

FAIRER LABOUR HIRE.
IT'S HOW WE WORK.



ANNUAL REPORT 2020–21



Acknowledgement of Traditional Owners

The Labour Hire Authority acknowledges Aboriginal Traditional Owners of Country throughout Victoria and pays respect to their cultures and Elders past, present, and emerging.

The Labour Hire Authority also recognises that our head office and satellite office are respectively based on the lands of the Dja Dja Wurrung People and the Wurundjeri People. We wish to acknowledge them as Traditional Owners.

Publication and copyright

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The Labour Hire Authority (LHA) is the business name of the Labour Hire Licensing Authority ABN 89 900 498 344.

October 2021

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Accessibility

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RESPONSIBLE BODY DECLARATION

In accordance with the *Financial Management Act 1994* (Vic) (FMA), I am pleased to present the Labour Hire Authority's Annual Report for the period ended 30 June 2021.

A handwritten signature in black ink, appearing to read 'Steve Dargavel', with a stylized, cursive script.

Steve Dargavel

Labour Hire Licensing Commissioner
16 September 2021



YEAR IN REVIEW

ABOUT THE LABOUR HIRE AUTHORITY

The Labour Hire Authority (LHA) is an independent statutory body created by the *Labour Hire Licensing Act 2018* (Vic) (LHL Act).

The Victorian Government established the LHA in 2019 in response to the Victorian Inquiry into the Labour Hire Industry and Insecure Work. The Inquiry uncovered widespread abuse and exploitation of labour hire workers across Victoria.

Mr Tim Pallas MP, Minister for Industrial Relations, is the Minister responsible for the LHA for the period 1 July 2020 to 30 June 2021.

Our vision, purpose and mission define the scope of our activities. These are described in the LHL Act and supporting regulations. The LHA operates within and enforces compliance with this legislation.

Labour Hire Licensing Commissioner Steve Dargavel leads the LHA, assisted by a dedicated team who undertake licensing, education, compliance, and enforcement activities as set out in the LHL Act and Regulations. The Labour Hire Licensing Commissioner is a statutory appointee responsible for administering the LHL Act.



OUR VALUES



We are responsive

We are approachable and provide timely, useful and accurate information.



We act with integrity

We have unbiased and honest interactions and use our powers responsibly.



We are impartial

We are fair and consistent in our application of the law, and consider all relevant facts and fair criteria on merit and without bias.



We are accountable

We fulfil our objectives in a clear, transparent and responsible way.



We are respectful

We respect our stakeholders, colleagues and ourselves.



We demonstrate leadership

We seek to have a positive influence and to empower others.



We respect human rights

We administer the law and deliver decisions, advice and policy that respect and support everyone's human rights.

OUR VISION

THAT ALL LABOUR HIRE WORKERS IN VICTORIA ARE PROTECTED FROM EXPLOITATION.

Our purpose

Our purpose is to improve the transparency and integrity of the labour hire industry and protect workers from exploitation.

Our core regulatory functions

Licensing

We administer the labour hire licensing scheme and:

- publish and maintain a register of licensed labour hire providers and applicants
- grant or refuse licence applications to provide labour hire services in Victoria
- suspend, cancel, or impose conditions on licences.

Educating and collaborating

We educate and collaborate by:

- engaging with our stakeholders
- promoting compliance with relevant laws such as labour hire industry laws and workplace laws
- sharing information with other government regulators and law enforcement agencies
- distributing information about duties, rights and obligations.

Monitoring compliance

We monitor labour hire providers' compliance with relevant laws by:

- gathering information and intelligence
- inspecting documents and records
- issuing notices to comply.

Enforcing compliance

We enforce compliance by:

- investigating suspected breaches of relevant laws by labour hire providers and hosts
- cancelling or suspending licences or introducing licence conditions
- starting civil and criminal proceedings and issuing penalties.

THE JOURNEY TO THE LABOUR HIRE AUTHORITY

The Victorian Government established the labour hire licensing scheme in response to the findings of the independent Inquiry into the Labour Hire Industry and Insecure Work.

The Inquiry received hundreds of written submissions and individual witnesses over 113 hearing sessions. The Inquiry uncovered widespread abuse and exploitation of labour hire workers across Victoria. This mistreatment involved breaches of:

- minimum award rates and workplace law, including underpayment, sham contracting and unlawful deductions from wages
- occupational health and safety law
- superannuation and tax law, including underpaying or non-payment of superannuation
- transport and accommodation laws and minimum standards.

Unscrupulous providers were also undercutting legitimate and honest labour hire businesses by not meeting their legal obligations to their workers and others.

Non-compliance in labour hire, across many industries and occupations, has also been demonstrated in many inquiries at the state and national level.

The Inquiry concluded that conventional regulatory intervention had been ineffective. It recommended establishing a labour hire licensing scheme and a licensing authority to administer the scheme.

Licensing schemes are a common approach around the world to prevent the exploitation of labour hire workers. Schemes are operational in the United Kingdom, Canada, and much of the European Union. In Australia, Victoria, Queensland, South Australia and now the Australian Capital Territory have led the way in establishing labour hire licensing schemes. Western Australia and the Commonwealth of Australia have also indicated they support regulating labour hire.

The Victorian labour hire licensing scheme improves the integrity and transparency of the labour hire industry and protects workers from exploitation. The key elements of the scheme are that:

- labour hire providers must be licensed to operate in Victoria
- hosts (labour hire users) must only use licensed providers
- labour hire providers must comply with workplace laws and report annually on their labour hire activities
- unlicensed providers and hosts using unlicensed providers face significant penalties.

THE YEAR IN REVIEW

LABOUR HIRE LICENSING COMMISSIONER'S REPORT

I am pleased to present the Labour Hire Authority's (LHA) second annual report.

While 2020-21 has continued to be a challenging year due to the coronavirus (COVID-19) pandemic, the LHA has gone from strength to strength. This past year we worked hard to make labour hire fairer, and we made great progress on this journey.

Improving integrity, increasing transparency and preventing exploitation

The labour hire licensing scheme, the application process, and our careful assessment to create a barrier to entry to the labour hire industry means providers must continue to comply with workplace laws. They must also pass a 'fit and proper person' test to maintain their licence.

The job of the LHA is to make sure Victorians can trust and be confident in those responsible for the wages and safety of Victoria's labour hire workers across all industries.

To prevent the exploitation of labour hire workers, the LHA assessed and reviewed 2,435 labour hire licences and applications in 2020-21. This resulted in 9 application refusals, 1 licence suspension, 95 licence cancellations and 95 licence variations.

A further 48 more 'notices of intention to refuse' were issued in June as our licensing and compliance officers continue to make enquiries into non-compliance with workplace laws, such as: payments below award wages, unlawful deductions from wages, breaches of occupational health and safety laws, and not providing workers' compensation.

By investigating and removing providers who are not complying with workplace laws, the LHA is helping prevent harms, including:

- honest providers being unfairly undercut by businesses that do not comply with relevant obligations such as awards, WorkCover and taxation laws
- compliant businesses facing higher WorkCover premiums because of unregistered businesses
- workers missing out on their wages, superannuation, and other entitlements
- the community missing out on revenue that could have contributed to community services like hospitals, schools and roads.

To support our work, we established intelligence sharing relationships with Victorian, interstate and Commonwealth agencies. The LHA has prevented businesses subject to intelligence from entering the industry. Hundreds of applications have been withdrawn and started but not completed. However, not all withdrawn or discontinued applications are because of our investigations, and no inference about any individual should be drawn.

Intelligence sharing helps protect the 606,000 workers supplied by labour hire providers. It also creates a fairer system for ethical providers who have sought a more transparent industry with greater integrity.

The LHA has improved the transparency of the labour hire industry by maintaining a public register of applicants, licensed providers and suspended and cancelled licences. Our register helps host businesses, workers and others find licensed labour hire providers. They can also search by industry.

We launched a service called *Follow my providers* to help hosts ensure they are using licensed providers. This alert service sends users an email and SMS alert when a provider's licence or application status changes. Hosts and others can keep track of changes to providers they have signed up to. This helps them avoid significant penalties for using unlicensed providers and further improves the transparency of the labour hire industry.

This year, the LHA also implemented an online annual reporting process. Annual reporting is a key element of the licensing scheme, which requires all licensed providers to report annually on their labour hire activities over the last 12 months. Annual reporting is another aspect of the licensing scheme that helps the LHA monitor compliance and prevent exploitation.

Learning from the licence application process, the LHA has made the annual reporting process straightforward. We also produced a guide and checklist to help providers gather the information they need to report.

We published our refreshed regulatory approach, which will continue to frame our licensing, compliance, and enforcement priorities in 2021–22. The LHA has worked with providers through the licensing process, delivering information sessions and undertaking worksite inspections to improve understanding of host and provider obligations.

The LHA is also undertaking investigations into providers not complying with workplace laws and exploiting workers through practices such as sham contracting, pyramid contracting and illegal phoenix activity. Within the labour hire industry we refer to these types of practices as complex harms. We also continue to collaborate with Victorian, interstate and Commonwealth regulators and law enforcement agencies to make enquiries about labour hire providers involved in:

- payment below award wages and sham contracting
- serious breaches of occupational health and safety laws and not providing workers' compensation
- illegal phoenix activity, shadow directors' money laundering and breaches of tax law
- human trafficking, and sexual harassment and assault
- unlawful wage deductions for tools, personal protective equipment, transport and accommodation
- non-compliant accommodation and transport.

Where we identify breaches of relevant laws and where appropriate, we refuse applications, and suspend, cancel, or vary licences to include conditions.

Responding to the coronavirus (COVID-19) pandemic

COVID-19 has impacted labour hire providers, hosts and workers. Following on from 2019–20, providers have continued to identify and control the risks of COVID-19 to protect their businesses, workers, and customers. This is important because labour hire workers can be more vulnerable to COVID-19 exposure as they are often more mobile, work across multiple sites, and have lower familiarity with local workplace risks and procedures.

We continued helping labour hire providers stay informed through our communication channels to share information about:

- provider and host obligations under restrictions, including sector specific guidance and obligations to notify WorkSafe of COVID-19 cases
- how to create and update COVIDSafe plans
- permitted worker scheme
- resources for workers, including translated resources
- government support for businesses and for workers self-isolating or quarantining.

I appreciate that while providers in some industries are experiencing an increased demand for labour hire workers and an increased supply of workers seeking work, other providers have seen business opportunities decline. We supported providers and workers by advising government departments and agencies as they designed industry-specific guidance and support. We have also continued to support providers on a case-by-case basis around the timing of their annual licence fee payment. The vast majority of providers paid their annual fees without seeking flexibility.

During 2020–21, Victorian Parliament amended the LHL Act to make fees fairer. The legislation amendments, effective from 1 July 2021, meant we had to establish additional processes, policies and build digital products to support the changes. The amendment provides for fee tier calculation and changes annually rather than only at licence application and renewal. I am particularly proud of the efforts of our project team to implement the changes quickly and effectively.

Investing in our capabilities

COVID-19 has affected how we work. We are committed to following COVIDSafe principles. We are focused on staff wellbeing and providing mental health supports. Despite COVID-19 continuing to challenge our work, I am proud that our people continued to focus on protecting labour hire workers from exploitation with adaptability, flexibility, and resilience.

Recognising that our people are our greatest asset – and that our achievements are not possible without them – we have continued to improve how we recruit, develop and invest in them to deliver on our shared vision, purpose and values.

In 2020–21 the LHA reviewed its resourcing and processes to ensure it remains well placed to meet its objectives. After this review and consultation, we changed our organisational structure. Our new structure will involve investments into 2021–22 and reflects a focus on improving our capabilities in intelligence, strategy, compliance and enforcement and prosecutions, to use the licensing scheme to continue tackling illegal behaviour in the labour hire industry. We will continue monitoring our workforce profile and streamline processes to carry out our legislative mandate effectively and efficiently.

The sustainability of our work is now also reinforced by our Audit and Risk Committee (ARC). In its first full year of operation, the ARC's 3 experienced, independent members oversaw a significant and robust internal audit program. No material deficiencies have been identified and I am proud the LHA has established a strong internal compliance culture.



Thank you

Much like last year, this year has continued to require us all to show sustained resilience like never before.

This has been another year of strong achievement by the LHA. Despite the changes to our workplace conditions and necessary public health restrictions, we have continued to perform effectively. I wholeheartedly thank my colleagues at the LHA because our results are their hard work, commitment, and determination.

Despite our stakeholders facing their own extraordinary challenges, they continued to collaborate with us for the benefit of the labour hire industry. For that, I am incredibly grateful. On behalf of the LHA I extend my thanks to:

- ethical providers, ethical hosts and workers who have shared their stories
- industry and employer associations
- trade unions and employee associations
- our government partners, regulators and law enforcement agencies in Victoria and across Australia.

In particular, I must thank WorkSafe Victoria, the Phoenix Taskforce, Labour Hire Licensing Queensland and Australian Border Force for their incredible collaboration and information sharing to help us prevent exploitation in the labour hire industry.

Despite COVID-19 likely shaping our efforts into 2021–22, I look forward to working with our stakeholders to continue building on our success by further improving integrity, preventing exploitation, and making labour hire fairer.

Steve Dargavel

Labour Hire Licensing Commissioner
Labour Hire Authority



PERFORMANCE REPORTING – NON-FINANCIAL

The LHA has 2 output associated measures outlined in the Victorian Budget 2020-21 under the Industrial Relations output. The LHA contributes to this output by delivering on its performance measures.

PERFORMANCE MEASURE	UNIT OF MEASURE	2020-21		VARIATION
		ACTUAL	TARGET	
Education and compliance inspections of providers/users conducted under the Labour Hire Licensing Scheme	Number	2,431	2,400	31
Labour hire licence applications finalised and reviewed	Number	2,435	2,200	235

While the coronavirus (COVID-19) pandemic has necessitated restrictions and changes to COVIDSafe settings that have disrupted, rescheduled, and cancelled some activities, the LHA has met its targets.

As new applications continue to be submitted, the LHA has exceeded labour hire licence applications finalised and reviewed by continually improving our systems and processes and dedicating additional resources to licensing assessments and reviews.

Greater understanding of labour hire providers and hosts, and compliance inspection programs, resulted in more targeted education and compliance activities. Additionally, more participants in the LHL Scheme has resulted in additional education interactions and compliance visits.

Administration of the scheme

Over the past year



5,089 phone calls
were received by our general
enquiries phoneline



4,242 emails
were received to the
general enquiries mailbox



2,345 requests for information
were sent to applicants and
licence holders



198 applications
were withdrawn



5,139 labour hire providers
were licensed as at 30 June 2021



702 new applications
were received



2,030 licences
were granted



95 licence variations
were issued



95 licences
were cancelled



1 licence
was suspended



9 licences
were refused



91 notices of intention to cancel
were issued



48 notices of intention to refuse
were issued



0 objections received
against applications for a labour
hire licence that met the definition
of an objection lodged in line with
section 32 of the LHL Act.

CASE SPOTLIGHT: PREVENTING THE EXPLOITATION OF LABOUR HIRE WORKERS

These case studies are a few examples of how the LHA's licensing and compliance interventions have improved the transparency and integrity of the labour hire industry and prevented the exploitation of labour hire workers.

CASE EXAMPLE 1

Preventing the spread of coronavirus (COVID-19) and labour hire worker exploitation

The LHA partnered with a variety of agencies during 2020-21 to deliver information sessions and inspection programs.

One of the LHA's larger programs involved partnering with Department of Health and WorkSafe Victoria to deliver information sessions to a particular region. The agencies then inspected providers and hosts in that area after the sessions. The purpose of this information and inspection program was to:

- check and improve providers' and hosts' understanding of their COVID-19 obligations
- ensure labour hire workers are treated fairly and provided through licensed labour hire providers
- assess workplace safety.

The information sessions educated providers and hosts about their legal obligations, responsibilities, and rights. Providers and hosts were invited to informal information sessions. They had the opportunity to speak with inspectors and ask questions to ensure their business operates safely.

We also delivered the information sessions in collaboration with other government agencies like Agriculture Victoria and industry associations like the Victorian Farmers Federation and Australian Table Grapes Association.

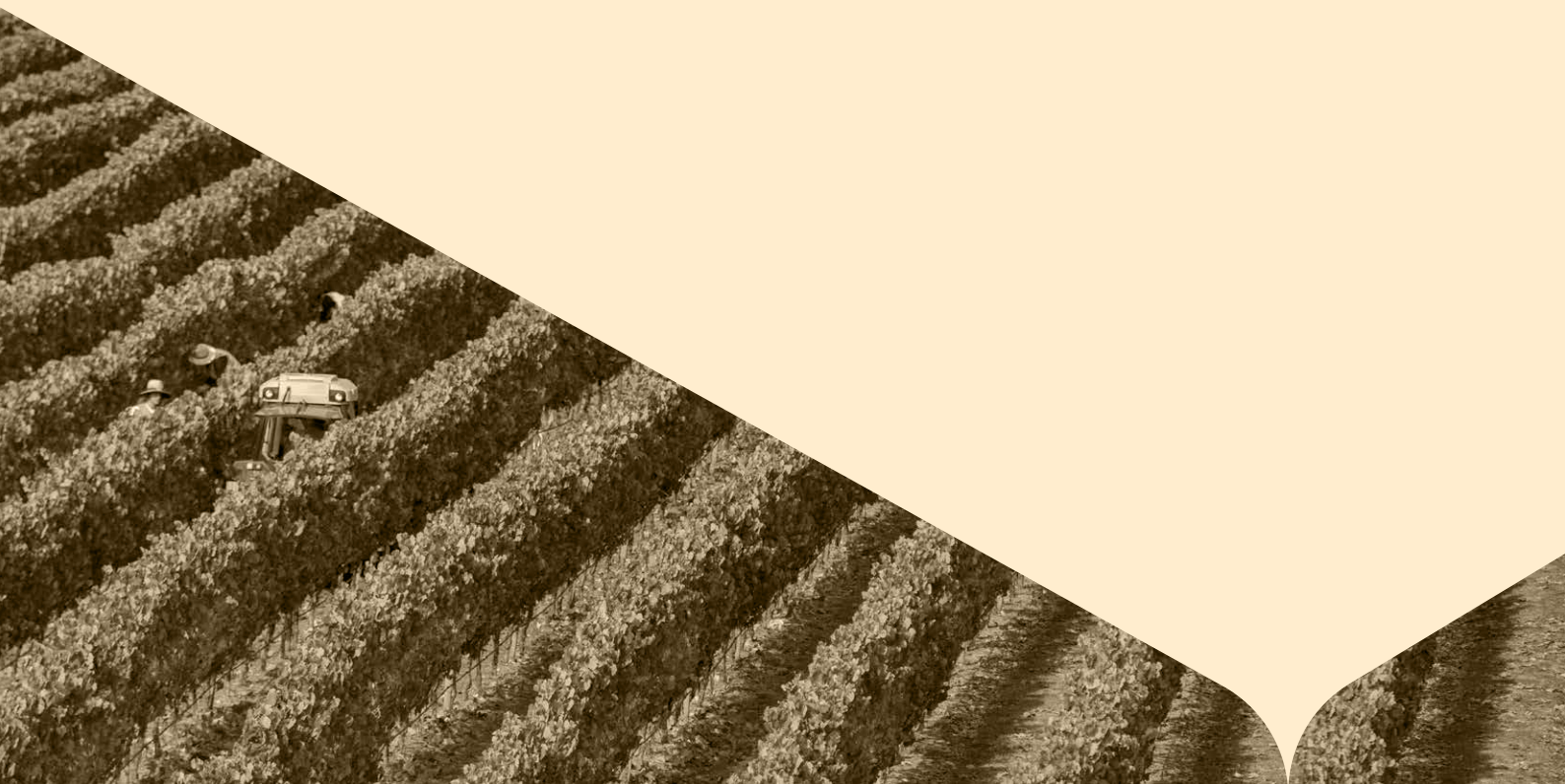
These followed earlier information sessions in 2020-21 for the broader horticulture supply chain, which included Woolworths, Coles, Department of Health, Fair Work Ombudsman, WorkSafe Victoria, Australian Workers Union, and United Workers Union.

Robinvale farmer and labour hire provider Jeremey Boyd said 'the worksite visits were helpful and really demonstrated the importance of having my updated COVIDSafe plans in place and ready to go.

'Wages compliance in the industry is much, much better since the Labour Hire Authority was set up.'

- Robinvale farmer and labour hire provider
Jeremey Boyd

The licensing scheme has helped clarify obligations for labour hire providers and their hosts and it has helped level the playing field for the majority of businesses who do the right thing.



Inspectors team up to spread safety message

After the information sessions, WorkSafe Victoria, the Department of Health and LHA inspectors conducted multi-day inspection programs to ensure host businesses and providers were:

- complying with occupational health and safety regulations
- staying COVIDSafe
- supporting vulnerable workers.

LHA inspectors visited properties and focused on education, checking providers had COVIDSafe plans and looking at their licence status and conditions for labour hire workers.

The LHA visited the properties with a focus on education, checking providers had COVIDSafe plans and looking at their licence status and conditions for labour hire workers.

By working with hosts and labour hire providers to ensure they are meeting their obligations, we are helping to make sure the labour hire industry is safer and fairer.

Our compliance and enforcement officers were generally well received by hosts who provided information about their labour hire providers.

CASE EXAMPLE 2

Licence condition placed on labour hire provider

The LHA placed a licence condition on a provider to exclude a relevant person from operating the labour hire business. The condition was placed after a conviction against the offender who was the Chairperson and CEO of the provider at times before their conviction.

The former relevant person was found guilty by the County Court of Victoria of an indictable offence on 6 May 2021.

On 7 May 2021, the LHA placed a condition on the licence of the provider to exclude the offender from any control of labour hire services provided under the licence.

The provider supplies workers to the healthcare and social assistance sectors across Australia. The provider has cooperated with the LHA, stopped involvement with the offender and has ordered a review of the business's policies and procedures. Their review includes engaging a consultancy to help them improve their governance, transparency, and social responsibility.

We will continue monitoring the compliance of the labour hire provider.

Improving transparency

The LHA publishes licence conditions on its website. This helps improve the transparency and integrity of the labour hire industry to protect labour hire workers and others from exploitation.

To improve the transparency of the labour hire industry and help labour hire hosts and workers find licensed providers, we publish the details of labour hire providers on our website in the:

- Received Labour Hire Application public register
- Register of Licensed Labour Hire Providers.

This includes licensed providers, licensed providers with conditions, labour hire licence applications, and refused, cancelled and suspended licences.

People and organisations interested in protecting workers or the integrity of the labour hire industry can object to a licence application or renewal within 14 days of notice of the application being published on this register. The LHA must consider objections before finalising the licence applications and renewals.



CASE EXAMPLE 3

9 applications refused and 48 more notices of intention to refuse issued

The Labour Hire Authority refused 9 labour hire licence applications after investigations undertaken in connection with a range of issues, including:

- WorkCover and workers' compensation obligations
- pay and awards, compliance with industrial instrument(s) and conditions of workers
- non-compliance in connection with sham contracting, illegal phoenix activity and taxation.

We carefully assess each application against the tests prescribed by the labour hire licensing laws. We do this to improve the transparency and integrity of the labour hire industry and to prevent the exploitation of workers.

Working with Victorian, Commonwealth and interstate government agencies and regulators, we check the information given in the application. If information disclosed by those regulators and law enforcement agencies indicates an applicant is noncompliant, we may ask the applicant for further information.

The LHA engaged with the applicants, made enquiries, and finally requested further information using our powers under the LHL Act. The 9 applicants failed to provide evidence and demonstrate compliance. We refused their applications for a labour hire licence. Those businesses cannot provide labour hire services in Victoria.

The LHA worked with businesses that submitted incomplete or inaccurate applications to improve their understanding of basic workplace obligations. Applicants must provide all relevant information to the LHA for us to assess a complete application.

By investigating and removing providers who are not demonstrating compliance with workplace laws, we are helping prevent harms like:

- honest businesses being unfairly undercut by businesses that do not comply with relevant laws such as WorkCover, awards and taxation laws
- compliant businesses facing higher WorkCover premiums because of unregistered businesses
- workers missing out on their wages and other entitlements
- the community missing out on revenue that could have contributed to community services.

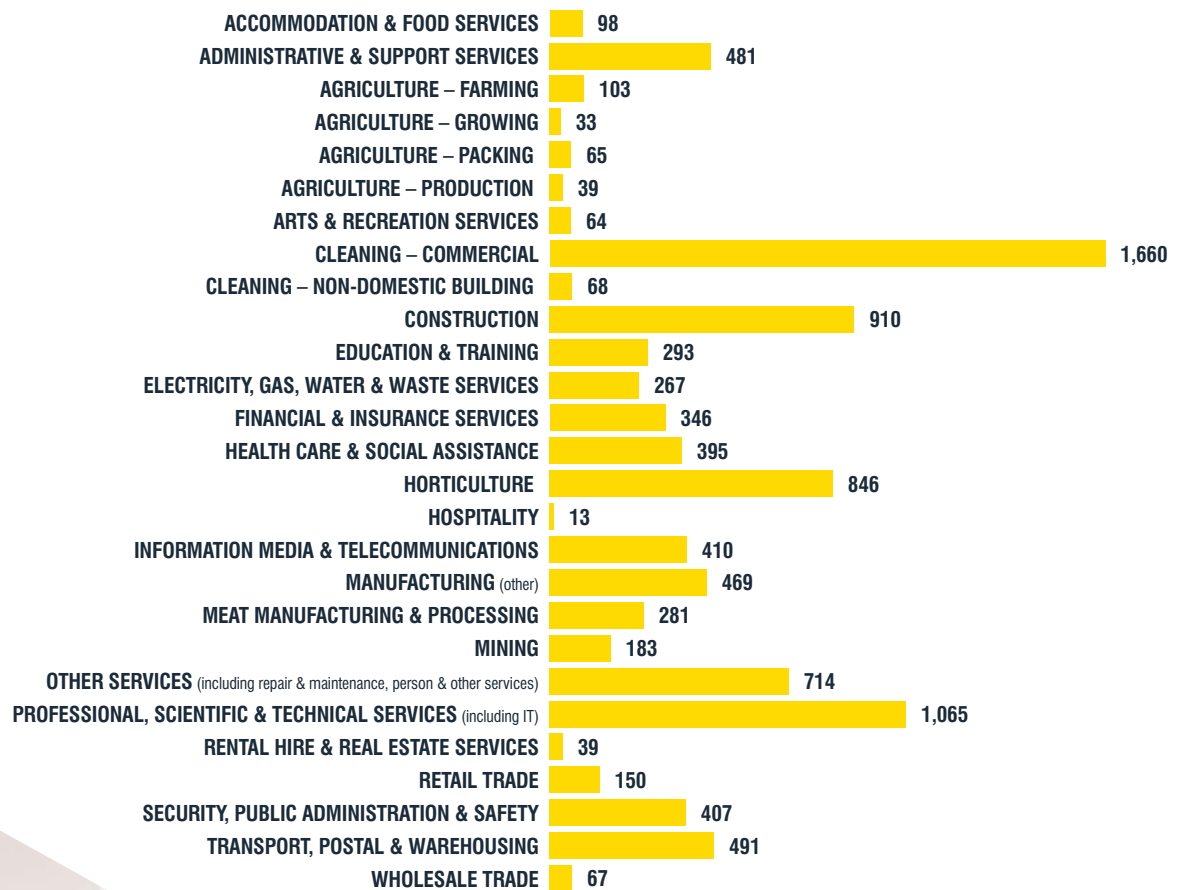
The LHA also issued 48 'Notices of Intention to Refuse' to applicants as a final effort to get the information required to show their compliance with relevant laws.

VICTORIAN LABOUR HIRE INDUSTRY SNAPSHOT

This snapshot of the Victorian labour hire industry presents information lodged by licensed labour hire providers and applicants at the time they applied for a labour hire licence.

LABOUR HIRE PROVIDERS BY INDUSTRY

The Victorian LHL Scheme makes it easier for hosts to find labour hire providers. Hosts can use our website to search for licensed labour hire providers by industry instead of relying on word-of-mouth recommendations.



Note: We gather this information from labour hire providers who are asked to list the top industries they provide workers to and must declare if they provided workers to the prescribed industries of horticulture, meat manufacturing and processing, poultry processing and cleaning in a commercial premises.

Many providers supply workers to multiple industries, so the total number of providers by industry is higher than the total number of licensed labour hire providers and applicants. Providers may not have nominated all their industries.



SIZE OF THE LABOUR HIRE WORKFORCE

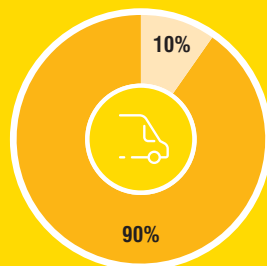


**606,000 WORKERS SUPPLIED
BY LABOUR HIRE PROVIDERS**

Note: Labour hire providers supply the number of labour hire workers. Labour hire workers might also work for multiple labour hire providers. So, the total number of workers might count some labour hire workers more than once.

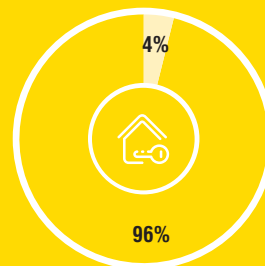
**INCLUDING 16,000
WORKERS SUPPLIED
BY PROVIDERS WHO
APPLIED FROM
1 JULY 2020**

PROVIDERS SUPPLYING TRANSPORTATION TO LABOUR HIRE WORKERS



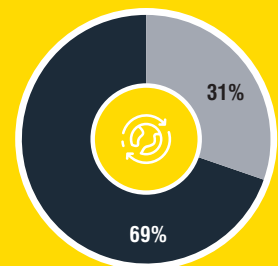
Supply transportation	599
Do not supply transportation	5,399

PROVIDERS SUPPLYING ACCOMMODATION TO LABOUR HIRE WORKERS



Supply accommodation	240
Do not supply accommodation	5,748

PROVIDERS SUPPLYING WORKERS WITH VISAS TO HOSTS



Supply workers with visas	1,828
Do not supply workers with visas	4,160

Note: Percentages are rounded up or down to the nearest whole number. Labour hire providers supply this information when applying for a licence. These figures include providers and applicants who intend to supply accommodation and transportation to workers, and who intend to supply workers on visas.



PORTFOLIO PERFORMANCE – FINANCIAL

5-year financial summary

The Labour Hire Authority started operating in the financial year 2019.

SUMMARY	2020–21 (\$'000)	2019–20 (\$'000)	2018–19 (\$'000)
Total income from transactions	15,718	10,086	3,030
Total expenses from transactions	9,020	7,720	2,082
Net results from transactions	6,698	2,366	948
Net cash flow from operations	4,745	15,734	1,065
Total assets	23,157	18,788	1,678
Total liabilities	14,169	16,498	730
Net assets	8,988	2,290	948

Current year financial performance

Financial performance review

The LHA's net result from transactions for the financial year was a \$6.698 million surplus. Application numbers continue to grow with 5,998 total applications as at 30 June 2021. The LHA continues to scale its staffing capacity to undertake its operations, including licensing, education, compliance monitoring and enforcement functions.

Note: The LHA recognises application fee income over the life of the application cycle, which is usually 3 years. Application fee income is recognised from point of licence granting and consumed equally over the licence term. Licence fee revenue is recognised when the licence fee is due and payable.

Total revenue from application fees was \$4.617 million. Licence fees revenue was \$10.393 million. Funding was provided by the Victorian Government of \$0.606 million. Total operating expenditure was \$9.020 million which resulted with a net operating surplus of \$6.698 million.

Financial position – balance sheet

Cash receipts increased by \$4.2 million. The LHA has deferred income of \$11.892 million for future obligations of the LHA to licence holders.



GOVERNANCE AND ORGANISATIONAL STRUCTURE

Our people are crucial to our success. Our mission, purpose, functions and objectives are achieved through their commitment and collaborative efforts.



Our Executive Team

Steve Dargavel

Labour Hire Licensing Commissioner

Steve Dargavel is the inaugural Labour Hire Licensing Commissioner and continues to lead the LHA. Steve was appointed Commissioner under the LHL Act in October 2018.

Labour Hire Licensing Commissioner, Steve Dargavel provides executive direction and leadership, and exercises powers under the LHL Act. Steve provides oversight of the LHA's regulatory systems and decision-making process in relation to licensing, compliance and enforcement functions. He also provides oversight of strategic partnership with stakeholders and ensures that the LHA is financially sustainable and effective.

Anna Higgs

Chief Operating Officer

Anna Higgs began in the role of Chief Operating Officer in February 2021. Anna has more than 18 years of experience in the Victorian Government, including leading teams delivering strategy, finance and procurement functions. She has held executive roles at the Department of Justice and Community Safety and the Victorian Auditor-General's Office.

As Chief Operating Officer, Anna leads the Corporate Services Division, which includes the Communications, Education and Engagement, Finance, Strategy and Governance, and Information and Communication Technology (ICT) branches. Anna provides executive direction and leadership in partnership with the Commissioner and Director Regulatory Operations to deliver on the LHA's goals and objectives.

Hanh Chau

Chief Operating Officer

Hanh Chau was the LHA's Chief Operating Officer from January 2019 to February 2021. As Chief Operating Officer, Hanh provided executive direction and leadership in partnership with the Labour Hire Licensing Commissioner and General Counsel to deliver on the LHA's objectives. During her term, Hanh also served as the Chief Finance Officer and led a high-performing team of professionals across Licensing Operations, Compliance and Enforcement, Information Technology, Finance and Business Services, Governance, Communications, Education, and People and Culture.

Miranda Breisch

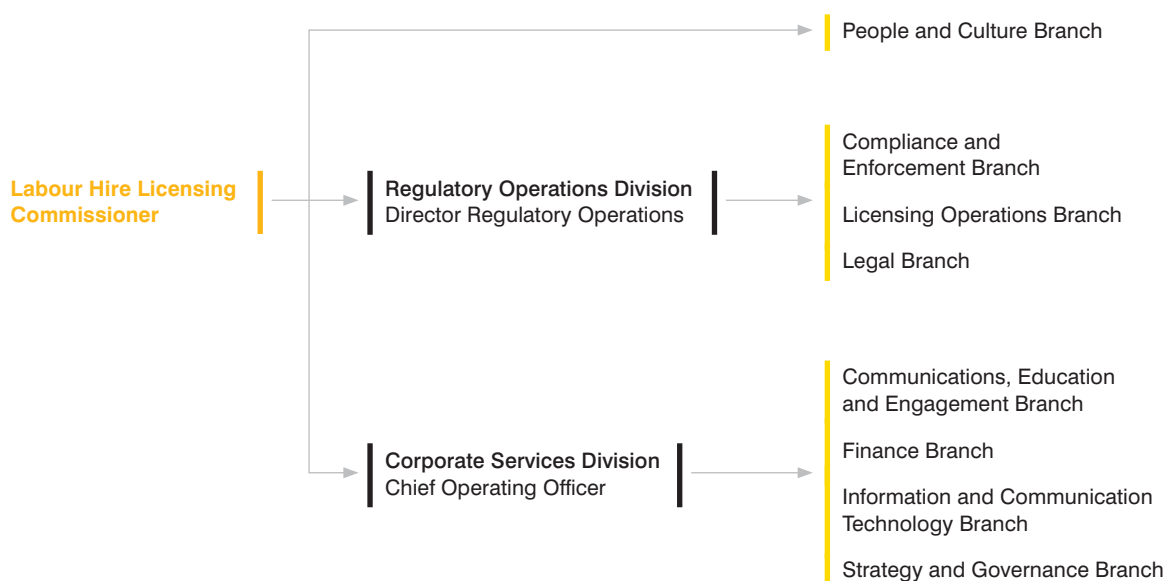
Director Regulatory Operations

Miranda Breisch started her role as the Director of Regulatory Operations in June 2021 after joining the LHA as General Counsel in March 2020. She brings 15 years' experience in local and interstate government senior regulatory roles, expertise in statutory compliance and enforcement, and an interest in regulatory practice innovation.

As Director Regulatory Operations, Miranda leads the Compliance and Enforcement, Legal, and Licensing branches. She also provides the Commissioner and the LHA with expert legal advice and counsel on issues relating to the LHA's functions and powers. Miranda provides executive direction and leadership in partnership with the Commissioner and Chief Operating Officer to deliver on the LHA's objectives.

Organisational structure and functions

A team of dedicated and high-performing professionals supports our Executive Team to deliver the LHA's mission and purpose.



Our **People and Culture Branch** supports the growth and development of LHA people and our culture. We ensure we support and develop our people to do their work, that we recruit talented people to join our team, and that we continue to promote the health, safety and wellbeing of all staff. By doing this, we ensure we can fulfil our obligations effectively under the LHL Act and meet our organisational goals.

Regulatory Operations Division



Our **Compliance and Enforcement Branch** undertakes education, compliance, monitoring, investigation and enforcement activities to promote compliance with the LHL Act and regulations. We have dedicated Inspectors with specific powers to investigate and enforce compliance with the scheme.



Our **Licensing Operations Branch** is the largest business unit within the LHA. It delivers our core business of assessing labour hire licence applications, suspensions, cancellations, renewals and variations, and compliance monitoring. The Licensing Operations Branch also supports responses to enquiries and complaints made to the LHA.



Our **Legal Branch** is responsible for delivering effective legal advice to the LHA to achieve its mission in line with legal requirements and regulation best practice.

Corporate Services Division



Our **Communications, Education and Engagement Branch** helps promote compliance with the LHL Act and regulations by publishing information about the duties, rights and obligations of labour hire providers, hosts and workers.



Our **Finance Branch** is responsible for the financial management of the LHA including, financial reporting, budgeting, procurement and payroll, in line with the *Financial Management Act 1994* (FMA) and the Standing Directions.



Our **Information and Communication Technology (ICT) Branch** supports the LHA's functions by developing and maintaining the information technology systems required to ensure delivery of the essential functions of the labour hire licensing scheme and the business functions for day-to-day operations.



Our **Strategy and Governance Branch** facilitates LHA's strategic and business planning to promote effective and informed decisions to support our strategic goals. The branch also coordinates governance and risk management activities, supports the Audit and Risk Committee (ARC) through a high-level secretariat function and is responsible for managing Freedom of Information (FOI) requests and the register of delegations.

Audit and Risk Committee

Victorian public sector agencies are required to appoint an Audit Committee under the standing directions of the Minister for Finance and in line with the FMA.

The LHA established an Audit and Risk Committee (ARC) in June and July 2020. The ARC is responsible directly to the Labour Hire Licensing Commissioner. It oversees and advises on governance, risk management, audit and control assurance activities. It also monitors financial reporting and performance and statutory compliance obligations.

The ARC has 3 independent members. It is governed by a charter detailing its role and responsibilities consistent with the standing directions and best practice corporate governance principles.

The 3 independent members of the ARC are:

Peter Lewinsky, Independent Member, Chair

Peter Lewinsky has an extensive private and public sector career spanning investment banking, corporate and government advisory. Over the past 25 years, Peter has held numerous Victorian Government department governance appointments across a range of sectors. He has significant experience on a range of audit and risk committees.

Steve Schinck, Independent Member

Steve Schinck has extensive audit and risk committee experience across local and state government, including with another Victorian Government regulatory agency. Steve also has significant executive experience at the Department of Treasury and Finance (DTF) as a senior executive. He has in-depth knowledge of the government audit and risk priorities and standing directions.

Lisa Tripodi, Independent Member

Lisa Tripodi is an experienced Certified Practising Accountant (CPA) with over 20 years' experience in accounting, assurance services, governance and risk management. Lisa is a former external auditor who has held committee memberships with local governments and Victorian Government regulatory agencies. She has significant experience and interest in digital transformation projects, including cyber security.

Internal audit

In 2020–21 and after a robust procurement process, we appointed HLB Mann Judd to provide our internal audit services.

The strategic internal audit program includes reviews of our governance, risk management and internal controls practices. The audit results and follow-up actions are reported to the ARC for review.

Health and Safety

Occupational health and safety (OHS) is crucial for the LHA to fulfil its mission. We are committed to providing a safe and healthy workplace for the LHA community and to promoting the mental health and wellbeing of our people. As a portfolio agency of the Department of Premier and Cabinet (DPC), we follow DPC OHS policies and procedures designed to provide the safest possible workplace, without risk to physical or psychological health, for all employees. We are also committed to following whole of Victorian Government health, safety and wellbeing policies and programs sponsored by the Victorian Public Sector Commission, such as *Leading the Way: Occupational Health and Safety*.

The LHA's Health and Safety Committee (HSC) comprises management representatives, health and safety representatives and union representatives. During 2021, 2 new Health and Safety Representatives were elected. A designated work group was established to represent staff across both the Bendigo head office and Melbourne office.

The functions of the HSC include:

- OHS training and education of employees, committee members and Health and Safety Representatives (HSR)
- monitoring and review of workplace inspections, workplace hazards, incidents, injuries and investigations
- reviewing risk assessments and risk controls
- reviewing safe work procedures (SWP)
- reviewing any purchasing checklists and guidance for items with OHS implications
- reviewing safety rules and information
- reviewing emergency procedures and drills.

The HSC also plays a key role in considering our principles to support returning to office-based work in a consultative and COVIDSafe way.

As well as existing programs to promote health and safety, throughout the 2020–21 year, we implemented several new initiatives to designed improve the health, safety and wellbeing of our staff. These include:

- establishing a Culture Transformation Committee to oversee a program of work to enable us to realise our goal for the LHA to be a great place to work and to sustain a positive, enriching workplace culture
- introducing a series of Wellbeing Snack Videos designed to help staff maintain wellbeing during extended periods of lockdown and working from home due to the COVID-19 pandemic
- providing a highly consultative approach to working with staff to develop a remote working program to ensure the safety and wellbeing of staff during the COVID-19 pandemic
- promoting flexible work practices to cater to the diverse situations of staff
- introducing a revised internal communication program, including a weekly newsletter, and an all-staff briefing on topics to promote information sharing and connection between people within the LHA
- hosting an all-staff values workshop to develop values and to identify the behaviours that model LHA values and promote achievement of LHA goals
- conducting ergonomic assessments
- promoting access to the Employee Assistance Program and Managers Assist.

The LHA Executive Team is committed to the health, safety and wellbeing of staff. LHA executives have been appointed as members of the Change to LHA Health and Safety Committee and the Culture Transformation Committee.

We established a working group to develop dashboard reporting for the whole organisation and the Leadership Team on a range of metrics. This work includes metrics associated with people and culture and occupational, health, safety and wellbeing issues.

During the 2020–21 year, the LHA also committed to fund training for the newly elected Health and Safety Representatives.

There was one reported OHS incident in 2020–21.

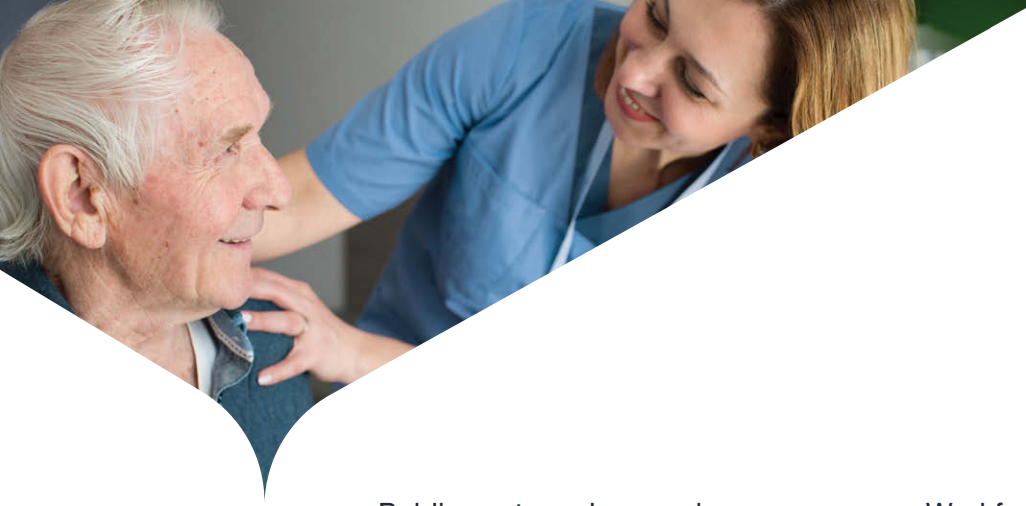
The LHA is developing reporting dashboards to provide regular reporting on our responsibilities and functions. Health, safety and wellbeing will form part of this reporting.



03

ANNUAL REPORT
2020-21

WORKFORCE DATA



Public sector values and employment principles

The *Public Administration Act 2004* (Vic) established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The Labour Hire Authority has introduced policies and practices consistent with VPSC employment standards, which provide for:

- fair treatment
- merit in employment
- equal opportunity
- human rights
- career public service
- reasonable avenue of redress.

We have also advised our employees on how:

- to avoid conflicts of interest
- to respond to offers of gifts
- we will address misconduct in relation to these matters.

Employment and conduct principles

The LHA applies merit and equity principles when appointing staff. We have advised employees of the principles and recruitment and selection processes. Our recruitment and selection policies and processes are modelled on the DPC recruitment policy and processes and adapted to incorporate the VPSC Jobs Skills Exchange recruitment policy, robust assessment criteria and public sector employment principles and standards. The selection process ensures merit. We assess applicants using objective criteria on work-related qualities and they are selected on relative ability. Employees have been correctly classified in workforce data collections.

Workforce inclusion policy

The LHA is committed to inclusion, diversity and equity. We benefit from the DPC's diversity and inclusion policy and initiatives. We recognise the benefits of harnessing the ideas and opinions of diverse communities that have experienced unique and varied challenges. We are committed to ensuring that all people:

- are treated with dignity and respect
- can experience fair and reasonable treatment
- have equitable access to employment opportunities and outcomes
- can take part in all aspects of work life
- can work flexibly.

The LHA is participating in the Youth Employment Program (YEP) scheme. It was launched by the Working for Victoria (WV) Fund in partnership with the Community and Public Sector Union (CPSU). It is a major employment initiative to provide paid employment for young people aged between 17 and 29 who are currently unemployed. We were successful in our submission to qualify to employ a person under this scheme. The recruitment for this person is underway. This opportunity is available in either our Bendigo or Melbourne office.

Our people

The LHA continues to review its resourcing and processes to ensure it is well placed to meet its objectives, deliver on its functions and achieve its purpose. In 2020-21 the LHA undertook a comprehensive review of its organisational structure and the responsibilities and workload commitments of each team within the organisation. This review resulted in significant changes to the organisational structure and identified the need for additional resources, as a result, the LHA increased its staffing profile from 37.4 fulltime equivalent (FTE) in 2020, to 42.4 FTE in 2021.

The LHA will continue to monitor its workforce profile and streamline its processes to effectively and efficiently carry out its legislative mandate.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active public service employees the LHA employed in the last full pay period in June of the current reporting period (2021), and in the last full pay period in June of the previous reporting period (2020).

		JUNE 2021						JUNE 2020							
		ALL EMPLOYEES		ONGOING		FIXED TERM AND CASUAL		ALL EMPLOYEES		ONGOING		FIXED TERM AND CASUAL			
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender														
	Men	15.0	14.8	9.0	1.0	9.8	5.0	5.0	13.0	13.0	11.0	–	11.0	2.0	2.0
	Women	28.0	27.6	18.0	1.0	18.6	9.0	9.0	25.0	24.4	20.0	2.0	21.4	3.0	3.0
	Self-described	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Age														
	15–24	1.0	1.0	–	–	–	1.0	1.0	1.0	1.0	–	–	–	1.0	1.0
	25–34	11.0	11.0	6.0	–	6.0	5.0	5.0	7.0	7.0	6.0	–	6.0	1.0	1.0
	35–44	14.0	13.8	8.0	1.0	8.8	5.0	5.0	14.0	13.8	12.0	1.0	12.8	1.0	1.0
	45–54	13.0	13.0	9.0	–	–	3.0	3.0	12.0	12.0	10.0	–	10.0	2.0	2.0
	55–64	4.0	4.6	4.0	1.0	4.6	–	–	3.0	2.6	2.0	1.0	2.6	–	–
65+	–	–	–	–	–	–	–	1.0	1.0	1.0	–	1.0	–	–	
Classification data	VPS 1-6 grades														
	VPS 1	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	VPS 2	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	VPS 3	6.0	6.0	2.0	–	2.0	4.0	4.0	5.0	5.0	2.0	–	2.0	3.0	3.0
	VPS 4	12.0	11.8	9.0	1.0	9.8	2.0	2.0	12.0	12.0	12.0	–	12.0	–	–
	VPS 5	15.0	14.6	12.0	1.0	12.6	2.0	2.0	12.0	11.6	11.0	1.0	11.6	–	–
	VPS 6	7.0	7.0	4.0	–	4.0	3.0	3.0	6.0	5.8	5.0	1.0	5.8	–	–
	Senior employees														
	STS	2.0	2.0	0	0	0	2.0	2.0	2.0	2.0	1.0	0	1.0	1.0	1.0
	Executives	1.0	1.0	0	0	0	1.0	1.0	1.0	1.0	0	0	0	1.0	1.0
Total employees		43.0	42.4	27.0	2.0	28.4	14.0	14.0	38.0	37.4	31.0	2.0	32.4	5.0	5.0



Executive officer data

The following table discloses the annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff. The salaries reported are for the full financial year, at a 1.0 FTE rate and exclude superannuation.

INCOME BAND (SALARY)	EXECUTIVES	STS
< \$160,000	–	–
\$160,000 – \$179,999	–	–
\$180,000 – \$199,999	–	–
\$200,000 – \$219,999	–	1
\$220,000 – \$239,999	1	1
\$240,000 – \$259,999	–	–
\$260,000 – \$279,999	–	–
Total	1	2

The following table discloses the number of Executive Officers for the LHA broken down by gender and Senior Executive Service (SES) / Executive Officer (EO) classification levels.

CLASSIFICATION	FEMALE		MALE		SELF-DESCRIBED	
	NUMBER	VARIATION	NUMBER	VARIATION	NUMBER	VARIATION
SES-3/EO-1	–	–	–	–	–	–
SES-2/EO2-2	–	–	–	–	–	–
SES-1/EO-3	1	–	–	–	–	–
Total	1	–	–	–	–	–

The number of executives in the report of operations is based on the number of executive positions occupied at the end of the financial year. Note 8.2 in the financial statements lists the actual number of EOs and the total remuneration paid to EOs over the reporting period. The financial statement's note does not include the Accountable Officer. It does not distinguish between executive levels or disclose separations. Separations are executives who left the LHA during the relevant reporting period. To help readers, these 2 disclosures are reconciled below.

The table below provides a reconciliation of executive numbers presented between the report of operations and Note 8.2 'Remuneration of executives' in the financial statements.

	2021	2020
Executives (financial statement note [8.2])	2	1
Separations	1	–
Total executive numbers at 30 June 2021	1	1



OTHER DISCLOSURES

Local Jobs First – Implementation of the Victorian Industry Participation Policy

The *Local Jobs First Act 2003* (Vic), introduced in August 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy. These policies were previously administered separately.

In line with the *Victorian Industry Participation Policy Act 2003* (Vic), the LHA must apply the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP) in all procurement activities valued at \$1 million and above. This is because the LHA is located in regional Victoria.

The LHA undertook no projects subject to the *Local Jobs First Act 2003* during the 2020-21 reporting period.

Government advertising expenditure

In 2020-21, there were no advertising campaigns with total media spend of \$100,000 or greater (exclusive of GST).

Consultancy expenditure

Details of consultancies valued at \$10,000 or greater

In 2020-21, there were 3 consultancies engaged where the total fees payable were \$10,000 or greater (excluding GST). The total expenditure was \$114,400.

CONSULTANT	PURPOSE	TOTAL APPROVED EXPENDITURE (EXCL GST) (\$'000)	EXPENDITURE 2020-21 (EXCL GST) (\$'000)	FUTURE EXPENDITURE (EXCL GST) (\$'000)
Julius Roe	Workplace report	29.7	29.7	–
Nous Group	Refreshed regulatory approach consultation, design and development	44.5	44.5	–
Zalt Group	Workplace review	40.2	40.2	–

Note: There is no future expenditure for the listed consultancies.

Details of consultancies under \$10,000

In 2020-21, there were 2 consultancies engaged where the total fees payable were less than \$10,000 (excluding GST). The total expenditure was \$8,180.

CONSULTANT	PURPOSE	TOTAL APPROVED EXPENDITURE (EXCL GST) (\$'000)	EXPENDITURE 2020-21 (EXCL GST) (\$'000)	FUTURE EXPENDITURE (EXCL GST) (\$'000)
aCkTiF Solutions	Investigation advisory services	9.6	6.7	2.9
Momentum Changing Mindsets Pty Ltd	Strategic planning facilitation	1.4	1.4	–

Information and communications technology (ICT) expenditure

For the 2020–21 reporting period, the LHA had a total ICT expenditure of \$1,888,776, with the details shown below.

ALL OPERATIONAL ICT EXPENDITURE		ICT EXPENDITURE RELATED TO PROJECTS TO CREATE OR ENHANCE ICT CAPABILITIES	
Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital
\$1,468,515	\$420,261	\$268,401	\$151,860

Note: ICT expenditure refers to the LHA's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-business as Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the LHA's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Disclosure of major contracts

The LHA did not award any major contracts valued above \$10 million or more during 2020–21.

Freedom of Information (FOI)

The *Freedom of Information Act 1982* (Vic) (the FOI Act) allows the public a right of access to documents the LHA holds. The purpose of the Act is to extend, as far as possible, the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by bodies subject to the Act. This comprises documents created by the LHA or supplied to the LHA by an external organisation or individual. It may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The Act allows bodies subject to the Act to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- documents relating to investigations, reviews and audit
- law enforcement documents
- some internal working documents
- documents covered by legal professional privilege, such as legal advice
- personal information about other people
- information provided to the LHA in-confidence.

During 2020–21, the LHA received 4 applications from the general public. The LHA made 4 FOI decisions during the 12 months ended 30 June 2021. The average time taken to finalise requests in 2020–21 was 62.5 days. During 2020–21, 2 requests were subject to review by Office of the Victorian Information Commissioner (OVIC).

If an applicant is not satisfied by a decision made by the LHA, under section 49A of the Act, they have the right to seek a review by OVIC within 28 days of receiving a decision letter.

FOI requests can be lodged online at foi.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material or documents they are seeking. In summary, to make request, it should:

- be in writing
- identify as clearly as possible which document is requested
- go with the appropriate application fee.

Requests for documents in the possession of the LHA should be addressed to:

Freedom of Information Officer

Labour Hire Authority
PO Box 393
Bendigo VIC 3552

E: foi@labourhireauthority.vic.gov.au

More information about Freedom of Information can be found at foi.vic.gov.au

Compliance with the *Building Act 1993*

The LHA met all relevant compliance provisions of the *Building Act 1993* (Vic) in its building and maintenance activities during the year.

Capital projects and asset investment

The LHA did not have any completed capital projects that met the disclosure threshold of \$10 million or greater in 2020-21.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest.

Government businesses are required to cost and price these services as if they were privately owned.

The Competitive Neutrality Policy supports fair competition between public and private businesses. It gives government businesses with a tool to enhance decisions on resource allocation.

The guiding principle of the Competitive Neutrality Policy is that legislation, including future legislative proposals, should not restrict competition unless it can be shown that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

The LHA continues to comply with the requirements of the Competitive Neutrality Policy.

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* (Vic) encourages and helps people to make disclosures of improper conduct by public officers and public bodies. The Act protects people who make disclosures under the Act. It establishes a system for the disclosed matters to be investigated and rectifying action to be taken.

The LHA does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices. The LHA supports people to make disclosures that reveal:

- corrupt conduct
- conduct involving a substantial mismanagement of public resources
- conduct involving a substantial risk to public health and safety or the environment.

The LHA will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

The LHA encourages its officers and members of the public to report known or suspected incidences of improper conduct and detrimental action.

Disclosures of improper conduct or detrimental action by the LHA or any of its employees may be made to any of the following LHA personnel:

- the Commissioner
- Public Interest Disclosure Coordinator
- manager or supervisor, if the discloser is a staff member of the LHA

- manager or supervisor of the person who is the subject of the disclosure
- a person acting in any of the above roles.

A person may make a protected disclosure to the LHA:

- in person
- by phone
- by leaving a voicemail message
- in writing by post, personal delivery or email
- by any other form of electronic communication
- anonymously.

Alternatively, people may make disclosures of improper conduct or detrimental action by the LHA or any of its employees or officers directly to:

**Independent Broad-based
Anti-corruption Commission**

Level 1, North Tower
459 Collins Street
Melbourne, VIC 3000

T: 1300 735 135

W: ibac.vic.gov.au

Disclosures under the *Public Interest Disclosures Act 2012*

In 2020–21, no individual made a disclosure to the LHA or notified the Independent Broad-based Anti-corruption Commission.

**Compliance with
*Carers Recognition Act 2012***

The LHA has taken all practical measures to comply with its obligations under the Act. In line with the *Carers Recognition Act 2012* (Vic), the LHA recognises and values the contribution carers make within the community by:

- considering the care relationships principles set out in the Act when setting policies
- using Victorian Public Service Enterprise Agreement common policies relating to personal and carer's leave, flexible work arrangements and other forms of leave to enable carers to fulfil their caring responsibilities
- promoting the availability of flexible work arrangements and leave provisions and providing resources to effectively support this

- providing mental health and wellbeing support to all staff through the Employee Assistance Program and access to mental health and wellbeing videos.

In addition, during 2020 and 2021 the LHA focused resources on promoting a culture of wellbeing to support employees throughout the COVID-19 pandemic while they worked from home for extended periods. This support included regularly sharing information on working from home arrangements and embedding flexible practices to accommodate the needs of carers during this period.

Compliance with *Disability Act 2006*

The *Disability Act 2006* (Vic) reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The LHA understands its obligation under the *Disability Act 2006* to prepare a disability action plan and report annually on its progress with regards to:

- reducing barriers to people with a disability accessing goods, services and facilities
- reducing barriers to people with a disability obtaining and maintaining employment
- promoting inclusion and participation in the community of people with a disability.

The Department of Premier and Cabinet developed a comprehensive *Disability Action Plan 2017–20* that informs the LHA's practices. It ensures we remain responsive to the needs of people with a disability, whether employees, stakeholders or the broader public. It also provides a framework for the LHA to provide equitable access to employment opportunities for people with disability. It also ensures that our day-to-day practices are as inclusive as possible for all members of our community, including people with a disability.

The LHA also follows the VPS Disability Employment Action Plan, *Getting to work: Victorian public sector disability employment action plan 2018–2025*.

It is important that candidates with a disability can participate equitably in the recruitment process and during their employment. To make this inclusion happen, we follow the DPC Workplace Adjustment Policy and Procedure that applies the principle of making workplace adjustments to remove physical or organisational barriers that would otherwise prevent equal participation.

As part of the DPC portfolio agency group, we benefit from DPC's membership with the VPS Enablers Network, which represents the needs, interests and concerns of government employees with lived experience of disability. We also benefit from DPC's partnership with the Australian Network on Disability (AND). AND is a national, membership-based, for-purpose organisation that supports organisations to advance the inclusion of people with disability in all aspects of business.

Office-based environmental impacts

We reduce our office-based environmental impacts by:

- discouraging printing documents as a part of our clean desk policy
- providing personal ICT equipment, which discourages unnecessary printing
- maximising natural light and using movement to activate energy-efficient lighting
- turning off heating, cooling and lighting in the evenings
- separating waste bins to encourage recycling
- adding plants to our offices
- supporting staff to use public transport between our Bendigo head office and Melbourne satellite office.

The LHA will also be a tenant of the Bendigo GovHub, which will deliver high-performing sustainability outcomes including efficient indoor air quality systems, a well-insulated building, the use of solar panels, water and energy monitoring systems and a large timber frame.

We are committed to developing indicators and measuring our performance against targets for office-based environmental impacts in 2021–22.

Additional LHA information available on request

In line with the requirements of the Standing Directions, the LHA has retained details of the items listed below. This information is available on request, subject to the provisions of the FOI Act. A person may request information on the following items:

- a) A statement that declarations of pecuniary interests have been completed by all relevant officers.
- b) Details of shares held by a senior officer as a nominee or held beneficially in a statutory authority or subsidiary.
- c) Details of publications produced by the LHA about the LHA, and how these can be obtained.
- d) Details of changes in prices, fees, charges, rates and levies the LHA charges.
- e) Details of any major external reviews carried out on the LHA.
- f) Details of major research and development activities undertaken by the LHA.
- g) Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- h) Details of major promotional, public relations and marketing activities the LHA undertakes to develop community awareness of the organisation and our services.
- i) Details of assessments and measures undertaken to improve the occupational health and safety of staff.
- j) A general statement on industrial relations within the LHA, and details of time lost through industrial accidents and disputes.
- k) A list of major committees sponsored by the purposes of each committee, and the extent to which their purposes have been achieved.
- l) Details of all consultancies and contractors, including:
 - consultants and contractors engaged
 - services provided, and
 - expenditure committed to for each engagement.

The information is available on request from:

Chief Operating Officer

Labour Hire Authority
PO Box 393
Bendigo VIC 3552

T: 1300 545 200

E: enquiries@labourhireauthority.vic.gov.au

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy, the LHA has not made any data sets available on the DataVic website. Please note that not all government data is suitable for release. Access to data may need to be restricted for reasons of privacy, public safety, law enforcement and compliance with the law, including the LHL Act.

The LHA has published data on its website. It includes the details of licensed, refused, cancelled and suspended labour hire providers and labour hire licence applicants. This data includes their business address, ABN, ACN, and the industries they supply workers to. These lists are exportable in CSV format from the public website and available at no cost.

Financial Management Compliance Attestation Statement

I, Steve Dargavel, as the Responsible Body, certify that the Labour Hire Authority has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Steve Dargavel

Labour Hire Licensing Commissioner
16 September 2021







05

ANNUAL REPORT
2020–21

FINANCIAL STATEMENTS

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE OFFICER'S DECLARATION

We certify that the attached financial statements for the Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* (Vic) (FMA), applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2021 and the financial position of the Authority as at 30 June 2021.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16 September 2021.



Steve Dargavel
Labour Hire Licensing Commissioner
Labour Hire Authority



Tracey Langdon
Chief Finance Officer
Labour Hire Authority

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTES	2021 (\$'000)	2020 (\$'000)
CONTINUING OPERATIONS			
Income from transactions			
Government grants	2.2.1	606	2,193
Regulatory fees	2.2.2	15,010	7,870
Other income		102	–
Total income from transactions	2.1	15,718	10,063
Expenses from transactions			
Employee benefits expense	3.3.1	6,232	5,027
Administration expense	3.2	2,464	2,369
Interest expense	6.2.2	12	20
Depreciation and amortisation	4.1.2	312	304
Total expenses from transactions	3.1	9,020	7,720
Net result from transactions (net operating balances)		6,698	2,343
Net result from continuing operations		6,698	2,343
NET RESULT		6,698	2,343
COMPREHENSIVE RESULT		6,698	2,343

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2021

	NOTES	2021 (\$'000)	2020 (\$'000)
ASSETS			
Current assets			
Cash and deposits	6.3	20,325	16,125
Receivables	5.1	1,708	1,657
Prepayments		72	–
Total financial assets		22,105	17,782
Non-current assets			
Property, plant and equipment	4.1	903	981
Intangible Assets	4.2	149	11
Other non-financial assets		–	14
Total non-financial assets		1,052	1,006
TOTAL ASSETS		23,157	18,788
LIABILITIES			
Current liabilities			
Trade and other payables	5.2	492	185
Make-good provisions		112	112
Contract liabilities	5.3	5,386	4,294
Employee benefits	3.3.2	850	485
Borrowings	6.1	258	276
Total current liabilities		7,098	5,352
Non-current liabilities			
Employee benefits	3.3.2	419	129
Contract liabilities	5.3	6,506	10,719
Borrowings	6.1	146	298
Total non-current liabilities		7,071	11,146
TOTAL LIABILITIES		14,169	16,498
NET ASSETS		8,988	2,290
EQUITY			
Accumulated funds		8,988	2,290
NET WORTH		8,988	2,290

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTES	2021 (\$'000)	2020 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Government		606	2,193
Receipts from regulatory fees		14,959	20,678
Goods and services tax received from the ATO		(52)	–
Other receipts		102	–
Total receipts		15,615	22,871
Payments			
Payments to suppliers and employees		(10,858)	(7,117)
Borrowing costs and finance charges		(12)	(20)
Total payments		(10,870)	(7,137)
Net cash flows from / (used in) operating activities	6.3.1	4,745	15,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-financial assets		(375)	(978)
Net cash flows from / (used in) investing activities		(375)	(978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		–	–
Net receipts / (payment) of funds leases / loan		(170)	368
Net cash flows from / (used in) financing activities		(170)	368
Net increase / (decrease) in cash and cash equivalents		4,200	15,124
Cash and cash equivalents at the beginning of the financial year		16,125	1,001
Cash and cash equivalents at end of financial year		20,325	16,125

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTES	TOTAL (\$'000)
Balance at 30 June 2019		948
Change in accounting policy – AASB 15 Revenue		(1,001)
Restated balance at 30 June 2019		(53)
Net result for the year		2,343
Balance at 30 June 2020		2,290
Net result for the year		6,698
Balance at 30 June 2021		8,988

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Note 1. About this report

The Labour Hire Licensing Authority is a government agency of the State of Victoria, established pursuant to an order by the Governor in Council under the *Labour Hire Licensing Act 2018* (the Act). It is an administrative agency acting on behalf of the Crown. Its principal address is:

Labour Hire Licensing Authority
PO Box 393
Bendigo VIC 3552

1.1 Basis of preparation

GENERAL

This financial report of the Labour Hire Licensing Authority (the Authority) is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements.

The Authority is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

This financial report has been prepared on a going concern basis.

The Authority is responsible for implementing the Act. The Act introduced a licensing scheme for providers of labour hire across all industry sectors

The scheme was established in response to the Victorian Inquiry into the Labour Hire Industry and Insecure Work which uncovered widespread abuse and exploitation of labour hire workers across Victoria.

The key elements of the licensing scheme are as follows; Labour hire providers must be licensed to operate in Victoria, and those who use labour hire providers must only engage licensed providers. Labour hire providers must also report annually on their labour hire activities.

The Authority is responsible for licensing labour hire providers and undertaking education, enforcement and compliance activity. Workers will be protected against exploitation from unlicensed labour hire providers and host employers not engaging licensed providers.

ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

CLASSIFICATION BETWEEN CURRENT AND NON-CURRENT

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Authority's operational cycle.

ROUNDING

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

ACCOUNTING ESTIMATES

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by management in applying AASs that have significant effects on the financial statements and estimates relate to:

- Contract liability (Note 5.3);
- Employee benefits expense (Note 3.3);
- Leases (Note 6.2).

TRUST ACCOUNT

The LHA Trust Account forms part of the State's Public Account as a separate and discrete component from the Consolidated Fund. The LHA Trust Account operates under the provisions of Part 4 of the FMA (sections 19 to 23). The operation of the LHA Trust Account will be subject to the continued operation of the LHA.

The Act empowers LHA to receive regulatory fees from labour hire providers who operate in Victoria, including application and licensing fees as outlined in the Act. The LHA was established on the basis that it would be self-funding over the medium to long term. In order for the Authority to collect labour hire license fee revenue and draw on these to fund its expenditure, the Assistant Treasurer approved the establishment and operation of a trust account, pursuant to Section 19(1) of the FMA on 22 July 2019.

CONTRACT LIABILITIES

Changes to AASB 15 from 1 July 2020 provide for the recognition of deferred income as contract liabilities. The Authority receives application fee income from its customers for the "right" to be granted and hold a licence for a period of up to 3 years. During this application period, the licence holder pays an annual licence fee (which is booked as revenue in the year it is due). The application fee is treated as deferred income over the 3-year life of the licence with some portion of the fee shown in current liabilities as contract liabilities and some portion in non current liabilities. If the customer loses the right to be a licence holder during that period of time, or they cancel their licence the whole application fee is recognised in the period in which the change to the licence occurred.

COVID-19

The Authority notes that due to the COVID-19 pandemic many businesses within our cohort are in financial difficulty due to extended lockdowns in Victoria. The Authority has factored this into the current provision for impairment of receivables. However the full extent of this impact remains unknown. The ability for the Authority to waiver, reduce or refund fees has been changed with legislative amendments to S35A of the Labour Hire Licensing Act 2018 from 1/7/2021. These changes and the special circumstance provisions enabled by the Authority from 1 July 2021 will be measured and reported on in FY 2022.

LEGISLATION CHANGES

The Victorian Government amended the Act (assent 11 May 2021) to include:

17(2)(fa) inserted by No. 14/2021 s. 33.

Licence holders are entitled to provide details of their estimated business turnover for the 4 quarters immediately preceding the date of the application for the purposes of ascertaining whether the business is a tier 1 business, tier 2 business or tier 3 business; and

35A Waive, reduction or refund of fees:

From 1 July 2021, changes to section 35A of the Act, will allow the Authority a discretion to waive, reduce or refund fees in whole or in part, if special circumstances exist that were outside the control of the applicant and have caused a significant and material impact on the business.

These changes are effective from 1 July 2021.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 2. Funding delivery of our services

INTRODUCTION

This note presents the sources and amounts of income raised by the Authority, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

Income is recognised to the extent it is probable the economic benefits will flow to the Authority and the income can be reliably measured at fair value.

STRUCTURE

2.1 Summary of income that funds the delivery of our services

2.2 Income from transactions

2.2.1 Government grants

2.2.2 Regulatory fee income

2.1 Summary of income that funds the delivery of our services	NOTES	2021 (\$'000)	2020 (\$'000)
Government grants	2.2.1	606	2,193
Application fee income	2.2.2	4,617	905
Licence fee income	2.2.2	10,393	6,965
Other income		101	–
		15,717	10,063

Income is recognised net of goods and services tax (GST) to the extent it is probable the economic benefits will flow to the Authority and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.2 Income from transactions

2.2.1 GOVERNMENT GRANTS

	2021 (\$'000)	2020 (\$'000)
Department of Premier and Cabinet	557	640
Treasurer's advance	–	1,214
Depreciation funding	49	339
	606	2,193

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Authority without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

2.2.2 REGULATORY FEE INCOME	2021 (\$'000)	2020 (\$'000)
Application fee income		
Business Tier 1 (annual turnover of no more than \$2,000,000)	1,660	211
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	1,242	296
Business Tier 3 (annual turnover of more than \$10,000,000)	1,715	398
	4,617	905
Licence fee income		
Business Tier 1 (annual turnover of no more than \$2,000,000)	3,864	2,184
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	2,685	2,061
Business Tier 3 (annual turnover of more than \$10,000,000)	3,844	2,720
	10,393	6,965
Total regulatory fee income	15,010	7,870

Regulatory application fee income is derived from fees payable to the Authority in accordance with S24(1) (d) of the *Labour Hire Licensing Act 2018*. These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15.

Regulatory licence fee income is derived from fees payable to the Authority in accordance with S35 (1) of the *Labour Hire Licensing Act 2018*. These fees are recognised when invoiced by the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 3. The cost of delivering our services

INTRODUCTION

This note provides information about how the Authority's funding is applied in delivering services and outputs, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

STRUCTURE

- 3.1 Expenses incurred in the delivery of our services
- 3.2 Administration expenses
- 3.3 Employee benefits expense
 - 3.3.1 Employee benefits in the comprehensive operating statement
 - 3.3.2 Employee benefits in the balance sheet

3.1 Expenses incurred in the delivery of our services	NOTES	2021 (\$'000)	2020 (\$'000)
Administration expense	3.2	2,464	2,369
Employee benefits expense	3.3	6,232	5,027
Interest expense	6.2.2	12	20
Depreciation and amortisation	4.1.2	312	304
		9,020	7,720

Expenses are recognised net of goods and services tax (GST), except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of an item of expense.

3.2 Administration expenses	2021 (\$'000)	2020 (\$'000)
Information technology costs	756	820
Professional services and labour contractors	931	448
Marketing and education	14	430
Provision for doubtful debts expense	151	291
Other expenses	611	381
	2,463	2,370

Administration expenses relate to costs incurred in the corporate operations of the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3.3 Employee benefits expense

3.3.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT	2021 (\$'000)	2020 (\$'000)
Salaries and wages	4,632	3,588
Annual leave	433	555
Long service leave	407	219
Superannuation	453	369
Payroll tax	205	209
Workcover	61	57
Other employee benefits expense	42	30
	6,233	5,027

Employee expense in the Comprehensive Operating Statement include all costs related to employment, including salaries and wages, superannuation, payroll tax, WorkCover premiums and leave entitlements. The majority of employee expenses in the Comprehensive Operating Statement are salaries and wages.

The amount recognised in the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Authority to the relevant superannuation plans in respect to the services of the Authority's staff. Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Authority is required to comply with.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3.3.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

<i>Current provisions:</i>	2021 (\$'000)	2020 (\$'000)
Annual leave:		
Unconditional and expected to settle within 12 months	292	219
Unconditional and expected to settle after 12 months	127	26
Long service leave:		
Unconditional and expected to settle within 12 months	18	29
Unconditional and expected to settle after 12 months	413	153
Provisions for on costs:		
Unconditional and expected to settle within 12 months	52	37
Unconditional and expected to settle after 12 months	91	21
Total current provisions for employee benefits	993	485
Non current provisions:		
Annual leave:		
Long service leave:		
Conditional and expected to settle after 12 months	236	116
Provisions for on costs:		
Conditional and expected to settle after 12 months	40	13
Total non current provisions for employee benefits	276	129
Total provisions for employee benefits	1,269	614

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Authority does not have an unconditional right to defer settlement of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Authority expects the liabilities to be wholly settled within 12 months of the reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive Operating Statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the entitlement to which they relate has occurred.

Long service leave

Unconditional Long Service Leave (LSL) is disclosed as a current liability; even where the Authority does not expect to wholly settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the Authority expects to wholly settle within 12 months; or
- present value – if the Authority does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is conditional right to defer the settlement of the entitlement until the employee has completed the required years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 4. Key assets available to support output delivery

INTRODUCTION

The Authority controls property, plant and equipment and other investments entrusted to be administered for the purpose of delivering its objectives to its stakeholders in line with its mission and values.

STRUCTURE

- 4.1 Total property, plant and equipment
 - 4.1.1 Reconciliation of movement in property, plant and equipment
 - 4.1.2 Depreciation and amortisation
- 4.2 Intangible assets

4.1 Total property, plant and equipment

	2021 (\$'000)	2020 (\$'000)
Buildings at fair value	541	542
Less accumulated depreciation	(271)	(135)
Total buildings	270	407
Leasehold improvements	434	421
Less accumulated depreciation	(162)	(70)
Total leasehold improvements	272	351
Plant and equipment	123	71
Less accumulated depreciation	(23)	(5)
Total plant and equipment	100	66
Motor vehicles under lease (2019: finance lease)	225	225
Less accumulated depreciation	(117)	(68)
Total motor vehicles under lease	108	157
Total capital WIP	153	–
Total property, plant and equipment	903	981

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4.1.1 RECONCILIATION OF MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The following table is a subset of property, plant and equipment and motor vehicles right of use assets.

	BUILDINGS AT FAIR VALUE		LEASEHOLD IMPROVEMENTS AT FAIR VALUE		OFFICE AND COMPUTER EQUIPMENT AT FAIR VALUE		MOTOR VEHICLES UNDER LEASE		CAPITAL WIP		TOTAL	
	2021 (\$'000)	2020 (\$'000)	2021 (\$'000)	2020 (\$'000)	2021 (\$'000)	2020 (\$'000)	2021 (\$'000)	2020 (\$'000)	2021 (\$'000)	2020 (\$'000)	2021 (\$'000)	2020 (\$'000)
Opening balance	407	–	351	–	66	–	157	–	–	–	981	–
Recognition of right-of-use asset on initial application of AASB and 16	–	372	–	25	–	–	–	–	–	–	–	397
Adjusted balance at 1 July 2019	–	–	–	–	–	–	–	206	–	–	–	206
Additions	–	542	13	396	52	71	–	–	153	–	218	1,009
Disposals	–	–	–	–	–	–	–	–	–	–	–	–
Machinery of Government transfer out	–	(327)	–	–	–	–	–	–	–	–	–	(327)
Depreciation and amortisation	(137)	(180)	(92)	(70)	(18)	(5)	(49)	(49)	–	–	(296)	(304)
Closing balance	270	407	272	351	100	66	108	157	153	–	903	981

Initial recognition

Total property, plant and equipment represent non-current physical assets comprising equipment and right-of-use assets used by the Authority in its operations. Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Items with a cost value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Assets acquired at no cost or for nominal consideration by the Authority are recognised at fair value at the date of acquisition.

WIP

Late in 2021, the Authority pre-purchased new IT equipment, due to shipping delay this equipment was not “in use” at June 2021. As such the items have been bought to account as WIP Assets are have not been depreciated until they reach service delivery capacity in FY22.

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which, comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). In addition, for right-of-use assets the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right-of-use assets.

The Authority depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment. The right-of-use assets are also subject to revaluation as required by FRD 103I.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4.1.2 DEPRECIATION AND AMORTISATION

	2021 (\$'000)	2020 (\$'000)
Charge for the period		
Buildings at fair value	137	180
Leasehold improvements	92	70
Plant and equipment	18	5
Motor vehicles under lease (2019: finance lease)	49	49
Capitalised software development	16	–
Total depreciation and amortisation	312	304

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

Asset	2020–21 USEFUL LIFE
Buildings – leased assets	2–60 years
Plant, equipment and vehicles (including leased assets)	3–10 years

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the Authority obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the Authority will exercise a purchase option, the Authority depreciates the right-of-use asset over its useful life.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives. The Authority subleases office space from DTF and the depreciation for this lease has been included for the period 1 July 2019 to 30 October 2019. From 1 November 2019, the government's Centralised Accommodation Management (CAMs) has required the depreciation for this lease to be reported in the financial statements of DTF.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Leases classified as operating leases under AASB 116

As a lessee, the Authority previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under AASB 16, the Authority recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

4.2 Intangible assets

	2021 (\$'000)	2020 (\$'000)
Capitalised software development	166	11
Less: accumulated amortisation	(16)	–
Total capitalised software development	150	11
Reconciliations of carrying amounts		
Capitalised software development		
Carrying amount at the start of the year	11	–
Additions	155	11
Amortisation expense (note 4.1.2)	(16)	–
Carrying amount at the end of the year	150	11

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 5. Other assets and liabilities

INTRODUCTION

This note sets out those other assets and liabilities that arise from the Authority's operations.

STRUCTURE

- 5.1 Receivables
 - 5.1.1 Movement in provision for impaired receivables
 - 5.1.2 Ageing analysis of statutory receivables
- 5.2 Payables
- 5.3 Deferred income

5.1 Receivables

Receivables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

	2021 (\$'000)	2020 (\$'000)
Current receivables		
<i>Statutory:</i>		
Amounts receivable from government departments	–	610
Regulatory licence fees	1,943	1,156
Allowance for impairment losses of contractual receivables	(442)	(291)
GST receivables	87	182
Other receivables	120	–
	1,708	1,657
<i>Represented by:</i>		
Current receivables	1,708	1,657

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The Authority applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivable are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due. Details about the Authority's exposure to credit risk are set out in Note 7.1.4.

5.1.1 MOVEMENT IN PROVISION FOR IMPAIRED RECEIVABLES

	2021 (\$'000)	2020 (\$'000)
As at 30 June 2021, impaired receivables were as follows:		
Balance at the beginning of the year	291	–
Provision for impaired receivables recognised during the year	151	291
Closing provision balance at 30 June	442	291

Nature and extent of risk arising from receivables

Refer to Note 7.1.4 for the nature and extent of risks arising from receivables.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5.1.2 AGEING ANALYSIS OF STATUTORY RECEIVABLES

The ageing at 30 June 2021 includes current rates and charges receivables, sundry customer receivables, and non-current customer receivables. Statutory receivables and provision for impaired receivables are excluded.

2020–2021	< 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	> 1 YEAR
Regulatory licence fees	269	1,072	350	252
Allowance for impairment losses of contractual receivables	–	(25)	(165)	(252)
GST receivables	87	–	–	–
Other receivables	120	–	–	–
	476	1,047	185	–

Past due, but not impaired, receivables relate to a number of independent customers for whom there is no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 Payables

Payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

	2021 (\$'000)	2020 (\$'000)
<i>Contractual:</i>		
Trade payables	303	19
Accrued expenses	187	150
	490	169
<i>Statutory:</i>		
GST payable	–	–
FBT payable	2	16
	2	16
Total payables	492	185
<i>Represented by:</i>		
Current payable	492	185

Payables consists of:

- contractual payables include such as accrued expenses.
- statutory payables such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

Accrued expenses are recognised when the Authority, as a result of a past event, has a present obligation that can be estimated reliably, and it is probable that a payment will be required to settle the obligation.

The amount recognised as accrued expenses is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5.3 Contract liabilities

	2021 (\$'000)	2020 (\$'000)
Current	5,386	4,294
Non-current	6,506	10,719
	11,892	15,013

AASB 15 introduces revenue recognition based on transfer of control. The Authority has used the five step model to account for revenue.

The new standard AASB 15 Revenue from Contracts with Customers is applicable to application fee revenue received by the Labour Hire Authority. The Authority has treated application fees received as a contract from customers. The contract has a fixed duration and can be terminated or modified by either party. The duration of the contract is the period for which the licence holder has present enforceable rights and obligations, that being the licence term (to a maximum of 3 years). The Authority will assess the application and grant or refuse a licence based on predetermined criteria. During the licence period the Authority monitors and assess the suitability of the applicant against this criteria during the licence term.

Regulatory application fee income is derived from fees payable to the Authority in accordance with S24(1) (d) of the Act. These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15. Contract liabilities represent the portion of application fees received in advance for which the Authority has an obligation to fulfil future commitments.

The Authority has a number of applications carried over from the initial commencement of the scheme, these are complex in nature and require further assessment to finalise.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 6. Financing our operations

INTRODUCTION

This note provides information on the balances related to the financing of the Authority, including financial commitments at year-end. The Authority's recurrent operations are generally financed from cash flows from operating activities (see Cash Flow Statement).

STRUCTURE

- 6.1 Borrowings
- 6.2 Leases
 - 6.2.1 Right-of-use assets
 - 6.2.2 Amounts recognised in the Statement of Comprehensive Income
 - 6.2.3 Amounts recognised in the Statement of Cashflows
- 6.3 Cash flow information and balances
 - 6.3.1 Reconciliation of net result for the period to cash flow from operating activities
- 6.4 Commitments for expenditure
 - 6.4.1 Other commitments

6.1 Borrowings

	2021 (\$'000)	2020 (\$'000)
Current borrowings		
Lease liabilities (current)	258	276
Total current borrowings	258	276
Non-current borrowings		
Lease liabilities (non-current)	146	298
Total borrowings	404	574

6.2 Leases

The Authority leases 2 office premises and 8 motor vehicles. The lease contracts are typically made for fixed periods of 1–4 years with an option to renew the lease after that date. Lease payments are renegotiated every 5 years to reflect market rates.

6.2.1 RIGHT-OF-USE ASSETS

Right-of-use assets are presented in note 4.1.1.

6.2.2 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2021 (\$'000)	2020 (\$'000)
The following amounts are recognised in the Statement of Comprehensive Income relating to leases:		
Interest expense on lease liabilities	12	20
Total amount recognised in the statement of comprehensive income	12	20

6.2.3 AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOWS

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2021 relating to leases:

	2021 (\$'000)	2020 (\$'000)
Total cash outflow for leases	170	(368)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

For any new contracts entered into on or after 1 July 2019, the Authority considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Authority assesses whether the contract meets 3 key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority and for which the supplier does not have substantive substitution rights;
- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Authority has the right to direct the use of the identified asset throughout the period of use; and
- the Authority has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use. This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)**Lease liability – initial measurement**

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Presentation of right-of-use assets and lease liabilities

The Authority presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6.3 Cash flow information and balances

	2021 (\$'000)	2020 (\$'000)
Cash and cash equivalents		
Total cash and deposits disclosed in the balance sheet – Authority	20,325	16,125
Balance as per cash flow statement	20,325	16,125

6.3.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

Net result for the period	6,698	2,343
Non-cash movements		
Depreciation and amortisation	312	304
	7,010	2,647
Movements in assets and liabilities		
Decrease/(increase) in receivables	(49)	(1,204)
Decrease/(increase) in other assets	(210)	4
(Decrease)/increase in payables	(2,658)	13,906
(Decrease)/increase in employee benefits	652	381
Net cash inflows from operating activities	4,745	15,734

Cash flows arising from operating activities are disclosed inclusive of GST.

6.4 Other commitments

Centralised accommodation management (CAM) commitment
Commitments for management of accommodation leases by DTF as follows:

Other commitments relating to accommodation	2021 (\$'000)	2020 (\$'000)
Not later than one year	–	178
Later than one year and not later than 5 years	–	62
Later than 5 years	–	–
Total other commitments	–	240
Less GST recoverable	–	(22)
Total other commitments (excluding GST)	–	218

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 7. Risks, contingencies and valuation judgements

INTRODUCTION

The Authority is exposed to risks from both its activities and external factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section presents information on the Authority's financial instruments, contingent assets and liabilities.

STRUCTURE

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Categories of financial assets
 - 7.1.2 Categories of financial liabilities
 - 7.1.3 Financial instruments: categorisation
 - 7.1.4 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

7.1 Financial instruments specific disclosures

INTRODUCTION

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Authority currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020–21 reporting period.

7.1.1 CATEGORIES OF FINANCIAL ASSETS

Financial assets at amortised costs

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Authority to collect contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less any impairment.

The Authority recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Authority retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Authority has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

7.1.2 CATEGORIES OF FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Financial liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the interest-bearing liability, using the effective interest rate method. The Authority recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the Comprehensive Operating Statement.

7.1.3 FINANCIAL INSTRUMENTS: CATEGORISATION

	CONTRACTUAL FINANCIAL ASSETS – RECEIVABLES AND CASH (\$'000)	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST (\$'000)	TOTAL (\$'000)
2020–2021			
Contractual financial assets			
Cash and cash deposits	20,325	–	20,325
Total contractual financial assets	20,325	–	20,325
Contractual financial liabilities			
Payables			
Trade payables and accrued expenses (excluding statutory payables)	–	492	492
Borrowings	–	404	404
Total contractual financial liabilities	–	896	896
	CONTRACTUAL FINANCIAL ASSETS – RECEIVABLES AND CASH (\$'000)	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST (\$'000)	TOTAL (\$'000)
2019–2020			
Contractual financial assets			
Cash and cash deposits	16,125	–	16,125
Total contractual financial assets	16,125	–	16,125
Contractual financial liabilities			
Payables			
Trade payables and accrued expenses (excluding statutory payables)	–	185	185
Borrowings	–	574	574
Total contractual financial liabilities	–	759	759

NOTES TO THE FINANCIAL STATEMENTS CONT'D

7.1.4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Authority expose it to a variety of financial risks, market risk, credit risk and liquidity risk. This note presents information about the Authority's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Commissioner as the Responsible Body of the Authority has the overall responsibility for the establishment and oversight of the risk management framework. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Authority. The Authority uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and ageing analysis for credit.

Risk management is carried out by the Authority's management under policies approved by the Commissioner as the Responsible Body. The Commissioner provides written principles for overall risk management, as well as policies covering specific areas such as credit risk.

The main risks that the Authority is exposed to through its financial instruments are as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Authority as a result of a licensee failing to meet its contractual obligations. Credit risk arises principally from receivables.

The Authority minimises concentrations of credit risk by undertaking transactions with a large number of labour hire providers who must pay regulatory fees to apply for and maintain a labour hire Licence. The Authority is not materially exposed to any individual debtor.

There has been no material change to the Authority's credit risk profile in 2020–21.

(b) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Authority's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Authority's exposure to market risk is primarily through interest rate risk. There is insignificant exposure to foreign exchange risk and other price risk.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

The Authority has minimal exposure to interest rate risk through its holding of other financial assets.

(ii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer; or by factors affecting all similar financial instruments traded in the market. The Authority is not currently exposed to these risks.

There is no market risk to the Authority's cash on hand and cash equivalents.

(c) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's policy is to settle financial obligations within 14 days and in the event of a dispute make payments within 30 days from the date of resolution.

The Authority manages liquidity risk by maintaining adequate reserves of cash and by continuously monitoring actual cash flows against forecast cash flows of the Authority.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and, if quantifiable, are measured at nominal value.

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

There were no material contingent assets or liabilities at 30 June 2021 (30 June 2020, \$nil).

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 8. Other Disclosures

INTRODUCTION

This note provides information on other disclosures that impact the Authority.

STRUCTURE

- 8.1 Responsible persons
- 8.2 Remuneration of executives
- 8.3 Related parties
- 8.4 Events occurring after the balance date
- 8.5 Auditors remuneration
- 8.6 Australian Accounting Standards issued that are not yet effective

8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

The following lists the responsible persons for the Authority during the year:

NAME	TITLE	PERIOD OF APPOINTMENT	
		FROM	TO
The Hon. Tim Pallas MP	Minister for Industrial Relations	01 Jul 2020	30 Jun 2021
Steve Dargavel	Labour Hire Licensing Commissioner	01 Jul 2020	30 Jun 2021

Remuneration

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* (Vic) and is reported within the Department of Parliamentary Services' Financial Report. Remuneration received or receivable by the Accountable Officer and other responsible persons in connection with the management of the Labour Hire Authority during the reporting period was in the range of \$240,000 – \$249,999.

8.2 Remuneration of executives

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased
- Other long-term benefits include long-service leave, other long-service benefit or deferred compensation; and
- Termination benefits include termination of employment payments, such as severance packages.

Remuneration of Executive Officers	2021 (\$'000)	2020 (\$'000)
Short-term employee benefits	202	222
Post-employment benefits	38	22
Other long-term benefits	6	6
Total remuneration	246	250
Total number of executives	1	1
Total annualised employee equivalents ⁽ⁱⁱ⁾	1	1

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

8.3 Related Parties

The Authority is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Authority include:

- All key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- All Cabinet ministers and their close family members; and
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.
- All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the year, the Authority had the following government-related entity transactions (inclusive of GST):

<i>Amounts recognised as revenue in the Comprehensive Operating Statement</i>	2021 (\$'000)	2020 (\$'000)
Entity and nature of transaction		
Department of Premier and Cabinet	606	2,193
Total	606	2,193

Key management personnel

KMP (as defined in AASB 124 Related Party Disclosures) are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly. KMP of the Authority includes the Portfolio Minister and Executive Officers of the Authority as listed under responsible persons in Note 8.1.

	2021	2020
Short-term employee benefits	436	433
Post-employment benefits	61	63
Other long-term benefits	15	10
Total	512	506

(i) The Authority did not employ any KMPs as a contractor through an external service provider during the reporting period.

(ii) The compensation detailed above excludes the salaries and benefits the portfolio Minister receives.

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* (Vic) and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Authority, there were no related party transactions that involved KMPs and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

8.4 Events occurring after the balance date

There have been no matters and/or circumstances that have arisen since the end of the reporting period that significantly affect or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

8.5 Auditors remuneration

Auditors' remuneration for auditing the financial statements of the Authority excluding GST for 2020–21 has been set at \$25,000 (FY20 was \$8,000) by the Victorian Auditor-General Office (VAGO). No other benefits were received or are receivable by VAGO.

8.6 Australian Accounting Standards issued that are not yet effective

As at 30 June 2021, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2020. The Authority has not and does not intend to adopt these standards early.

STANDARD/ INTERPRETATION (1)	SUMMARY	EFFECTIVE DATE	EFFECTIVE DATE FOR THE ENTITY	ESTIMATED IMPACT
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. The Department will not early adopt the Standard.	1/01/2023	1/07/2023	Based on a preliminary assessment by the Authority, there will be no significant impact

The following accounting pronouncements are also issued but not effective for the 2020–21 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 17 Insurance Contracts
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.
- AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2.
- AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.



INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Commissioner of the Labour Hire Licensing Authority

Opinion	<p>I have audited the financial report of the Labour Hire Licensing Authority (the authority) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2021• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• statutory certification. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit of
the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
11 October 2021



Timothy Maxfield
as delegate for the Auditor-General of Victoria



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DISCLOSURE INDEX

The LHA's annual report is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the LHA's compliance with statutory disclosure requirements.

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