

Construction Industry Training Board

Financial report
for the year ended
30 June 2020



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To the Presiding Member Construction Industry Training Board

Opinion

I have audited the financial report of Construction Industry Training Board for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report has been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards including:

- a) giving a true and fair view of the financial position of the Construction Industry Training Board as at 30 June 2020, its financial performance and its cash flows for the year then ended, and
- b) complying with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, a Board Member, the Interim Chief Executive Officer and the Executive Manager Finance and Business Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Construction Industry Training Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Interim Chief Executive Officer and members of the Construction Industry Training Board for the financial report

The Interim Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the Construction Industry Training Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 16(2) of the *Construction Industry Training Fund Act 1993*, I have audited the financial report of Construction Industry Training Board for the financial year ended 30 June 2020.

My objectives 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

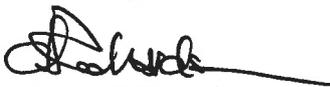
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Construction Industry Training Board's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Interim Chief Executive Officer
- 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Interim Chief Executive Officer and the members of the Construction Industry Training Board about, 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 the audit.



Andrew Richardson

Auditor-General

25 September 2020

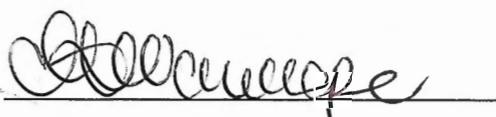
Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Construction Industry Training Board:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- comply with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Construction Industry Training Board as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that:

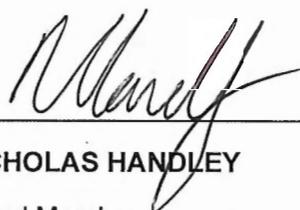
- the internal controls employed by the Construction Industry and Training Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period; and
- at the time of signing of this statement, there are reasonable grounds to believe that the Construction Industry Training Board will be able to pay its debts as and when they become due and payable.



MAREE WAUCHOPE

Presiding Member

24 September 2020



NICHOLAS HANDLEY

Board Member

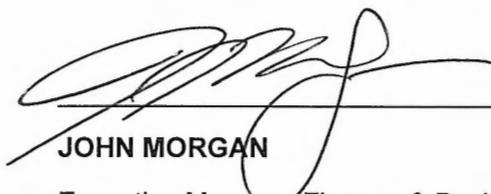
24 September 2020



DEREK CLARK

Interim Chief Executive Officer

24 September 2020



JOHN MORGAN

Executive Manager Finance & Business Services

24 September 2020

Construction Industry Training Board Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
Income			
Industry levies	4.1	20,243	21,051
Interest		338	584
Grants from SA Government	4.2	298	297
Other income	4.4	186	11
Net gain on disposal of property, plant and equipment	4.3	1	-
Total Income		21,066	21,943
Expenses			
Employee benefits expenses	2.3	2,242	2,299
Supplies and services	3.1	1,038	1,190
Depreciation and amortisation	3.2	123	76
Grants and subsidies	3.3	30	92
Training claims	3.4	16,791	17,777
Interest paid		5	-
Impairment loss on receivables		(7)	19
Total Expenses		20,222	21,453
Net Result		844	490
Total Comprehensive Result		844	490

The accompanying notes form part of these financial statements.

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Construction Industry Training Board Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
Current Assets			
Cash and cash equivalents	6.1	1,804	2,010
Receivables	6.2	894	1,006
Other financial assets	6.3	22,876	22,519
Total Current Assets		25,574	25,535
Non-Current Assets			
Property, plant and equipment	5.1	917	195
Intangible assets	5.4	8	29
Total Non-Current Assets		925	224
Total Assets		26,499	25,759
Current Liabilities			
Payables	7.1	1,897	1,810
Financial liabilities	7.2	78	-
Employee benefits	2.4	114	135
Provisions	7.3	1,500	2,254
Total Current Liabilities		3,589	4,199
Non-Current Liabilities			
Payables	7.1	11	12
Financial liabilities	7.2	518	-
Employee benefits	2.4	204	215
Total Non-Current Liabilities		733	227
Total Liabilities		4,322	4,426
Net Assets			
Reserves	8.1	9,048	8,999
Retained earnings		13,129	12,334
Total Equity		22,177	21,333

The accompanying notes form part of these financial statements.

Unrecognised contractual commitments 10.1

Contingent assets and liabilities 10.2

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Construction Industry Training Board Financial Statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Operational Risk Reserve (Prudential Reserve)	Strategic Reserve	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2018		10,302	1,000	9,541	20,843
Total Comprehensive Result 2018-2019		-	-	239	239
Prior period adjustment	1.4	-	-	251	251
Restated Total Comprehensive Result 2018-2019		-	-	490	490
Transfer from Operational Risk Reserve (Prudential Reserve)		(2,303)	-	2,303	-
Balance at 30 June 2019		7,999	1,000	12,334	21,333
Total Comprehensive Result 2019-2020		-	-	844	844
Transfer from Operational Risk Reserve (Prudential Reserve)		49	-	(49)	-
Balance at 30 June 2020	8.1	8,048	1,000	13,129	22,177

The accompanying notes form part of these financial statements.

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Construction Industry Training Board Financial Statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		\$'000	\$'000
Cash flows from operating activities			
<u>Cash Inflows</u>			
Receipts from industry training levies		20,231	20,980
Interest received		373	585
GST recovered from the ATO		148	142
Grants from SA Government		298	297
Other receipts		250	(14)
Cash generated from operations		21,300	21,990
<u>Cash Outflows</u>			
Employee benefits paid		(2,258)	(2,277)
Training expenditure paid		(17,380)	(18,395)
Other payments		(1,283)	(1,471)
Cash used in operations		(20,921)	(22,143)
Net cash provided by / (used in) operating activities		379	(153)
Cash flows from investing activities			
<u>Cash Inflows</u>			
Maturing term deposits		299,954	83,762
Proceeds from sale of plant and equipment		29	-
Cash generated from investing activities		299,983	83,762
<u>Cash Outflows</u>			
Purchase of investments		(300,312)	(83,297)
Purchase of property, plant and equipment and intangible assets		(223)	(1)
Cash used in investing activities		(300,535)	(83,298)
Net cash provided by / (used in) investing activities		(552)	464
Cash flows from financing activities			
<u>Cash Outflows</u>			
Repayment of leases		(33)	-
Cash used in financing activities		(33)	-
Net cash used in financing activities		(33)	-
Net increase/(decrease) in cash and cash equivalents		(206)	311
Cash and cash equivalents at the beginning of the period		2,010	1,699
Cash and cash equivalents at the end of the period	6.1	1,804	2,010

The accompanying notes form part of these financial statements.

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14/06

1. About the Construction Industry Training Board

The Construction Industry Training Board (Board) is established under the *Construction Industry Training Fund Act 1993* (CITF Act).

The Board does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Board.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- the *Australian Charities and Not-for-profits Commission Act 2012*;
- the *CITF Act*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards (with reduced disclosure requirements).

For the 2019-20 financial statements the Board adopted *AASB 16 – Leases*. Further information is provided in note 9.1.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The Board is exempt from Income Tax under subdivision 50-B of the *Income Tax Assessment Act 1997*. The Board is exempt from Payroll Tax in South Australia.

The Board is liable for Goods and Services Tax (GST) and Fringe Benefits Tax (FBT), however, as a registered charity, is endorsed to access:

- GST concessions under Division 176 of *A New Tax System (Goods and Services Tax) Act 1999*
- FBT rebate (49%) under section 123E of the *Fringe Benefits Tax Assessment Act 1986*.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.



1.2. Objectives and programs

The objective of the Board is to manage and administer the Construction Industry Training Fund (the Fund). The Board's responsibilities include:

- to act as a principal adviser to the Minister for Education and the Assistant Minister for Vocational Education, Training and Apprenticeships for the Commonwealth and the Minister for Innovation and Skills for the State on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- promote increased productivity, career opportunities, personal satisfaction and occupational health and safety;
- to initiate, carry out, support or promote research into training and personal needs;
- to liaise with educational, professional and training bodies in relation to training and personnel development; and
- co-ordination of training, review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work over \$40,000. This revenue is invested back into the industry in the form of expenditure on training and apprentice support to training provided by government and non-government organisations.

1.3. Impact of COVID-19 pandemic

The COVID-19 pandemic has impacted on the operations of the Board and the impacts are included under the relevant disclosure notes. Whilst government (State and Australian) stimulus packages for the building and construction industry have been initiated, the full impact will not be seen until future financial years. The key impacts of the pandemic have been reduced training claims expense (refer note 3.4) with respect to attendance at construction skills training short courses and apprentices newly registering with CITB. Attendance at the courses fell during April and May 2020 but started to recover in June 2020. Similarly, the number of apprentices registering with CITB fell markedly in April 2020 but the numbers have increased steadily in subsequent months. Levy revenues have not suffered a major impact from the pandemic (refer note 4.1).

1.4. Prior period adjustment

Following a review of the accrual process for Construction Skills Training (CST), it was identified an amount of \$250,971 was incorrectly included as an accrued CST expense in 2018-19. An adjustment has been made to the 2018-19 training claims expenditure by decreasing the expense by this amount, with a corresponding decrease to the accrued training liability. This results in an increase to the 2018-19 Total Comprehensive Result to a \$490k surplus (previously reported a surplus of \$239k). Notes 3.4, 7.1 and 7.3 for 2019 show adjusted amounts, in addition to the Statement of Comprehensive Income and the Statement of Financial Position.

2. Board, committee and employees

2.1. Key management personnel

Key management personnel of the Board include the Minister, Board Members, the Chief Executive Officer and the two members of the Executive Team who have responsibility for the strategic direction and management of the Board. Total compensation for key management personnel was \$812,831 in 2019-20 and \$694,000 in 2018-19.

Salaries and other benefits the Minister for Innovation and Skills receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.



Transactions with key management personnel and other related parties

The Board is an independent statutory authority established pursuant to the *Construction Industry Training Fund Act 1993* and is explicitly not an agency or instrumentality of the Crown. Related parties of the Board include all key management personnel and their close family members and any entities controlled or jointly controlled by them.

During the year training funds of \$870,474 were allocated to associated entities of the members of the Construction Industry Training Board.

2.2. Board and committee members

Members during the 2020 financial year were:

Members

- Maree Wauchope (Independent Presiding Member, appointed 20 June 2020)
- Peter Kennedy (Independent Presiding Member, ceased 19 June 2020)
- Nicholas Handley
- Daniel Gannon
- Ian Markos
- Anthony Carbone
- Victoria Griffith
- Ruth Vagnarelli
- Laurel Dixon (ceased 3 July 2019)
- Rebecca Hayes (ceased 19 June 2020)
- Jessica Rogers (ceased 19 June 2020)
- Andrew Clarke (ceased 19 June 2020)
- Stephen Knight (appointed 20 June 2020)
- Aaron Cartledge (appointed 20 June 2020)
- Amanda Price-McGregor (appointed 20 June 2020)
- Patrick Curran (appointed 20 June 2020)

The following deputy received a fee for attendance at meetings:
 Madeleine Frost (ceased 19 June 2020)

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2020	2019
	Number of Members	Number of Members
NIL	19	14
\$1-\$19,999	11	18
\$20,000-\$29,999	1	1
Total	31	33

Total remuneration received or receivable by members was \$141,248 (\$161,594). This included remuneration of their deputies of \$7,910 (\$5,650).

Included in the above table, there are 14 deputies who were not paid and not listed above. There were 5 members appointed in June 2020 who were not remunerated as they did not attend any meetings during the year.

Remuneration of members and their deputies reflects all costs of performing Board member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	1,795	1,730
Board fees	149	167
Annual leave	113	122
Employment on-costs-superannuation	143	157
Long Service Leave	(1)	72
Employment on-costs-other	43	51
Total employee benefits expenses	2,242	2,299

Employment on-costs - superannuation

The superannuation employment on-costs charge represents the Board's contributions to superannuation plans in respect of current services of current employees.

Executive remuneration

	2020 Number of Employees	2019 Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$214 001 to \$234 000	-	1
\$314 001 to \$334 000	1	-
Total	1	1

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The total remuneration received by those employees for the year was \$323,239 (\$231,113).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

2.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current:		
Annual leave	103	112
Long Service Leave	-	23
Accrued salaries and wages	11	-
Total current employee benefits	114	135
Non-current:		
Long service leave	204	215
Total non-current employee benefits	204	215
Total employee benefits	318	350

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Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave and personal leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for personal leave as all personal leave is non-vesting and the average personal leave taken in future years by employees is estimated to be less than the annual entitlement for personal leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 11.1.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

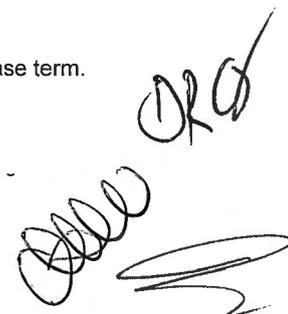
	2020	2019
	\$'000	\$'000
Training delivery	228	245
Information technology and communications	218	188
Accommodation	157	173
Professional services	184	138
General administration and consumables	62	134
Marketing	18	100
Collection agent fees	51	94
Other	50	54
Research	38	30
Insurance	24	24
Legal costs	8	10
Total supplies and services	1,038	1,190

Accommodation

The Board's accommodation is provided by an external company under a lease agreement. The lease agreement meets the definition of lease set out in AASB 16.

Operating lease payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.



Consultants

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	No	2020	No	2019
		\$'000		\$'000
Below \$10 000	-	-	2	9
\$10 000 or above	3	97	-	-
Total	3	97	2	9

3.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Motor vehicles	34	35
Computer software	21	21
Accommodation and leasehold improvements	12	3
Right-of-use buildings and improvements	37	-
Computer equipment	12	13
Office machines	5	3
Furniture and fittings	2	1
Total depreciation and amortisation	123	76

All non-current assets with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

- Motor vehicles 15 percent
- Computer Software 25 percent
- Computer equipment 25 percent
- Office machines 20 percent
- Accommodation and leasehold Improvements 35 percent
- Right-of-use buildings and improvements Lease term
- Furniture and fittings 20 percent

During the year, the Board did not make any adjustments to the estimated useful life of any asset categories.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

3.3. Grants and subsidies

	2020	2019
	\$'000	\$'000
One-off grants – Innovation	30	92
Total grants and subsidies	30	92

Innovation grants, consistent with Board approved initiatives, included programs such as basic English and numeracy for construction workers with English as a second language, network awareness training and building information modelling.

3.4. Training claims

	2020	2019
	\$'000	\$'000
Housing sector	8,548	9,092
Commercial sector	4,864	5,228
Civil sector	2,314	2,515
Other	1,065	942
Total training claims	16,791	17,777

Funding is provided to government and non-government training providers upon receiving training claims. Training claims are recognised as expense when the training has been provided by the training provider. This is determined from actual claims received and an estimate of training provided but claims not yet received.

4. Income

4.1. Industry levies

	2020	2019
	\$'000	\$'000
Housing sector	8,560	8,831
Commercial sector	6,435	6,282
Civil sector	5,248	5,938
Total industry levies	20,243	21,051

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained when a levy application is lodged.

4.2. Grants from SA Government

	2020	2019
	\$'000	\$'000
D2C contributions/grants	298	297
Total grants from SA Government	298	297

Doorways2Construction™ (D2C) is South Australia's premier Vocational Education and Training in schools program for the building and construction industry with grants to assist in the funding received from the Department for Education (DfE) and the Department for Innovation and Skills (DIS).

Construction Industry Training Board Financial Statements

Revenue is recognised when invoices are raised to DfE and DIS according to the payment schedule in the respective agreement.

4.3. Net gain from the disposal of property, plant and equipment

	2020	2019
	\$'000	\$'000
Motor vehicles:		
Proceeds from disposal	28	-
Less net book value of assets disposed	(26)	-
Net gain/(loss) from disposal of motor vehicles	2	-
Office machines:		
Proceeds from disposal	-	-
Less net book value of assets disposed	(1)	-
Net gain/(loss) from disposal of office machines	(1)	-
Total net gain/(loss) from disposal of assets	1	-

4.4. Other income

	2020	2019
	\$'000	\$'000
Sundry revenue	186	11
Total other income	186	11

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
Motor vehicles at cost (deemed fair value)	183	231
Less: accumulated depreciation	(78)	(67)
	105	164
Computer equipment at cost (deemed fair value)	65	107
Less: accumulated depreciation	(60)	(90)
	5	17
Office machines at cost (deemed fair value)	28	67
Less: accumulated depreciation	(15)	(57)
	13	10
Furniture and fittings at cost (deemed fair value)	52	49
Less: accumulated depreciation	(28)	(46)
	24	3
Accommodation and leasehold improvements at cost (deemed fair value)	192	396
Less: accumulated depreciation	(13)	(395)
	179	1

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	2020 \$'000	2019 \$'000
Right-of-use building and leasehold improvement at cost	628	-
Less: accumulated depreciation	(37)	-
	591	-
Total property, plant and equipment	917	195

5.2. Property, plant and equipment owned by the Board

Property, plant and equipment owned by the Board with a value equal to or in excess of \$1 000 is capitalised, otherwise it is expensed. Property, plant and equipment is recorded at fair value. Detail about the Board's approach to fair value is set out in note 11.2.

Impairment

Property, plant and equipment owned by the Board has not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2019-20

	Furniture & fittings \$'000	Office machines \$'000	Computer equipment \$'000	Motor vehicles \$'000	Accommodation leasehold improvements \$'000	Total \$'000
Carrying amount as at 1 July 2019	3	10	17	164	1	195
Acquisitions	23	10	-	-	190	223
Disposals	-	(1)	-	(26)	-	(27)
Depreciation and amortisation	(2)	(5)	(12)	(34)	(12)	(65)
Carrying amount as at 30 June 2020	24	14	5	104	179	326

5.3. Property, plant and equipment leased by the Board

Property, plant and equipment leased by the Board is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$628,140 (\$0).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 3.1.

The Board has a lease for office accommodation lease which commenced 1 November 2019. The term of the lease is 7 years 2 months, with the option to extend for 10 years. The option to extend has not been included in the term because management has determined that it is uncertain whether the Board will exercise the right of renewal. Rent is payable monthly in advance.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Board's maturity analysis of its lease liabilities is disclosed in note 11.3. Right-of-use assets depreciation expense is disclosed in note 3.2. Lease interest expense is disclosed in the Statement of Comprehensive income. Cash outflows related to leases are disclosed in note 8.2.





Impairment

Property, plant and equipment leased by the Board has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Computer software	1,773	1,773
Accumulated amortisation	(1,765)	(1,744)
Total computer software	8	29
Total intangible assets	8	29

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$1 000. The majority of the computer software relates to the Board's internally developed training and levy administration system (TALAS) which is now fully depreciated.

Reconciliation 2019-20

	\$'000
Computer software	
Carrying amount as at 1 July 2019	29
Amortisation	(21)
Carrying amount as at 30 June 2020	8

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash at bank	1,804	1,004
Bank deposits at call	-	1,006
Total cash and cash equivalents	1,804	2,010

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6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Trade receivables	385	676
Less allowance for doubtful debts	(21)	(28)
Less levy refund payable	(64)	(30)
Prepayments	86	145
Accrued interest	19	54
GST input tax recoverable	9	16
Sundry debtors	67	97
Accrued levy revenue	413	76
Total current receivables	894	1,006

Trade receivables arise in the normal course of levies raised and in selling goods and services to the public and government agencies. Trade receivables are normally settled within 14-30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

6.3. Other financial assets

	2020	2019
	\$'000	\$'000
Current investments		
ANZ term deposits	7,400	7,300
National Australia Bank term deposits	6,129	892
Westpac term deposits	3,730	8,804
Commonwealth Bank term deposits	3,233	3,190
Bendigo Adelaide Bank term deposits	2,384	2,333
Total other financial assets	22,876	22,519

Other Financial Assets comprise term deposits held to maturity for periods of less than three months. There is no impairment loss on term deposits due to the rating of the counterparties.

For further information on risk management refer to note 11.3.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Accrued training expenses	1,667	1,472
Accrued expenses	93	159
Trade payables	68	127
Employment on-costs	69	52
Total current payables	1,897	1,810
<u>Non-current</u>		
Employment on-costs	11	12
Total non-current payables	11	12
Total payables	1,908	1,822

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

The net amount of GST recoverable from the ATO is included as part of payables.

Employment on-costs

Employment on-costs include superannuation contributions and ReturnToWorkSA levies and are settled when the respective employee benefits that they relate to is discharged.

The Board contributes to the employees' nominated prescribed superannuation fund. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability at reporting date relates to any contributions due but not yet paid into the superannuation funds.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate at (41%) to 42% and the average factor for the calculation of employer superannuation cost on-costs remains unchanged from the 2019 rate of 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material.

7.2. Financial liabilities

	Note	2020	2019
		\$'000	\$'000
Current			
Lease liabilities	5.3	78	-
Total current borrowings		78	-
Non-current			
Lease liabilities	5.3	518	-
Total non-current borrowings		518	-
Total borrowings		596	-

The Board measures financial liabilities at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above. For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117 with the Board not having any finance leases in 2018-19.

7.3. Provisions

	2020	2019
	\$'000	\$'000
Current		
Provision for Training Claims	1,500	2,254
Total provisions	1,500	2,254

The Board has provided a training claim provision that represents the discounted value of the present obligation in relation to progressive training claims that fall within the financial year. The discounted value reflects management's assessment of the cost of servicing the claims discounted by probability of claim and attrition rates based on historic empirical data. Changes to the number of registrants, funding rate, and discount rates impact the carrying amount of the provision. In 2019-20 a provision was recognised for progressive training claims that are likely to fall due within the year of balance date.

8. Other disclosures

8.1. Equity

The Board has provided for two reserves. Operational Risk Reserve - a reserve to meet operational risks involved during the course of business calculated using a number of assumptions addressing variability in revenue, expenditure and other events. Strategic Reserve - a reserve to address any strategic needs that may arise which the Board considers warrant an allocation of funds calculated at a nominal value.

8.2. Cash flow

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

Leases

	2020	2019
	\$'000	\$'000
Right of use assets	33	-
Total cash outflow for leases	33	-

9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

At 1 July 2019, the Board did not have any leases that met the AASB 16 definition of leases, hence there was no impact to retained earnings at 1 July 2019.

The Board disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$13 000 under AASB 117.

The Board's operating leases comprise office accommodation and office equipment. As at 30 June 2019, these leases were non-cancellable and rent was payable monthly in advance. These leases did not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117.

A new office accommodation lease commenced 1 November 2019 for a seven year period.

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The Board has adopted the following accounting policies:

- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations. At 1 July 2019, the Board did not have any leases that met the AASB 16 definition of leases.
- the initial measurement of lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 31 January 2020 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.25%.

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- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Board's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

9.2. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued 22 March 2019 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Operating lease commitments

	2020	2019
	\$'000	\$'000
Within one year	-	13
Later than one year but not later than five years	-	-
Total operating lease commitments	-	13

Operating lease commitments is provided for the comparative year only as AASB 16 Leases does not distinguish between operating and finance leases for the lessee.

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10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Entities have paid but are not required to pay levies for construction projects performed on the land of the Commonwealth of Australia. At the time of adopting these financial statements, the Board is consulting with the Department of Treasury and Finance and the Crown Solicitor's Office to determine how any refunds should be provided to these entities and properly authorised.

10.3. COVID-19 pandemic outlook

The COVID-19 pandemic will continue to impact the operations of the Board in 2020-21. The key possible impacts are:

- potential reduction in levy revenue (dependent on level of government stimulus);
- potential reduction in apprentices; and
- potential reduction in attendance at construction skills training.

None of these possible impacts have occurred in the period July to September 2020.

10.4. Events after the reporting period

There have been no events after the reporting period which would have a material effect on the Board's financial statements at 30 June 2020.

11. Measurement and risk

11.1. Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (0.75%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate from 4% (2019) to 2.5% (2020) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$18,467 and employee benefits expense of \$6,072. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months based on previous experience, expected terminations and known applications for leave.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are measured at historical cost less accumulated depreciation. The Board capitalises all non-current assets with a value of one thousand dollars (\$1,000) or more.

Property, plant and equipment

All items of plant and equipment owned by the Board had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life that was less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Board and Board risk management policies are in accordance with the Board's Risk Management Policy Statement.

The Board is exposed to a variety of financial risks, credit risk and liquidity risk. The Board has non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (cash and cash equivalents and other financial assets).

The Board has no significant concentration of credit risk. Investments are in the form of term deposits with approved banking institutions. In relation to liquidity/funding risk, the continued existence of the Board in its present form, is dependent on Government policy.

Refer to notes 6 and 7 for further information.

There are no fair value differences as carrying values approximate fair values and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted include the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The Board measures all financial instruments at amortised cost.



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Category of financial asset and financial liability	Note	2020	2020 Contractual maturities		
		Carrying Amount / Fair Value	Within 1 year	1-5 years	More than 5 years
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
Financial assets					
Cash and cash equivalent	6.1	1,804	n/a	n/a	n/a
Receivables (1) (2)	6.2	85	n/a	n/a	n/a
Other financial assets	6.3	22,876	n/a	n/a	n/a
Total financial assets		24,765			
Financial liabilities					
Payables (1)	7.1	1,774	1,774	-	-
Lease liabilities	7.2	596	78	455	63
Provision for Training Claims	7.3	1,500	1,500	-	-
Total financial liabilities		3,870	3,352	455	63

Category of financial asset and financial liability	Note	2019	2019 Contractual maturities
		Carrying Amount	Within 1 year
		(\$'000)	(\$'000)
Financial assets			
Cash and cash equivalent	6.1	2,010	2,010
Receivables (1) (2)	6.2	151	151
Other financial assets	6.3	22,519	22,519
Total financial assets		24,680	24,680
Financial liabilities			
Payables (1)	7.1	1,867	1,867
Lease liabilities	7.2	-	-
Provision for Training Claims	7.3	2,349	2,349
Total financial liabilities		4,216	4,216

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.
- (2) Receivables amount disclosed here excludes prepayments.

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