conducted a number of information seminars for union organisers and delegates.

The Corporation's Marketing Plan highlights the importance of developing effective relationships with industry organisations and the benefits of those relationships for promoting our message. Therefore, some of our marketing budget was allocated for sponsorship of selected industry events including the Master Plumbers Association's Clarrie Wymer Awards.

The Corporation also continued its sponsorship of the Excellence in Training Awards for building trades students from TAFE colleges across NSW. This sponsorship promotes awareness of the scheme to apprentices in the industry and to their employers.

## Customer Complaints

Only one complaint was received during the year. It related to the perceived manner a customer was spoken to over the phone. The complaint was handled and resolved by the Assistant Director Operations.

## Legislative Change

Of note this financial year was the remaking of Regulations under the *Building and Construction Industry Long Service Payments Act 1986*. The Regulations were re-made and some minor changes implemented. The changes deal with the following:

- (a) the definition of standard pay,
- (b) the circumstances in which a registered worker does not accumulate a service credit,
- (c) the retirement age for certain workers,
- (d) the circumstances in which a long service levy is not payable in respect of the erection of a building (these include where the cost of erecting the building is less than \$25,000, or where the building is erected for a statutory body or a non-profit organisation),
- (e) the rates of long service levies based on the cost of erecting the building concerned,
- (f) the records to be kept by employers about their workers, and the particulars to be contained in those records.

The new Regulations became effective 1 September 2011.

# Appendix 5

## Government Information (Public Access) Act 2009

### Obligations Under the GIPA Act

#### 1. Review of proactive release program - Clause 7(a)

A review of the Corporation's procedures and practices under section 7 of the Act was conducted on 25 May 12. The Corporation has six section managers as Right to Information Officers (RIO) plus two Senior RIOs and an Executive RIO for the actioning of requests.

A policy is in place and staff are trained accordingly. The Corporation's Agency Information Guide is on the website.

The Long Service Corporation received three requests for information this financial year. Two were granted under the open access provision and no information was held on the third.

Clients are encouraged to make direct contact with the Corporation if they wish to review their records. This service is supplied free of charge and does not require an application under the Act.

#### 2. Number of Access Applications Received – Clause 7(B)

During the reporting period, our agency received a total of three formal access applications (including withdrawn applications but not invalid applications).

#### 3. Number of Refused Applications for Schedule 1 Information - Clause 7(c)

During the reporting period, our agency refused no formal access applications because the information requested was information referred to in Schedule 1 to the GIPA Act.

Table A: Number of applications by type of applicant and outcome\*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	1	2	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	2	0	0	1	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

\* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	3
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	3

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

## Appendix 6

### Privacy and Personal Information Protection Act

In accordance with Section 33 of the *Privacy and Personal Information Protection Act 1998*, a Privacy Management Plan is in place and a copy provided to the Privacy Commissioner. No applications have been received for internal review of conduct under Part 5 of the *Privacy and Personal Information Protection Act*. A statement of data collected, data source, purposes and authority for collection of personal data was also supplied to the Privacy Commissioner.

Induction of new staff has included training on policies and guidelines for protecting personal information and privacy, particularly on the Helpline.

The Corporation's formal complaint mechanism encompasses situations where customers have grievances in respect of requirements of the *Privacy and Personal Information Protection Act*. Customers in this position may lodge formal grievances and these are then addressed in accordance with the legislation requirements.

## Appendix 8

### Womens Action Plan

#### Scheme

The Corporation's legislation requires delivery of long service benefits to the building and contract cleaning industries in NSW. Benefits are equally available to male and female workers. There are provisions to help preserve a woman's registration when pregnant.

#### Staff

The Corporation has continued its flexible work time agreement which offers a wide bandwidth, no core time and provides for up to three flexi-days in a six week period to assist staff in meeting their work and family commitments. Seven female officers worked in part-time leave without pay arrangements to assist in returning to work after maternity leave.

## Appendix 7

### Disability Plan

This year, 992 grants of service were approved valued at \$415,252 and 324 long service payments were made totalling \$1,037,387 to members who became incapacitated and were forced to leave the building & construction industry.

# Appendix 9

## Ethnic Affairs Priority Statement

The Corporation is committed to the principles of multiculturalism as outlined in the *Community Commission and Principles of Multiculturalism Act 2000*. Progress against key result areas is shown below:

Key result area	Achievements
Social Justice  Providing efficient and equitable schemes of portable long service benefits to eligible workers	<ul style="list-style-type: none"> <li>• A telephone translation service and some staff fluent in community languages are available. This service is promoted to the industry and workers through various information materials and to callers on the Helpline experiencing language difficulties.</li> <li>• Information about the Schemes has been translated into 15 community languages and has been made available on the website.</li> <li>• An information sheet in 15 languages, on the availability of the translation service and how to respond to the Annual Statement of Recorded Service was forwarded to 250,000 building and construction workers together with their annual statements.</li> <li>• The Corporation's legislation includes requirements for employers to register their workers ensuring those with reduced English proficiency have access to the scheme.</li> <li>• Information in 15 community languages is included on the reverse of letterheads.</li> <li>• A community languages advertising strategy includes advertisements promoting key employer obligations and worker information appears in community language newspapers.</li> </ul>
Corporation staff	<ul style="list-style-type: none"> <li>• Merit based principles are utilised for recruitment.</li> <li>• A Community Language Allowance Scheme is in place and staff are encouraged to obtain accreditation for community languages most used in the building and cleaning industries. The Corporation also has access to the Compensation Authority Staff Division NSW Community Language Allowance Scheme qualified officers.</li> <li>• Training and access to career development opportunities are available to staff. Target groups participated in training and career development opportunities.</li> <li>• The Corporation's two offices have designated quiet areas that can be used for religious practices.</li> <li>• The PSA and the Corporation are signatories to a Dignity and Respect in the Workplace Charter.</li> </ul>

Due to the nature of our work there are limited opportunities to introduce additional initiatives relating to multiculturalism. However, it is important to note that as a related entity of DFS, the Corporation was covered by their Multicultural Policies and Services Program Plan 2010-2014.

The future strategic direction of the Ethnic Affairs Priority Statement is to monitor, review and improve the effectiveness of the advice and services to workers from all cultural groups.

# Appendix 10

## Program Evaluation

A three-year audit plan is maintained and reviewed annually.

The audit approach has a strategic and risk focus, and provides an audit presence in the three core business areas.

Other functions are audited on a regular basis. The core business areas subject to audit are worker service register, levy revenue and long service payments, with effective management controls in place in all areas.

Deloitte Touche Tohmatsu is the Corporation's internal service provider for internal audit. Deloitte Touche Tohmatsu has provided the Corporation with a revised three year risk base audit plan. 2011/12 was the third year of the plan and three internal audit report activities were conducted during the year, Review and update of the Corporation's Risk Register, Review of the implementation of the Contract Cleaning Industry Scheme and Levies, and Worker Registration & Claims.

Recommendations for improvements were noted and accepted and there have been no adverse findings from the audit program. In this financial year the Corporation was part of the DFS Audit and Risk Committee Related Entities Subcommittee.

# Appendix 11

## Internal Audit and Risk Management Attestation for the 2011/2012 Financial Year for the Long Service Corporation

I, Michael Coutts-Trotter, Chief Executive of the Long Service Corporation am of the opinion that the Long Service Corporation has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in the Public Finance and Audit Act (where relevant) and/or Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Michael Coutts-Trotter am of the opinion that the internal audit and risk management processes for the Long Service Corporation depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) the Long Service Corporation has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
Core Requirement 2: An Audit & Risk Committee has been established	<ul style="list-style-type: none"> <li>• Full compliance with TPP09-05 would put an unreasonable administrative and cost burden on the entity.</li> <li>• A review of the Department of Finance &amp; Services cluster arrangements for Audit &amp; Risk Committees was conducted to ensure that smaller related entities were relieved of the cost burdens of supporting their own Audit &amp; Risk Committees and to provide an equivalent coverage of their obligations under TPP09-05 through the sharing of the Department's resources. Consequently, the Long Service Corporation is clustered with the Department of Finance &amp; Services Audit &amp; Risk Committee (DFS ARC). The DFS ARC is compliant to Core Requirement 2 of TPP 09-05 and has attested compliance to this Core Requirement in its Attestation Statement.</li> </ul>

I, Michael Coutts-Trotter am of the opinion that the Audit and Risk Committee for Department of Finance & Services is constituted and operates in accordance with the independence and governance requirements of the Public Finance and Audit Act (where relevant) and/or Treasury Circular NSW TC 09/08.

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the Long Service Corporation to understand, manage and satisfactorily control risk exposures.

As required by the Policy, I have submitted an Attestation Statement outlining compliance with exceptions with the Policy to the Treasury.

A handwritten signature in black ink, appearing to read 'M. Coutts-Trotter', with a long horizontal flourish extending to the right.

Michael Coutts-Trotter  
Chief Executive  
Long Service Corporation

Date: 17.8.12

# Appendix 12

## Insurances and Risk Management

### Insurance

Insurance was through the NSW Treasury Managed Fund and coverage was as follows:

- Workers compensation – as per the NSW workers compensation legislation
- Property – “new for old” full replacement including consequential increased costs of operation as a direct result of the physical loss or damage sustained to protected properties
- Public liability – all legal liabilities (for which the Corporation can be sued)
- Motor vehicle – full comprehensive
- Miscellaneous risk – personal accidents (non-workers compensation); overseas travel; fidelity; etc.

### Workers Compensation

A total of four claims were lodged during this financial year at a cost of \$71,754. All claims have been finalised.

### Risk Management

The Corporation faces risk in respect of possible internal and external fraud, potential impact of fire, other related interruption or the failure of computer equipment. Procedures are in place to minimise the impact of such risks, while systems are regularly reviewed through a cycle of risk-focused internal audits. The Corporation also regularly reviews its internal control and check systems to ensure they continue to be aligned with business objectives and risk management strategies.

In accordance with the Australian and New Zealand Standard 4360:2004 and ISO31000 Standard, an Audit Plan is in place. Existing risk management activities were identified through the following techniques:

- Interviews with senior management and key operational staff
- Review of previous internal audit reports and findings
- Review of selected Corporation policies, procedures and organisational charts
- Review of relevant legislation

A Risk Management Plan was distributed in March 2010. The Plan's philosophy and approach to risk management reflects the following:

- Adherence to Australian and New Zealand Standard 4360:2004 Risk Management (ISO31000: 2009)
- Ensuring the Corporation adopts a positive organisational structure that promotes risk management as part of everyday decision making and supports the acceptance, communication and management of appropriate risks at all levels
- The creation of an Operational Risk Management Group to oversee and monitor governance and risk control issues affecting the operations of the Corporation. The Group reports findings and feedback through a Senior Management Group to the Department of Finance and Services Related Entities Sub-Committee
- The Corporation remains accountable to its stakeholders and is seen as a transparent entity within the relevant industries, while taking due consideration of political and social implications and ensuring accountability in its operations
- The creation of a Risk Management Register from a risk tolerance matrix with a system of periodic reviews (Risk Management Register was updated in January 2012)
- The monitoring of the effectiveness of risk minimisation strategies through assessment as part of the internal audit process

## Business Continuity Plan

An internal audit of the Business Continuity and Disaster Recovery Plans identified several issues of concern, mainly of a moderate nature.

As a result of the audit's findings the Corporation commissioned a consultant for the development of an integrated Crisis Management Plan (CMP) and Business Continuity Plan (BCP).

The CMP/BCP documentations are based on Australian/New Zealand Standards and where appropriate, within the guidelines set down by APRA and other relevant authorities.

The principal objectives for the plans are that they:

- are developed in the context of the Corporation's specific needs and environment;
- cover all major activities – not just information systems;
- identify all major threats, hazards and key business continuity risks;
- include an impact analysis of key risks;
- recognise all key business processes and their dependencies;
- document maximum acceptable outages for key processes;
- identify controls that reduce continuity risk; and
- include an ongoing monitoring plan to test controls for continuity and recovery processes.

The CMP was tested during the year leading to refinements. A test of the recovery components is scheduled for early 2012/13. A reciprocal agreement with the Compensation Authority Staff Division was reached during the year on the sharing of facilities in a disaster situation.

Duplicate stores of brochures and worker/employer related scheme stationery are maintained, while supplies of significant forms are retained at a third party site. This will assist in business resumption in the event of a major disruption. An invaluable source of company knowledge in the event of disruption, the Intranet contains procedures and policies for all business processes (images of a variety of worker documents etc), worker annual statements, industry committee worker appeal considerations and legal documentation on scheme issues and administration.

# Appendix 13

## Waste Reduction and Purchasing Plan

Paper-based materials including mail-outs are used to provide information and to communicate with workers and employers. The move to recycling has been actively supported for many years and Australian-made recycled paper is used wherever possible. All envelopes used are a minimum of 60% recycled paper and all printer toner cartridges are also recycled. Waste paper products are disposed of in either the secure or general collection bins provided for regular collection and recycling, and records received are imaged and forwarded electronically for processing. The Corporation uses TRIM for records management purposes and is progressively imaging and cataloguing existing records.

### Electronic Service Delivery

The Corporation has implemented a variety of initiatives to improve services and reduce the administrative burden in relation to compliance by employers, workers and levy payers.

Our online services allow employers to meet their legislative obligations. Feedback from employers has been positive. Building and construction workers are able to check their records, update their contact details and notify changes to personal information. An online facility for cleaning workers is anticipated in 2012/13.

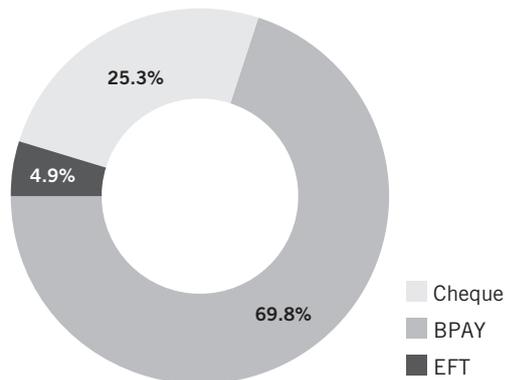
93% of building and construction workers' service advice from employers is online, with the remaining recorded from paper returns processed via optical character recognition. 98.7% of contract cleaning workers' service advice from employers for the quarter ending 31 March 2012 were lodged online.

This has resulted in significant savings, both environmentally and economically.

Since April 2009 building and construction levy payers can pay their levy online on the Corporation's website, besides using collection agents, local councils, or via cheques to the Corporation. In 2011/12 the Corporation received 13,242 payments via this method. This represents 75% of direct payments to the Corporation. Local Councils electronically lodge their month end returns.

Contract cleaning employers can pay their levy by BPAY, electronic funds transfer or cheque.

% of Payments for Contract Cleaning Scheme



Electronic funds transfer (EFT) for building and construction long service payments to workers and administrative expenses has been in place for many years and over 97% of building and construction payments are now made by EFT. 100% of Contract Cleaning Scheme reimbursements were by EFT.

On 1 July 2011, a new facility was introduced to allow tax agents to lodge service online for self employed workers in the building and construction industry. 1437 tax practitioners have registered with 16.5% of self employed service recorded using this method.

The Corporation's website continues to provide access to most Scheme forms and information material (including community language material).

## Appendix 14

### Government Energy Management Policy

In November 2008, the Corporation's head office relocated within Gosford. As part of the office fit-out, Department of Commerce were commissioned to oversee the process and ensure energy management requirements were met. Due to the change in circumstances, no appropriate historical data is available to evaluate potential savings.

Energy reduction strategies that are in place include:

- Computer and photocopying equipment with sleep modes, if not in use
- Staff procedures to turn off electrical equipment at night or when not in use

The Corporation has only five vehicles and is therefore not subject to the Fleet Environment Improvement Plan. When acquiring vehicles the environmental rate of the vehicle is a primary consideration.

## Appendix 15

### Information Technology

As described in the Corporate Plan 2011-2016, the Corporation is leveraging opportunities to use technology to manage new schemes, improve customer experience and enhance operational management.

The Corporation has a service partnership agreement with Compensation Authorities Staff Division (CASD) NSW to provide information technology and telecommunication infrastructure. The business application systems are being maintained and supported by the internal team in the Corporation. In the coming years more system projects will be launched to facilitate effective management decision and online services, as well as an integrated information system for scheme administration.

## Appendix 16

### Workplace Health & Safety

The Corporation has a Service Partnership Agreement for Human Resources with the Compensation Authority Staff Division (CASD) NSW and Workplace Health and Safety is part of this agreement. CASD assists with managing and reporting in accordance with the Working Together: Public Sector OHS and Injury Management Strategy.

The Workplace Health and Safety Committee consists of management and staff representatives.

Emergency evacuation procedures were reviewed during the year and have been tested and approved. Fire evacuation drills were conducted, which included special procedures for staff with disabilities, and all staff are instructed in emergency procedures on commencement of duties. Fire wardens with appropriate training are appointed at our Gosford and Lidcombe offices.

Under the Employee Assistance Program, Davidson Trahaire Corpsych provides a confidential counseling and assistance scheme for employees and their families and is widely promoted within the Corporation.

# Appendix 17

## Equal Employment Opportunity

Under a Service Partnership Agreement with the Compensation Authorities Staff Division NSW, EEO data is collected regularly for the Premier's Department Workforce Profile. This assists in monitoring EEO performance against NSW Government employment benchmarks for staff from EEO minority groups. The Corporation achieved the established targets for "trends in the representation of EEO groups", with the exception of those whose language first spoken as a child was not English.

The Corporation's two offices are designed to ensure easy access for people with disabilities and have designated quiet areas that can be used for meditation or religious practices.

The Public Service Association of NSW and the Corporation have a Dignity and Respect in the Workplace Charter to reinforce commitment to a workplace that is free from harassment and bullying.

### Trends in the representation of EEO Groups

EEO Group	Benchmark or target %	2010 %	2011 %	2012 %
Women	50	66.7	65.5	63
Aboriginal and Torres Strait Islander Employees	2.6	2.5	2.8	1.6
People whose language first spoken as a child was not English	19	6.1	7.7	6.9%
People with disabilities	n/a	15.6	15.2	16.1%
People with disabilities requiring work-related adjustment	1.5	11.4	12.4	9.4

### Trends in the distribution of EEO groups

EEO Group	Benchmark or target	2010	2011	2012
Women	100	87	89	89
Aboriginal and Torres Strait Islander Employees	100	n/a	n/a	n/a
People from culturally and linguistically diverse backgrounds	100	n/a	n/a	n/a
People with disabilities	100	n/a	n/a	n/a

Note 1: A distribution index of 100 indicates that the centre of the distribution of EEO group salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

Note 2: The Distribution Index is not calculated where the EEO group is less than 20.

# Appendix 18

## Human Resources

Compensation Authorities Staff Division continued to provide human resource services through a Service Partnership Agreement.

### Work practices/industrial relations

A detailed review of the Corporation's structure which has remained largely unchanged since 1996 was conducted during this financial year. This review was necessary to:

- Integrate the Contract Cleaning Industry Portable Long Service Leave and the Building and Construction Industry Long Service schemes.
- Better align positions with business processes and workloads.
- Develop a structure that is scalable and flexible enough to facilitate the introduction of other industry schemes.

- Improve the Corporation's ability to meet customer demands and the objectives of its Corporate Plan.

The Corporation has worked closely with staff and the Public Sector Association throughout the process.

It is expected that a revised structure will be introduced during 2012/13.

### Training and development

The Corporation has a Performance Management Scheme in place. All staff have access to the Compensation Authorities Staff Division Courses and their online training in addition to external courses. Study leave is also available for appropriate courses. All staff attended training this year on correspondence writing which was tailored to the Corporation's needs.

## Staffing Statistics

### Appointments

		2008/09	2009/10	2010/11	2011/12
Non Promotional (Base Grade)	Permanent	0	0	0	0
	Temporary	0	0	0	0
Promotional Positions	Permanent	3	1	3	1
	Temporary	5	2	3	3
Total		8	3	6	4

### Recruitment

	2008/09	2009/10	2010/11	2011/12
Applicants outside the Public Sector	5	2	5	1
Applicants within the Corporation	2	1	0	1
Applicants from other Public Sector Organisations	1	0	1	2
Total	8	3	6	4

## Separations

	2008/09	2009/10	2010/11	2011/12
Resignations Permanent Officers	1	0	0	0
Separations Temporary Officers	2	2	3	0
Transfers within Public Sector	2	0	2	0
Promotions to other Public Sector Organisations	0	1	0	0
Voluntary Redundancy	0	0	0	0
Retirement	2	1	2	0
<b>Total</b>	<b>7</b>	<b>4</b>	<b>7</b>	<b>0</b>

## Chief and Senior Executive Officers

	2008/09	2009/10	2010/11	2011/12
SES Officers/Senior Officers	1	1	1	1
Number of Female SES officers	0	0	0	0
Number of SES officers at Level 5 and above	0	0	0	0

## Comparison of staff levels

	FTE 2008/09	FTE 2009/10	FTE 2010/11	FTE 2011/12
Temporary Contracting Staff	3.3	3	3.3	3
Employees covered by the Crown Employees Award	59	57	54.8	61.69
<b>Total</b>	<b>62.3</b>	<b>61</b>	<b>58.1</b>	<b>64.69</b>

## Appendix 19

### Consultants

The Corporation engaged two consultants during 2011/12 at a total of \$55,631 for the purposes of finance and risk management.

## Appendix 20

### Annual Report Costs

The annual report was produced at a cost of \$5,170.

## Appendix 21

### Annual Report Availability

Copies of Annual Reports are available on the Corporation's website [www.longservice.nsw.gov.au](http://www.longservice.nsw.gov.au).

## Appendix 22

### Other Disclosures

The Corporation has no subsidiaries and has not entered into joint ventures or partnerships with other organisations.

The Corporation does not own real estate property nor was any real estate property disposed of during the year. Officers made no overseas visits during the year. No research or development programs were undertaken. There were no grants made to non-government community organisations. The Corporation does not use or hold credit cards.

Between January and June 2012 no Long Service Corporation officials made public interest disclosures.

As the Corporation's staff were employees of the Department of Finance and Services (DFS) for the entire financial year, the organisation adopted and adhered to DFS' "Fraud and Corruption Internal Reporting Policy". All staff were advised of this policy by means of an introduction by the Director-General of DFS via a pod-cast, brochures, training for senior management and nominated disclosure officers. Further training is planned for remaining staff in the future.

