

# Part 2: Operational Governance



# Part 2 Operational governance

## The Board

### Functions and powers

The *Construction Industry Long Service Leave and Benefits Act* (CILSLB Act) sets out the Board's main functions as well as the powers that the Board may exercise in performing those functions. The functions of the Board in administering the portable long service leave scheme (provided for in section 55 of the CILSLB Act) include:

- administration of the Scheme; and
- providing advice and making recommendations to the Minister concerning the operation of the Act.

In exercising its powers and carrying out its functions, the CILSLB Act obliges the Board to do so in a manner that is reasonable and accords with and furthers the object of the Act.

### Membership

The Scheme is administered by a Government appointed Board. Under the provisions in the CILSLB Act, the constitution of the Board consists of:

- a minimum of five members made of the Chairperson and four other members; and
- up to two additional members.

A person may be eligible for appointment to the Board if they hold suitable qualifications, or have suitable knowledge or experience, relating to the functions of the Board.

Board members are able to hold office for a period of up to five years, and may be reappointed.

The number of public sector employees that may be appointed to the Board is

also capped to a maximum of two. This restriction ensures majority industry participation in the administration of NT Build and keeps the Scheme, established for the benefit of industry, at arm's length from government.

Changes in board membership during the 2016-17 period saw the reappointment of Michael Haire for a further term and the resignation of Craig Graham. Action to appoint a replacement member in Mr Graham's stead was however not finalised prior to the end of this reporting period.

The membership of the NT Build Board on 30 June 2017 was as follows.

|                    |   |
|--------------------|---|
| Chairperson        | <b>Michael Martin OAM</b><br>Member of Northern Territory Government: Remuneration Tribunal, Top End Health Services Board, Superannuation Trustee Investment Board and former senior NT public servant |
| Other members      | <b>Dick Guit</b><br>General Manager<br>Sitzler Pty Ltd<br>President of the MBA NT   |
|                    | <b>Michael Haire</b><br>Organiser (QLD/NT)<br>Electrical Trades Union (ETU)   |
|                    | <b>David Malone</b><br>Executive Officer<br>Master Builders NT  |
|                    | <b>Michael Milatos</b><br>Director<br>Cento Pty Ltd   |
| Additional members | <b>Vacant</b>   |
|                    | <b>Rosemary Campbell</b><br>Director<br>Merit Partners  |

## **Conducting business**

### Meetings

During this reporting period the Board convened a total of 18 times, including 6 regular meetings and 12 occasions involving specific matters that required attention between scheduled meetings.

Details regarding members' participation at meetings is provided in the Financial Statements included in this report.

### Remuneration

Board members are remunerated in accordance with the rates and conditions determined under the *Assembly Members and Statutory Officers (Remunerations and Other Entitlements) Act*; based on a classification that recognises the range of duties, powers and responsibilities assigned to the Board.

Details regarding payments to members is provided in the Financial Statements included in this report.

### General decisions

In the course of the 18 meetings of the Board, 82 general items of business were resolved, covering a range of issues concerning governance, scheme administration and the financial and general operational management of NT Build.

### Board Policies

One policy, relating to the revised weekly benefit level was issued during this reporting period.

All policies of the Board are intended as a guide only and are not intended to bind the Board to any particular action or decision about the nature of construction work or affecting the operation or administration of the portable long service leave scheme.

Copies of all policies are published on the website at: [www.ntbuild.com.au](http://www.ntbuild.com.au)

### Ministerial directions

Section 67 of the CILSLB Act enables the Minister to give a direction to the NT Build Board relating to the exercising of its powers or the performance of its functions.

No directions pursuant to section 67(1) of the CILSLB Act were given during the year ending 30 June 2017.

### Disclosure of interests

As required under the CILSLB Act a register of the interests of members of the Board is maintained. All members submit an initial declaration stating any interests of relevance to Board business and a process has been implemented to ensure any new or amended declarations are disclosed at each meeting.

### Reconsideration/reviews

Under Section 84 the CILSLB Act, a person affected by a decision made by either the Registrar or the Board may request the Board to formally reconsider that decision.

Table 2.1 on the following page, illustrates no applications for reconsideration were received during this reporting period.

Similarly, under Section 85 of the CILSLB Act, a person who has applied to the Board for a reconsideration of a decision may, if dissatisfied with the decision, apply to the Local Court for a review of the Board's reconsidered decision.

No applications for a review by the Local Court were received during the 2016-17 reporting period.

Table 2.1: Summary - applications for reconsideration lodged - Section 84

| YEAR    | B/FWD | LODGED AGAINST        |                   | RESOLVED | C/FWD |
|---------|-------|-----------------------|-------------------|----------|-------|
|         |       | decision of Registrar | decision of Board |          |       |
| 2016-17 | -     | -                     | -                 | -        | -     |
| 2015-16 | -     | 1                     | -                 | 1        | -     |
| 2014-15 | -     | -                     | -                 | -        | -     |
| 2013-14 | -     | -                     | -                 | -        | -     |
| 2012-13 | -     | 1                     | 1                 | 2        | -     |
| 2011-12 | -     | -                     | -                 | -        | 1     |
| 2010-11 | -     | -                     | 1                 | 1        | -     |
| 2009-10 | 1     | -                     | 1                 | 2        | -     |
| 2008-09 | -     | -                     | 2                 | 1        | 1     |
| 2007-08 | -     | -                     | 1                 | 1        | -     |
| 2006-07 | -     | -                     | 1                 | 1        | -     |
| 2005-06 | -     | 1                     | -                 | 1        | -     |

## The Office

### Registrar

The CILSLB Act requires that a Registrar (who is to be an employee within the meaning of the *Public Sector Employment and Management Act*) be formally appointed by the Board for the Scheme. Mr Theo Tsikouris is the appointed Registrar for the Scheme.

The specific powers and primary functions of the Registrar are set out in the CILSLB Act. The functions of the Registrar in administering the portable long service leave Scheme (provided for in section 77 of the CILSLB Act) include:

- Administering the Scheme in accordance with any directions given by the Board;
- Exercising any powers or functions delegated by the Board;
- Maintaining construction worker and employer registers;
- Approving of forms to be used for the Scheme; and
- Approving registration requests and deregistrations for the Scheme.

Table 2.2: Staffing profile as at 30 June 2017

| Classification Level | At 30 June |        |
|----------------------|------------|--------|
|                      | FTE        | Gender |
| ECO1                 | 1          | M      |
| SAO1                 | 1          | F      |
| AO7                  | 1          | M      |
| AO6                  | 3          | 1M, 2F |
| AO4                  | 2          | 1F, 1M |
| AO2                  | 0          | -      |
|                      | <b>8</b>   |        |

### Staff

Section 59 of the CILSLB Act enables the Board to engage any person to assist it in exercising its powers and performing its functions. For administrative efficiency however the Board made the decision to source employees from within the Northern Territory Public Sector (NTPS) rather than employ directly.

In accordance with the Administrative Arrangements Order, in force for the period ended 30 June 2017, responsibility for the administration of the CILSLB Act was allocated to the Department of Trade, Business and Innovation (DTBI). This means that, for administrative purposes, NT Build reported direct to the Minister for DTBI. Likewise, the staff of NT Build are employees of DTBI, however under an agreed arrangement the staff are made available to the NT Build Board on a full cost recovery basis.

As illustrated in the tables below, the staffing profile for NT Build as at 30 June 2017 consisted of eight staff.

Table 2.3: Staffing FTE as at 30 June 2017

| As a 30 June | FTE |
|--------------|-----|
| 2017         | 7.4 |
| 2016         | 6.8 |
| 2015         | 7   |
| 2014         | 7   |
| 2013         | 7   |
| 2012         | 7   |
| 2011         | 6   |
| 2010         | 7   |
| 2009         | 5.5 |
| 2008         | 6.2 |

For the purpose of managing staff, the Registrar and other public sector employees made available to the Board are engaged under the standard NT Public Sector employment arrangements. In addition, the Registrar has been provided with delegations equivalent to those applicable to an NTPS Chief Executive Officer under the provisions of the *Public Sector Employment and Management Act*, in relation to the staff of NT Build.

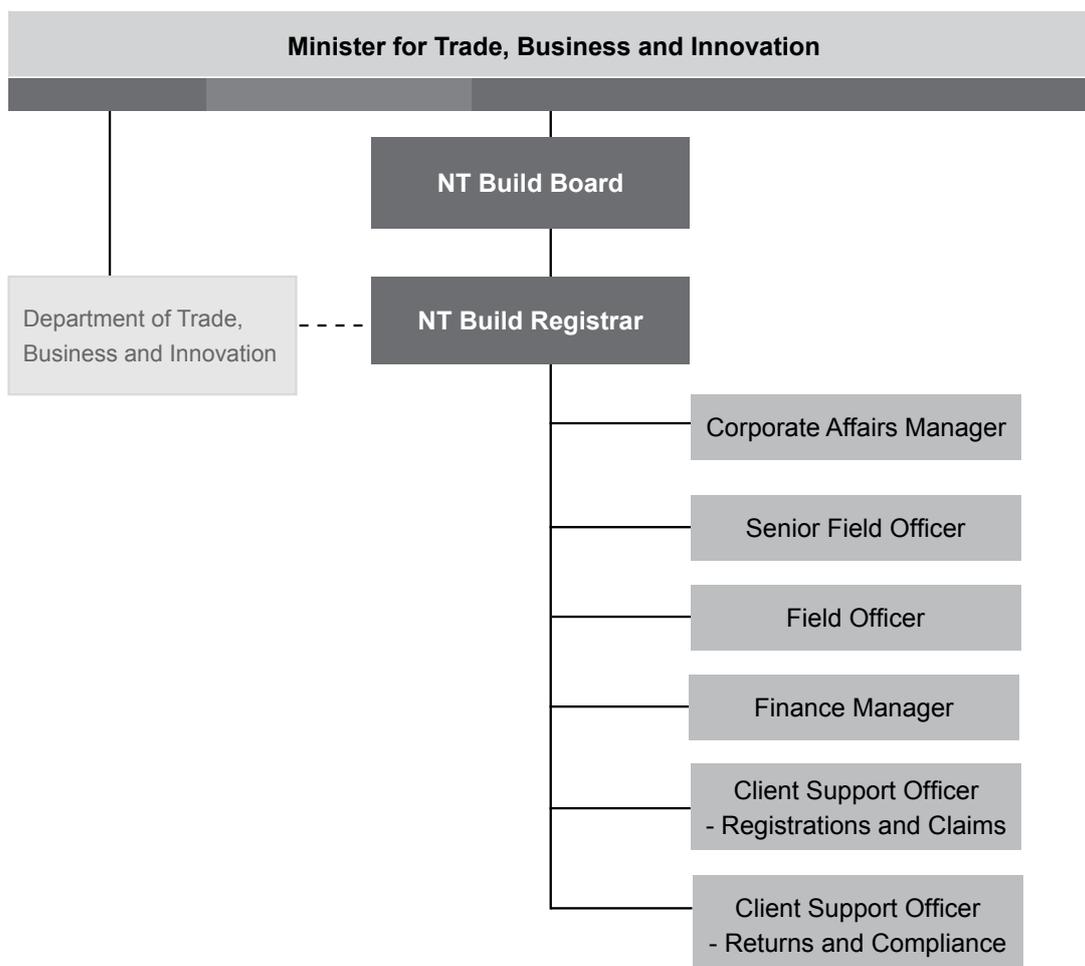
Disclosure of interests

In accordance with the Northern Territory Public Sector Code of Conduct, NT Build staff are required to disclose any financial or other interests held by them immediately upon becoming aware that a potential conflict between personal interest and official duty, whether real or apparent, has arisen or is likely to arise.

Written declarations have been submitted by all relevant NT Build staff when appropriate.

**Organisation structure**

The following diagram represents the organisation structure as at 30 June 2017.



## ***Information management***

### Information Privacy and Access (FOI)

As a 'body corporate' established under Northern Territory legislation, NT Build is an identified entity for the purpose of reporting under section 98 of the *Information Act*.

In accordance with section 98 of the *Information Act*, NT Build had no requests to report for the access to information held by NT Build during the 2016-17 financial year.

- ***Managing Access***

NT Build strives to make general information of interest available to any interested party, where such information is allowable under the CILSLB Act and does not interfere with the essential public interest, individual privacy or the effective operation of NT Build. In most cases, levy payers and registered workers and employers seeking access to their own information held by NT Build can obtain the information more quickly under the provisions of the CILSLB Act rather than by making an application for access under the *Information Act*.

- ***Managing Privacy and Protection***

NT Build respects the privacy of individuals and is committed to collecting, using, storing and managing personal information in a manner that complies with the Information Privacy Principles.

More information is published on our internet site at: [www.ntbuild.com.au](http://www.ntbuild.com.au)

### Records management

Part 9 of the *Information Act* (Records and Archives Management) provides for the establishment and implementation of records management standards. Adequate records management underpins the access, correction and privacy components

of the *Information Act* by ensuring that Government information (records) can be found, read and reproduced in response to requests.

Notwithstanding that NT Build is a 'body corporate' established by Northern Territory legislation, the Department of Trade, Business and Innovation (DTBI) is the agency designated under the Administrative Arrangements Order with responsibility for the general administration of the CILSLB Act.

For the purpose of Part 9 of the *Information Act*, all records relating to the administration of the CILSLB Act handled by NT Build are managed in accordance with the DTBI records management framework and policies.

### Information systems

- ***Office environment***

The Northern Territory Government's information technology services are managed through a number of out sourced service provision arrangements. NT Build operates within the standard Northern Territory Government information technology server environment.

- ***Rollout of new business system***

The Formation Technology Group was commissioned by the Board to develop a new system to support the administration of the NT Build Scheme during the previous reporting period.

The new system went live from 1 July 2016 and have been well received by NT Build workers, employers and payer alike.

The new system provides a user friendly and intuitive client self-service functionality.

It is also expected to accommodate future Scheme growth demands and ensure that ongoing administration costs are minimised as the Scheme grows.

The Formation Technology Group has been engaged to provide ongoing management of the business system.

### ***Communication and marketing***

A project to redevelop the Scheme's website was undertaken this reporting period and is expected to be completed and operational in the first quarter of the 2017-18 reporting period. The new website will be designed to integrate customer self-service functionality and be adaptable for viewing on multiple electronic device formats (phone/tablet/computer).

In addition the following general activities were undertaken.

#### General marketing activities

Throughout the reporting period a number of customer focused marketing activities were implemented.

These have included:

- Advertising in relevant industry publications and directories;
- Maintenance of the NT Build website;
- Production and maintenance of a range of targeted customer information bulletins and fact sheets; and
- Delivery of numerous formal and informal presentations to targeted customers, including conducting regional visits to Katherine, Nhulunbuy, Tennant Creek and Alice Springs, as well as local site visits and information sessions.

#### Industry consultation

##### *Information sessions and briefings*

During the reporting period NT Build staff provided a range of information and briefing sessions to construction industry organisations, such as:

- General presentations at industry forums;
- Targeted presentations to employer and developer groups; and
- Tailored on-site briefing sessions to employees, employers and developers.

##### *Presentations to the Board*

During the reporting period eight organisations made a presentation to the Board on matters of interest to the effective administration of the Scheme.

##### *Liaison with other construction industry long service leave schemes*

As a party to the National Reciprocal Agreement, NT Build continues to liaise with other state and territory construction industry long service leave schemes for the purpose of processing benefit claims lodged by registered workers.

In addition, the Registrar and nominated board members participate in regular meetings with the chief executives and chairpersons of equivalent interstate construction industry portable long service leave schemes for the purpose of exchanging ideas on scheme coverage, administrative practices, legislation, investments, and information technology.

Hosting of these meetings are managed on state/territory rotation basis.

## ***Insurance and risk management***

### Insurance

As a self funded statutory body corporate, insurance policies relating to public liability, vehicle and property damage and workers compensation have been endorsed by the Board to mitigate any financial risk to the Scheme.

### Finance, Risk and Audit (FRA) committee

The FRA committee has been established by the Board for the purpose of providing:

- reasonable assurance to the Board that NT Build's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management; and
- strategic oversight and focus on the key financial and strategic risks and controls across NT Build but does not replace the appropriate function of the Board.

The endorsed terms of reference for the FRA include the requirements for the committee;

- composition to be reviewed at least biennially and its members will be appointed, replaced or removed at the discretion of the Board;
- to consist of a minimum of three members, with two constituting a quorum;
- to meet as frequently as is necessary to undertake its role effectively and in any event at least three times per year;
- to report to the Board through the Chair of the committee by written report at Board meetings, including recommendations for Board consideration.

Current members appointed to the FRA committee are Rosemary Campbell (FRA Chair), David Malone and Michael Milatos.

During this reporting period the FRA committee formally convened on two occasions.

### Financial sustainability

The NT Build Board is responsible for the administration of the Scheme which entails, amongst other things, investing the assets of the organisation and monitor the Scheme's solvency.

Following the findings in the report from the actuary's triennial review conducted in 2017, the Board noted that the Scheme is not sustainable at the current 0.1% levy rate.

It was acknowledged that the Scheme's current financial standing was not totally unexpected due to the Government's decision to reduce the levy rate to 0.1% and increase the levy threshold to \$1 million without consultation with the Board.

- *Solvency management*

Following a review of the investment strategy, a solvency ratio of 110% to 130% was adopted by the Board. A capital management plan is expected to be finalised during the first quarter of the 2017-18 reporting period.

- *Change in accounting policy*

The NT Build Board adopted a change in accounting policy, from a using a risk-free discount rate to an asset-based discount rate.

It is expected this change in the discount rate methodology used will:

- support better monitoring of the Scheme's long service leave liability and the effect on its financial position;
- further reduce uncertainty in the liability valuation; and
- provide a more relevant and reliable representation of the Scheme's long service leave liability.

This change in policy is adopted for accounting purposes and disclosed on the balance sheet of the Board with effect on and from this 2016-17 reporting period.

#### Financial and internal audit services

As the contracted financial advisers for the Scheme, TDH Chartered Accounts continued to provide NT Build with independent financial, accounting and taxation advice and services.

During the reporting period the following range of services were provided under the contracted consultancy arrangement.

- On-going ad-hoc general advice in regard to the accounting and taxation implications of NT Build activities.
- Preparation of annual Financial Statements for statutory auditing and reporting.
- Advice and assistance with the delivery of a compliance audit program.

#### Levy compliance program

NT Build operates a 'Strategic audit and levy compliance program' to support its strategic audit framework. This framework introduced an annual audit program aimed at strengthening levy compliance and supporting the effective and efficient

administration of the Scheme, whereby routine audits of selected construction projects are to be conducted to ensure that levy payers are declaring and remitting the correct amount of levy that is required.

All audits are undertaken by contracted external auditors. For this purpose, a panel contract arrangement has been established for the purpose of conducting levy compliance audits.

The final report prepared by the auditor of a compliance review, including audit findings, are submitted in full to the Board for consideration and to determine any further action.

Where, as a result of the audit findings, the reconciled cost of the construction project results in a finding that the actual cost was less than the original estimate, NT Build will refund the overpaid portion of the levy payment.

This includes a full refund where the reconciled total cost of the construction project is determined to be less than:

- \$1 million for projects that started on or after 7/4/2014; or
- \$200,000 for projects that started before 7/4/2014, regardless of completion date.

However, if the total cost of construction is determined to be more than the amount originally notified to the Board, the levy payer will be required to pay the additional amount of levy. An interest penalty may also be applied.

The following Table 2.4 provides a summary of the status of the levy compliance audits undertaken.

Table 2.4: Summary of the audits undertaken

|         | <b>B/FWD</b> | <b>STARTED</b> | <b>FINALISED</b>    | <b>C/FWD</b> |
|---------|--------------|----------------|---------------------|--------------|
| 2016-17 | 2            | 3              | 2 <sup>(d)</sup>    | 3            |
| 2015-16 | -            | 2              | -                   | 2            |
| 2014-15 | -            | -              | -                   | -            |
| 2013-14 | -            | -              | -                   | -            |
| 2012-13 | 2            | -              | 2 <sup>(a)(d)</sup> | -            |
| 2011-12 | 4            | -              | 2 <sup>(a)</sup>    | 2            |
| 2010-11 | 2            | 4              | 2 <sup>(a)</sup>    | 4            |
| 2009-10 | 1            | 2              | 1 <sup>(a)</sup>    | 2            |
| 2008-09 | -            | 1              | -                   | 1            |

- (a) = Additional levy and interest penalty payable - audited final construction cost more than reconciled project cost declared.  
 (b) = Partial levy refunded - audited final construction cost less than reconciled project cost declared.  
 (c) = Full levy refunded - audited final construction cost assessed as less than \$200 000 levy exemption amount.  
 (d) = No levy adjustment required - audited final construction cost same as reconciled project cost declared.

### External audit

As required under the provisions of the CILSLB Act the annual statutory audit of the financial statements relating to the Board's operation for the year ending 30 June 2017 was undertaken by the NT Auditor-General.

The audited financial statements and accompanying report from the Auditor-General are included in the following Part 3 of this Annual Report.

### Legal advice

Legal support services for NT Build are predominately provided by the Northern Territory Government Department of the Attorney-General and Justice. As such, the Solicitor for the Northern Territory provides both general and high level advice on the interpretation and application of the CILSLB Act, including the undertaking of any prosecutions on behalf of NT Build when necessary.

When required or appropriate, the Solicitor for the Northern Territory facilitates the outsourcing of a request for legal services for specialist advice or assistance. No out sourced legal services were engaged during this reporting period.