

Labour Hire Authority

Annual Report 2022–23




Fairer labour hire.
It's how we work.



**LABOUR
HIRE
AUTHORITY**





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 and present.

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.

September 2023

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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 2023.

A handwritten signature in black ink, appearing to read 'Steve Dargavel', written in a cursive style.

Steve Dargavel
Labour Hire Licensing Commissioner
26 October 2023



01

YEAR IN REVIEW

About the Labour Hire Authority

The Labour Hire Authority (LHA) is an independent statutory body established under the *Labour Hire Licensing Act 2018* (Vic) (the Act).

The Victorian Government established 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.

Tim Pallas MP, Minister for Industrial Relations, is the Minister responsible for LHA for the financial year 1 July 2022 to 30 June 2023.

The Labour Hire Licensing Commissioner is a statutory appointee responsible for administering the Act, supported by a dedicated team who undertake regulatory and corporate services functions.

LHA's values, vision and purpose direct the manner in which LHA carries out its legislative functions.

Our Values



We are responsive.

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



We are respectful.

We respect our stakeholders, colleagues, and ourselves.



We act with integrity.

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



We demonstrate leadership.

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



We are impartial.

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



We respect human rights.

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



We are accountable.

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

Our purpose

To protect workers from being exploited by providers of labour hire services and hosts.

To improve the transparency and integrity of the labour hire industry.

Our Vision

That all labour hire workers in Victoria are protected from exploitation and that labour hire in Victoria is lawful and operates with integrity.

Our regulatory functions

We administer the Labour Hire Licensing Scheme in Victoria by:

- publishing and maintaining a register of licensed labour hire providers and applicants on our website
- granting or refusing licence applications
- suspending, cancelling, or imposing conditions on licences
- ensuring that providers meet their reporting and payment obligations.

We monitor, investigate and enforce compliance by:

- conducting compliance audits on licence holders
- responding to complaints, information and intelligence
- collaborating and sharing information with other regulators and enforcement agencies
- conducting proactive compliance campaigns to address particular harms or to provide an industry compliance focus
- investigating and bringing civil penalty proceedings for prohibited conduct under the Act.

We promote compliance by:

- engaging with stakeholders
- providing education and guidance material about legal obligations including workplace laws
- distributing information about duties, rights and obligations under the Act and the Regulations.

We support delivery of our regulatory functions through essential corporate services, including:

- finance services
- information and communications technology support
- communication, education, and engagement advice
- people and culture support
- strategy and governance advice.

Message from the Labour Hire Licensing Commissioner



I am pleased to present LHA's fourth annual report.

Since Victoria's Labour Hire Licensing Scheme (LHL Scheme) commenced in April 2019, LHA has made great strides in establishing itself as a workplace regulator, with effective licensing, compliance and enforcement, and education and engagement programs, supported by our corporate services team.

During 2022-23, we further progressed our mission to protect workers from exploitation and improve the transparency and integrity of the labour hire industry.

Our licensing team processed its first full round of licence renewals this year through a refreshed customer portal which is easier for licence holders to use. LHA granted 922 new labour hire licences (28 with conditions) and refused 92 new licence applications. We cancelled a total of 585 licences.

Our compliance and enforcement activity was focused on high-risk industries and high-impact harms, leveraging data and intelligence to direct our activities. We targeted industries including commercial cleaning, horticulture, security, and meat and poultry processing, and harms including sham contracting, pyramid contracting, illegal phoenixing and unlicensed operations.

Our approach to compliance assisted providers to understand and meet their obligations, influenced those who were willing to comply, and removed providers who were unwilling or unable to comply from the industry.

In 2022-23, our compliance officers completed 163 field activities with hosts, providers and workers, and finalised 255 investigations.

December 2022 saw the Supreme Court of Victoria issue the largest fines for breaches of labour hire law in Australian history – a total of \$483,428.40 – following a successful LHA prosecution. We launched a further prosecution in the horticulture industry this year for allegedly operating without a labour hire licence.

Our high-impact compliance and enforcement outcomes resulted in 279 media mentions in 2022-23.

In support of our stakeholders, we also:

- held 47 education and engagement sessions across a range of Victorian regions, reaching labour hire providers, hosts, workers and other stakeholders
- hosted 140,918 visits to the LHA website
- issued our monthly e-newsletter to 10,333 subscribers.

None of these outcomes would have been possible without the dedicated efforts of our 82 staff – a fact reflected in our organisational culture and priorities.

LHA's commitment to build a positive and productive workplace culture enables each member of staff to help us achieve our organisational objectives. Beyond any other measure, the outcomes achieved by LHA in 2022-23 are a testament to the capability and commitment of our people.

A handwritten signature in black ink, appearing to read 'Steve Dargavel'. The signature is fluid and cursive, written in a professional style.

Steve Dargavel
Labour Hire Licensing Commissioner

The Year in Review

The *LHA Strategic Plan 2022 – 2027* outlines the four strategic priorities that guide our regulatory, operational, and organisational functions.

In 2022-23, LHA made significant progress against each of these priorities:

- **Create and maintain a fair and lawful labour hire industry**
- **Achieve high impact compliance and enforcement outcomes**
- **Educate and engage with industry and the community**
- **Be a great place to work that is safe, agile, collaborative and well governed**

Create and maintain a fair and lawful labour hire industry

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

- businesses which provide labour hire services in Victoria must be licensed
- hosts must only enter arrangements for labour hire services with licensed providers
- labour hire providers must comply with their legal obligations, including workplace laws and report annually on their labour hire activities
- unlicensed providers and hosts using unlicensed providers face significant penalties.

In 2022-23, LHA continued to mature as a regulator, facilitating its first round of licence renewals. LHA actively removed non-compliant providers from the LHL Scheme, focussing its compliance and enforcement activities on high-risk industries and harms.

A mature and established LHL Scheme and commencing licence renewals

LHA's approach to assessing licence applications helps ensure that only fit and proper providers are permitted to provide labour hire services in Victoria and that providers understand and are accountable for compliance with relevant workplace, occupational health and safety, taxation and superannuation, migration and labour hire industry laws and accommodation standards.

To protect vulnerable workers and ensure that compliant businesses can compete, the LHL Scheme creates a barrier to entry into the Victorian labour hire industry for those providers who are not fit and proper, or who demonstrate that they are not willing or able to comply with those laws.

Labour hire licences are generally granted for three years, after which licence holders must apply for their licence to be renewed.

LHA has granted a total of 7,242 licences since commencement, of which 5,239 were in-force as at 30 June 2023. In 2022-23, LHA granted 922 new licences and renewed 1,998 licences.

LHA enhanced its customer portal to improve usability, so that labour hire providers can more easily engage with the system and comply with their obligations. It also streamlined processes to improve the efficiency of the licence application and renewal processes.

Licensing processes creating and maintaining a fair and lawful labour hire industry

Identifying and responding to high-risk licence applications

LHA has also improved its ability to identify applications that present a high risk of non-compliance by considering our intelligence holdings, a range of publicly available data and information obtained from other Victorian, interstate and Commonwealth agencies.

This risk-based and intelligence-led approach better equips LHA to refuse licence applications in appropriate cases, preventing unsuitable providers from providing labour hire services, and to impose appropriate and proportionate conditions on other labour hire providers to ensure they comply with their legal obligations to workers.

Sham contracting

During the licence application process, LHA pays close attention to providers who supply or intend to supply workers as independent contractors, where there is a risk that those workers are misclassified as independent contractors. Workers are more likely to be misclassified as independent contractors in industries with relatively high labour input, relatively low wages and limited training, such as horticulture and security. Misclassifying workers can result in underpayment of wages, taxation and superannuation.

This year, LHA published the [Guidance for labour hire providers engaging workers as independent contractors](#). By providing information to applicants about their obligations right from the start, they are better able to comply with the requirements of being a licensed labour hire provider.

Where at risk arrangements are found, LHA provides information about employer obligations to influence behavioural change. Where appropriate, it also places conditions on the licence to ensure compliance. In circumstances where LHA cannot be satisfied that the provider is capable of complying with the law, it may refuse the licence application.

Illegal phoenix activity

Illegal phoenix activity occurs where a company is liquidated, wound up or abandoned in a deliberate attempt to avoid paying its debts. A new company is then started to continue the same business activities without the debts. Phoenixing causes significant harm to workers who may miss out on wages, superannuation and entitlements, as well as other businesses who are put at a competitive disadvantage and the community through unpaid taxes.

Illegal phoenix activity may be carried out by using 'straw directors' who are appointed to disguise the principals who actually control the business. Common signs of this form of phoenix activity include changes to a company's directors and/or name, while retaining the same manager and staff.

LHA pays careful regard to applications with a phoenix risk and scrutinises whether all relevant persons have been disclosed and the capacity of the director as a relevant person to comply with relevant laws. If LHA is not satisfied with the information provided it may refuse the licence application.

Unlicensed provision of labour hire services

Where there is information that applicants have been providing or advertising labour hire services without a licence, LHA may grant the licence for a period less than three years, refuse the application and/or prosecute those in breach for contravening the Act, depending on the circumstances.

Labour hire providers who are genuinely unaware of the requirement for a licence or who have been incorrectly advised about the need for a licence are encouraged to apply and be honest about their circumstances.

The right wages and conditions

To help prevent worker exploitation, LHA pays close attention to how a licence applicant will make sure that their workers get the right pay and conditions, including by checking the accuracy of the award or agreement nominated in the application form.

LHA regularly imposes licence conditions requiring additional reporting of payroll information, so that it can monitor a provider's compliance with the correct industrial instrument over a period of time. In circumstances where LHA is not satisfied with the information provided about this core obligation, it may refuse the application.

CASE STUDY 1

Fit and Proper Person Test

As well as the applicant, persons involved in managing the labour hire business must be fit and proper persons.

Recently, an applicant declared that a relevant person was fit and proper but LHA identified that they were a relevant person for a different licence which had been cancelled in connection with serious non-compliance in the past five years.

The applicant was given an opportunity to provide information, but their response did not satisfy LHA that it was appropriate to grant the licence and the application was refused.

CASE STUDY 2

Compliance with the Labour Hire Licensing Act and other Workplace Laws

Following an investigation, LHA refused a licence application because the applicant had:

- *contravened Queensland labour hire industry laws*
- *misclassified workers as independent contractors*
- *contravened taxation and superannuation and migration laws.*

LHA also cancelled the licence of another provider that had the same nominated officer.

Annual Reporting Obligations and Licence Fees

Licence holders must report annually about their business activities, their compliance with relevant laws, and pay an annual licence fee. Reporting obligations are critical to monitoring labour hire providers and non-compliance with the obligations is taken seriously by LHA. LHA actively notifies licence holders through the online portal and via SMS when they are due to lodge annual reports and pay annual licence fees and warns them that their licence may be cancelled if they do not comply.

In 2022-23, LHA received and administered 2,801 annual reports from licence holders.

LHA issued 460 notices of intention to cancel ('show cause' notices) to licence holders for failing to lodge annual reports or pay annual licensing fees.

Following a 'show cause' process, 187 licences were cancelled for non-compliance during 2022-23. A total of 585 licences were cancelled during the year.

Achieve high impact compliance and enforcement outcomes

LHA has continued to build its Compliance and Enforcement Program in 2022-23, achieving significant outcomes across industries, occupations, and regions. This work has been supported by recruiting additional compliance and intelligence officers, and effective collaboration with other State, Territory and Commonwealth agencies, employee and employer organisations and community groups.

LHA worked closely with the following regulators and law enforcement agencies to design and execute its interventions:

- Queensland Labour Hire Licensing & Compliance Unit
- Australian Taxation Office
- Australian Border Force
- Australian Federal Police
- Victoria Police including its Licensing Regulation Division
- Consumer Affairs Victoria
- Wage Inspectorate Victoria
- ASIC
- Councils

The Compliance and Enforcement Program 2022-23 focused on proactively shifting behaviour in relation to high impact harms and high-risk industries and was executed in accordance with our [Regulatory Approach](#) and [Compliance and Enforcement Policy](#) and relevant guidelines.

LHA takes a reasonable and proportionate approach to compliance, with a focus on assisting those who are willing and able to comply with their obligations. We consider firmer compliance actions such as licence cancellation or prosecution where providers are deliberately non-compliant or lack the capacity to comply with their legal obligations, which leads to a high likelihood of worker exploitation.

In 2022-23, compliance officers finalised 255 investigations and completed 163 field activities with hosts, providers and workers.

CASE STUDY 3

Influencing compliance

A licence holder had incorrectly applied the relevant award to its workers. Following education, the licence holder agreed to pay the applicable higher rate of pay and back paid its workers for the underpayment – which was verified by LHA. No firmer compliance action was necessary in this case as the provider had engaged and demonstrated its willingness and capacity to comply with the requirements of the Fair Work Act 2009 (Cth).

CASE STUDY 4

Imposing conditions

In one provider's case, its significant and rapid expansion and a lapse in governance standards were identified by LHA as a cause for non-compliance with the requirements of the Migration Act 1958, resulting in the provider engaging a small number of workers in breach of the work rights attached to their visas.

LHA was concerned that the provider was not keeping sufficient records or conducting sufficient checks to ensure compliance but was satisfied that the provider was both committed to improving its future compliance and had sufficient skills and resources available to make improvements.

Accordingly, LHA decided to impose conditions requiring the provider to engage an auditor at their own cost, to consider the extent of any non-compliance, to make reparations and to make recommendations for process improvements to ensure non-compliance did not recur.

Proactive compliance campaigns during 2022-23 included programs regarding:

- Horticulture
- Cleaning
- Security
- Sham contracting
- Illegal phoenix activity and high cash use.

Using a range of data and intelligence to direct our activities, these programs included investigating matters identified during the licence assessment process as exhibiting a high risk of non-compliance, as well as complaints and reports about non-compliance by labour hire providers received from the community, stakeholders, regulators and public sources.

Horticulture Compliance Program

The horticulture industry has been a continued focus of LHA compliance activities this year. LHA uses a range of data and intelligence to direct its activities, including in the horticulture space.

Horticulture employs thousands of workers in Victoria through labour hire providers. Unfortunately, it is also an industry that has historically seen significant worker exploitation. Information that is often suggestive of worker exploitation includes:

- signs of illegal phoenix activity
- workers paid in cash
- use of labour supply chains where subcontractors are engaged to meet labour requirements of the host
- reports from the public or stakeholders
- reports from other regulators or enforcement agencies.

LHA has increased the amount and improved the quality of its field work this year, including by refining how we use our intelligence resources to better target non-compliant operators. We have also improved responsiveness to information from the community about non-compliance, attending farms in Mildura and Benalla to investigate within 24 hours of receiving serious adverse information about worker mistreatment.

LHA worked collaboratively with other Commonwealth and State government agencies, councils and community liaisons to take action and to provide support to workers who were the subject of exploitation.

Following investigations, LHA cancelled 52 labour hire licences in the horticulture industry in 2022-23.

CASE STUDY 5

Cancellation of licences in the horticulture industry

LHA cancelled licences of providers who:

- *failed to withhold and pay tax and superannuation for 58 employees who were paid 'off the books' and in cash. They also appeared to have engaged four subcontractors to provide labour hire workers when they did not hold labour hire licences. As well as cancelling the licence, the matter was referred to the Fair Work Ombudsman, Australian Taxation Office and Wage Inspectorate Victoria. The investigation into contraventions by the subcontractors for providing labour hire without a licence and the licence holder for entering arrangements with unlicensed providers is continuing.*
- *provided only partial responses to LHA's requests for information and asserted that they did not engage any employees or contractors during the period under investigation, contrary to the available evidence. The licence was cancelled for providing materially incorrect or misleading information.*

CASE STUDY 6

Refusal of licence applications in the horticulture industry

LHA refused licence applications for:

- *A provider who used unlicensed subcontractors and failed to pay superannuation or tax for their workers. They also did not keep adequate records and did not provide payslips to their workers. There were additional concerns that the provider had not disclosed relevant persons for the business in their application.*
 - *A provider whose director purported to offer an LHA inspector money and provided false or misleading documents in response to concerns that it was providing labour hire services without a licence.*
 - *A provider who paid workers partly in cash and partly 'on the books', engaged at least one unlicensed labour hire provider as a subcontractor, failed to declare all relevant persons in its original and renewal applications, and whose nominated officer was charged with involvement in money laundering.*
-

LHA works closely with the ATO's Phoenix Taskforce across all industries to stop illegal phoenix activities, however horticulture remains a significant source of these matters.

Investigation of phoenix risk in the horticulture industry has resulted in 7 licence applications being refused and 26 licences being cancelled in this industry, with conditions imposed in 3 matters. The horticulture industry has also been the source of our enforcement outcomes during the year (see **case studies** below).

CASE STUDY 7

LHA's first prosecution a success

A Victorian horticulture provider and its director were fined a total of \$483,428.40 in December 2022, following a successful prosecution by LHA. This was the largest total penalty for breaches of labour hire licensing law in Australian history.

Ung Services Pty Ltd, which supplied horticulture workers in the Yarra Valley, failed to disclose that its new director Nico Keat had criminal convictions for offences including drug trafficking and theft.

Mr Keat had previously applied for a licence as director of a different company. After LHA denied this application, he became a director of Ung Services, without notifying LHA. Under the Act, providers must notify LHA if their directors or other key people change, or if any key people cease to be fit and proper.

Ensuring directors and other key people involved in labour hire businesses are fit and proper is an important way LHA protects workers and improves the integrity of the industry.

LHA cancelled Ung Services' licence and pursued legal action to further hold the company to account for dishonestly attempting to circumvent labour hire licensing requirements.

The Supreme Court of Victoria issued fines of \$386,742.72 to Ung Services, and \$96,685.68 to Mr Keat, stating in its judgement:

"The knowing nature of the contraventions by UNG and Keat and their potential to undermine the Authority's discharge of its protective and regulatory function, place them at the serious end of the behavioural spectrum."

"The Act was enacted in the light of 'significant evidence of exploitation of workers in the labour hire industry.' "...the contraventions strike at the heart of the protective purpose of the Act."

LHA investigations had confirmed Mr Keat had been found guilty of 12 offences relating to drug trafficking, theft, failure to answer bail, and suspected proceeds of crime and stolen goods.

CASE STUDY 8

First prosecution for unlicensed provision of labour hire services filed in Supreme Court

LHA has also [commenced legal action against another Victorian horticulture company](#) for allegedly operating without a labour hire licence, alleging the company provided workers to pick fruit and vegetables without a labour hire licence.

The proceedings, filed in the Supreme Court against A L Star Express Pty Ltd, are the first for allegedly providing labour hire services without a licence in Victoria.

The alleged offences carry maximum penalties of \$591,744 for a company and \$147,936 for an individual under the Act.

LHA's claim alleges A L Star provided workers to pick berries and vegetables in Victorian regions including Koo Wee Rup, Rosebud, Torquay and Devon Meadows.

Cleaning Compliance Program

Businesses that provide workers to clean commercial premises represent a significant proportion of current labour hire licences in Victoria.

LHA took the opportunity this financial year to conduct a targeted operational engagement and compliance campaign as part of its Compliance and Enforcement Program to ensure that cleaning businesses in Victoria were aware of and able to comply with their obligation to hold a labour hire licence.

This involved:

- educational material explaining the obligation to hold a licence
- leveraging key stakeholders and supply chains (such as facilities and property management supply chains, government and councils, hospitals, retail facilities and large franchisors) to distribute explanatory material to ensure licence obligations are understood
- dropping into hospitals, hotels and retail facilities to ensure those providing cleaning services onsite were licensed
- using data to identify and directly communicate via phone and letter campaigns with businesses that may require a labour hire licence

- communicating with advisors including accountants about how they can help their clients to comply.

LHA has also explored how it can work with industry technology platform providers and other government programs to ensure that hosts and providers know when a licence is required.

This approach has resulted in the number of licence applications from commercial cleaning businesses increasing significantly during 2022-23 and improved awareness within the industry.

Security Compliance Program

‘Subcontracting,’ or the provision of labour hire services through complex supply chains, is a common way of doing business in the security industry. While subcontracting is a legitimate practice, it can create a lack of transparency and result in ‘legal distance’ between workers and businesses in complex supply chains. This means that the risk of non-compliance is inherently greater. In addition, this practice is sometimes abused by unscrupulous businesses.

The main causes of this risk are that:

- there is a highly competitive market for these services, which leads to downward pressure on prices, and the need to reduce operating costs
- subcontracting models reduce the level of transparency over the arrangements
- subcontracting models may be seen to reduce accountability over the arrangements for host and supply chain heads.

This year, LHA has worked with security industry stakeholders and participants to develop [Guidance for the security industry: cost of meeting your legal obligations](#) which aims to step out the minimum legal obligations owed by a provider in the security industry, and the expected cost per hour per worker to meet those obligations. This guidance helps industry participants to understand and comply with their legal obligations. It is also used as a risk assessment tool to identify providers and supply chains at risk of non-compliance with those legal obligations.

LHA held a security industry forum at which stakeholders were asked to consider the guidance and provide feedback. The material was published on our website and distributed through appropriate networks.

Providers are free to enter arrangements with hosts, intermediaries and subcontractors as they see fit. However, if a provider’s common practice is to provide security guards at contract prices below the minimum costs of meeting legal obligations including wages, superannuation, leave entitlements,

portable long service leave (LSL) levy and workers’ compensation insurance, there is an increased risk that the provider (and/or another party in the supply chain) is not complying with these obligations.

In these circumstances, LHA may look more closely at providers’ business records to assess compliance with these legal obligations.

As part of LHA’s approach to subcontracting, we developed licence conditions to:

- improve transparency of complex supply chains (**transparency conditions**)
- increase responsibility for compliance with legal obligations for workers supplied through these arrangements (**responsibility conditions**).

LHA uses transparency conditions:

- where a provider engages a high volume of subcontractors, and/or
- in conjunction with supply chain responsibility licence conditions (see below).

The provider must periodically report details about its subcontractors to LHA, enabling more effective monitoring of compliance across the supply chain over time – providing transparency. This condition aligns with the objective of the Act to improve the transparency of the labour hire industry.

CASE STUDY 9

Transparency condition

During the year, LHA granted licences to several large security providers with the model transparency conditions imposed. In a recent example, after receiving reports about the treatment of workers engaged by subcontractors of one large provider, LHA reviewed its arrangements with its hosts and subcontractors.

The provider cooperated with LHA’s enquiries and indicated its full support for LHA’s work to regulate multi-tier supply chains, acknowledging that there are significant challenges in the security industry.

LHA determined that the provider’s arrangements reasonably allowed both the provider and its subcontractors to comply with their legal obligations – including wages, leave entitlements, superannuation, portable long service leave levy, workers’ compensation insurance and GST.

However, to manage the increased inherent risk of non-compliance in multi-tier supply chains, LHA imposed the transparency condition on the provider’s licence.

Where LHA finds non-compliance with legal obligations, or a provider's arrangements with its subcontractors create a risk of non-compliance with minimum legal obligations, responsibility conditions may be imposed, as well as transparency conditions.

Responsibility conditions require providers to genuinely assess whether the amount they propose to pay to their subcontractors for the supply of security guards will reasonably allow the subcontractors to comply with minimum legal obligations. This genuine assessment must be in writing, and a copy must be submitted to LHA.

If a provider continues to enter or remains party to arrangements with subcontractors that create a risk of non-compliance, and LHA becomes aware that workers are being exploited through these arrangements, this may lead to more serious consequences including licence cancellation.

These conditions align with the objects of the Act to protect workers from exploitation and improve the integrity of the labour hire industry.

LHA continues to work with security industry stakeholders to improve outcomes for workers and the community.

CASE STUDY 10

VCAT upholds refusal to grant a licence

In April 2023, the Victorian Civil and Administrative Tribunal upheld LHA's decision to refuse to grant a labour hire licence to Innovative Security Pty Ltd.

LHA provided evidence to VCAT that Innovative Security was charging head contractors hourly rates below \$30 for the supply of 24/7 security guards. Very low hourly contract rates can indicate that a provider is not meeting its legal obligations around wages, superannuation, GST and other taxation laws.

Innovative Security also failed to provide documents to LHA to demonstrate compliance with its obligations, leading to the decision to refuse the licence application.

Innovative Security exercised its rights under the Labour Hire Licensing Act 2018 (Vic) for VCAT to review LHA's decision to refuse its licence application and was initially given a second chance to show that it was compliant by being given another opportunity to provide the required documents.

Innovative Security again did not demonstrate compliance to LHA, nor attend to its appeal as required.

Upon application by LHA, VCAT made orders dismissing the appeal and that Innovative Security cover LHA's costs.

CASE STUDY 11

Field operations at the Australian Open

LHA inspectors attended the 2023 Australian Open (AO) to speak with security industry workers about their employment conditions.

LHA spent two days at the event speaking with security guards and crowd controllers who were supplied to the event by ten separate security providers. The aim of this operation was to:

- *ensure that labour hire providers supplying security guards and crowd controllers to the event held a valid labour hire licence*
- *check compliance with key legal requirements including wage, superannuation and payslip obligations.*

LHA field officers spoke with 48 workers over the two days. No unlicensed providers were identified and field officers overall observed a good level of compliance with workplace laws.

LHA was able to provide constructive feedback to the host, head contractor and subcontractors about some risks of non-compliance identified in relation to a small number of workers.

This operation was arranged in consultation with AO organisers and Melbourne Park management.

Sham Contracting Compliance Program

LHA has continued to educate providers about correctly classifying their workers and updated the Guide to engaging workers as independent contractors, which was published after the High Court decisions in *CFMMEU v Personnel Contracting* [2022] HCA 1 and *ZG Operations v Jamsek* [2022] HCA 2 and the Federal Court decision in *EFEX Group Pty Ltd v Bennett* [2023] FCA 508.

As well as educating providers to correctly classify workers, LHA has influenced provider behaviour by imposing conditions on providers at risk of sham contracting.

As part of this program, if workers are found to be properly classified as independent contractors, we check that the provider is complying with its workplace, superannuation and taxation obligations. This helps ensure that workers are receiving their correct entitlements and that compliant providers are not undercut.

For example, LHA issued a Notice to Comply to a provider that immediately rectified its practices. Failure to comply with a Notice can result in more serious licensing action, up to and including cancellation of the licence.

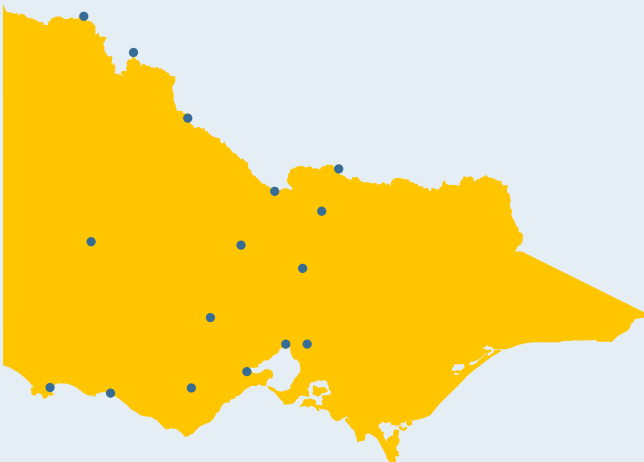
Educate and engage with industry and the community

LHA has enhanced and expanded its education and engagement activities in 2022-23, supporting a range of labour hire industry stakeholders in understanding the purpose and requirements of the LHL scheme. Our work this year has included expanding our communications and engagement capability, commencing a significant industry engagement program, improving our key communication channels, and increasing the use of news media to educate and inform LHA stakeholders.

Industry and community engagement

LHA conducted 47 industry and community engagement activities in 2022-23, targeting labour hire providers, hosts, workers and a range of other key stakeholders including unions, employer groups, industry peak bodies, community groups, councils and large employers. Industry focus included stakeholders from the retail, transport, agriculture, security, cleaning, and hospitality industries.

Sessions were held in the metropolitan area as well in Victorian regions, including the Wimmera, Geelong, Ballarat, and Mildura.



Feedback about the program was strongly positive – overall, 92 per cent of attendees found the information about LHA ‘extremely’ or ‘very’ useful, as well as ‘very clear and easy to understand’.

LHA in the news

LHA has been highlighting high-impact compliance and enforcement outcomes including its prosecution work as part of its media strategy in 2022-23.

This has seen 279 LHA-related media mentions in 2022-23.

LHA’s activities were reported by broadcast, digital and print media, providing local, state and national coverage, with Commissioner Dargavel also interviewed by broadcasters about LHA’s high-impact regulatory outcomes.



Effectively communicating with labour hire providers, hosts and workers

In 2022-23, LHA refined key content and user interface elements on its website, to ensure readers can more easily understand their obligations and improve their compliance with the Act.

Visits to the LHA website increased by 27 per cent, with 140,918 visits in 2022-23. Page views increased by 20 per cent, with 274,505 views in 2022-23.

The distribution of LHA News – our monthly e-newsletter – tripled during 2022-23, with 10,333 subscribers receiving the June 2023 edition.

The content and structure of articles was refined to increase their relevance to stakeholders, with analytics showing that topics including licence cancellations and refusals, prosecutions and other enforcement activities were most popular with readers. Reader engagement with the newsletter, measured through open and read rates, also improved throughout the year.

Be a great place to work that is safe, agile, collaborative and well governed

LHA is committed to being a great place to work that is safe, agile, collaborative and well governed.

A positive, meaningful, and productive workplace culture

Our 2022-23 People Matters Survey results were positive, particularly those concerning job satisfaction, workplace support and alignment between work and LHA's strategic goals. These results compared favourably with other VPS agencies.

LHA also developed a comprehensive learning and development program to ensure that all staff could effectively meet LHA's regulatory, operational and organisational requirements and achieve our strategic objectives.

LHA's commitment to build a positive, meaningful, and productive workplace culture with capable staff helps achieve our goals of protecting labour hire workers from exploitation and improving the transparency and integrity of the labour hire industry.

Effective corporate governance

To maintain our integrity and public trust, LHA bolstered its transparency and accountability in 2022-23, including by producing a new Governance Framework, which clearly sets out the systems and processes for decision making and accountability.

LHA also established the Budget and Finance Committee which helps monitor and maintain our financial and fiscal discipline and continued to expand our investment in a secure ICT environment. Productivity enhancements in our ICT systems have enhanced the efficiency and effectiveness of our regulatory functions.

The Audit and Risk Committee met four times in 2022-23, focusing on LHA's compliance with the *Standing Directions 2018*, and identifying, reviewing and addressing LHA's strategic and operational risks.



Data and statistics

 **5,239**

Total current licences
as at 30 June 2023

Licensing data

1 July 2022 to 30 June 2023

922

New licences granted

206

Notices of intention to
refuse issued

92

Licences refused

328

Warnings issued

460

Notices of intention to cancel
(show cause notices) issued

585

Total licences
cancelled

*including licences cancelled
at provider request*

See Section 07: Reference Data for more information.

Enquiries data

1 July 2022 to 30 June 2023

7,770

Telephone calls received
by our enquiries line

817

Problems reported in the
LHA Report a Problem form

2,127

Requests for information
sent to applicants and
licence holders

6,572

Emails received by
our enquiries mailbox

1,460

Notifications sent to
providers (including final
warnings, cancellation,
refusal, and suspension
notices)

Compliance and enforcement data

1 July 2022 to 30 June 2023

255

Investigations finalised

289

Matters under current
investigation
as at 30 June 2023

160

Field activities conducted

Communications and engagement data

1 July 2022 to 30 June 2023

279

Mentions of LHA in news media

47

Stakeholder engagement activities

72,633

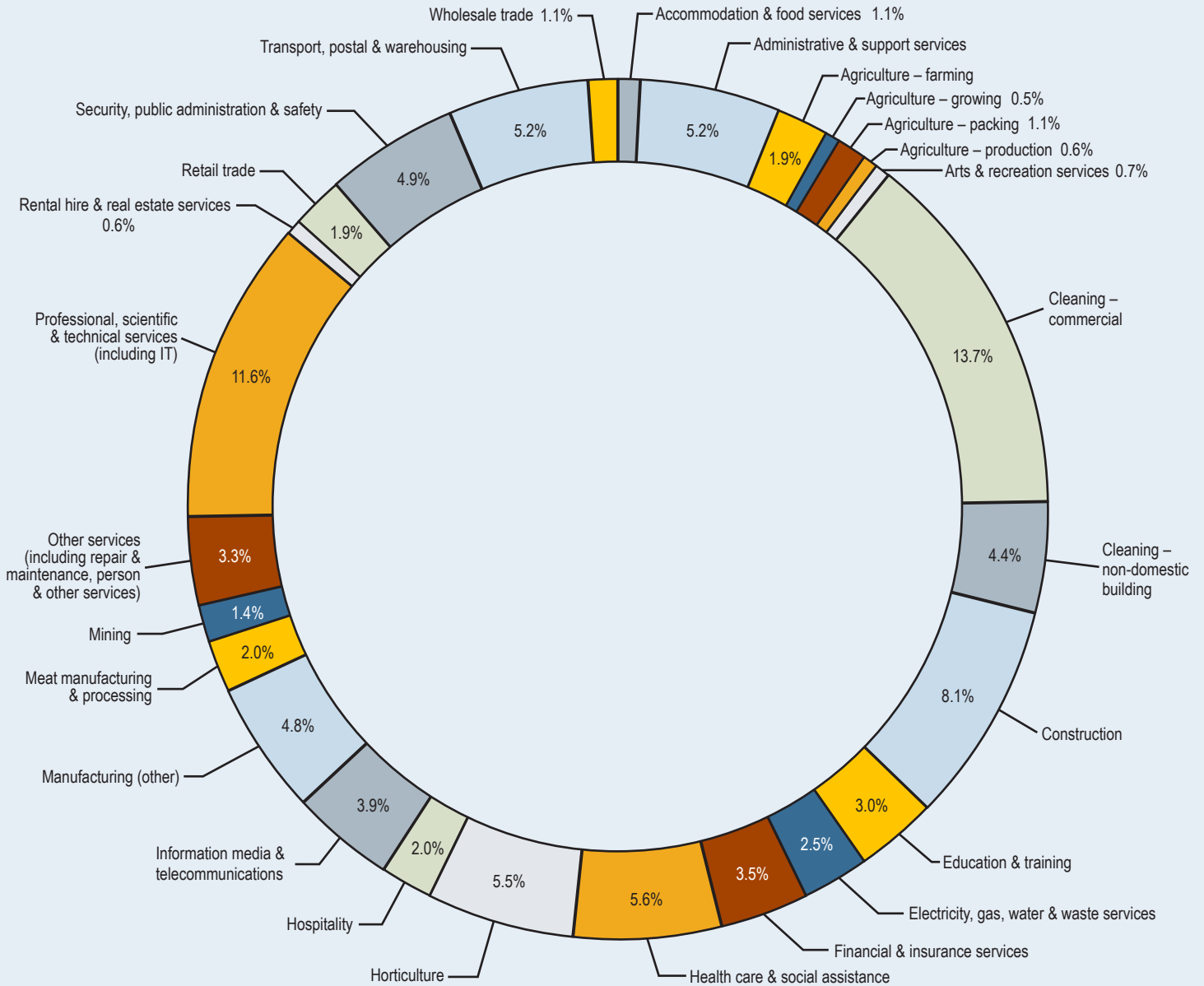
LHA website – *number of visits*

10,333

LHA News monthly e-newsletter –
number of subscribers at 30 June

Labour hire providers by industry

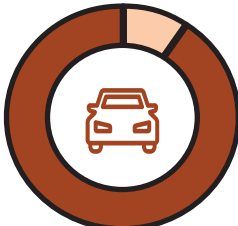


(as a % of total labour hire providers in Victoria)
as at 30 June 2023



Note: We gather this information from labour hire providers that 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 commercial premises. Providers may nominate multiple industries. Other measures may be used to determine the proportional coverage of labour hire in Victoria.

Other statistics

as at 30 June 2023

| | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
|---|--------------|--------------|--------------|--------------|
|  <p>providers that supply transportation to labour hire workers</p> | 493 | 505 | 599 | 490 |
| | | | | |
| <p>providers that <i>do not</i> supply transportation to labour hire workers</p> | 4,746 | 4,804 | 5,399 | 4,137 |
|  <p>providers that supply accommodation to labour hire workers</p> | 195 | 203 | 240 | 153 |
| | | | | |
| <p>providers that <i>do not</i> supply accommodation to labour hire workers</p> | 5,043 | 5,106 | 5,748 | 4,474 |
|  <p>providers that supply workers with visas to hosts</p> | 1,606 | 1,711 | 1,828 | 1,480 |
| | | | | |
| <p>providers that <i>do not</i> supply workers with visas to hosts</p> | 3,633 | 3,598 | 4,160 | 3,147 |

PERFORMANCE REPORTING – NON-FINANCIAL

| Key statistics: year on year comparison | 2021-22 | 2022-23 | % variance 2022/23 |
|--|---------|---------|--------------------|
| New labour hire licence applications | 925 | 1,251 | ↑ 35% |
| New licence applications withdrawn | 97 | 91 | ↓ 6% |
| New licences - granted | 1,044 | 922 | ↓ 12% |
| New licences - refused | 118 | 92 | ↓ 22% |
| Licence renewal applications | 80 | 2,030 | ↑ 2,438% |
| Renewal applications granted | 0 | 1,998 | - |
| Renewal applications refused | 0 | 2 | - |
| Warnings issued | 1,213 | 328 | ↓ 73% |
| Notices of intention to cancel a licence | 940 | 460 | ↓ 51% |
| Licence cancellations | 848 | 585 | ↓ 31% |
| Licence suspensions | - | - | - |
| Requests for information | 1,867 | 2,127 | ↑ 14% |
| Investigations finalised | 192 | 255 | ↑ 33% |
| Field activities | 83 | 163 | ↑ 96% |
| Telephone calls received | 8,367 | 7,770 | ↓ 7% |
| Emails received | 5,675 | 6,572 | ↑ 16% |
| Report a Problem forms submitted | 215 | 817 | ↑ 280% |

PERFORMANCE REPORTING – FINANCIAL

5-year financial summary

| | 2022-23 (\$'000) | 2021-22 (\$'000) | 2020-21 (\$'000) | 2019-20 (\$'000) | 2018-19 (\$'000) |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total income from transactions | 20,753 | 19,846 | 15,718 | 10,086 | 3,030 |
| Total expenses from transactions | 15,644 | 12,379 | 9,020 | 7,720 | 2,082 |
| Net result from transactions | 5,109 | 7,467 | 6,698 | 2,366 | 948 |
| Net cash flow from operations | 10,377 | 4,547 | 4,745 | 15,734 | 1,065 |
| Total asset | 37,368 | 26,712 | 23,157 | 18,788 | 1,678 |
| Total liabilities | 15,804 | 10,257 | 14,169 | 16,498 | 730 |
| Net Assets | 21,564 | 16,455 | 8,988 | 2,290 | 948 |

Current year financial performance

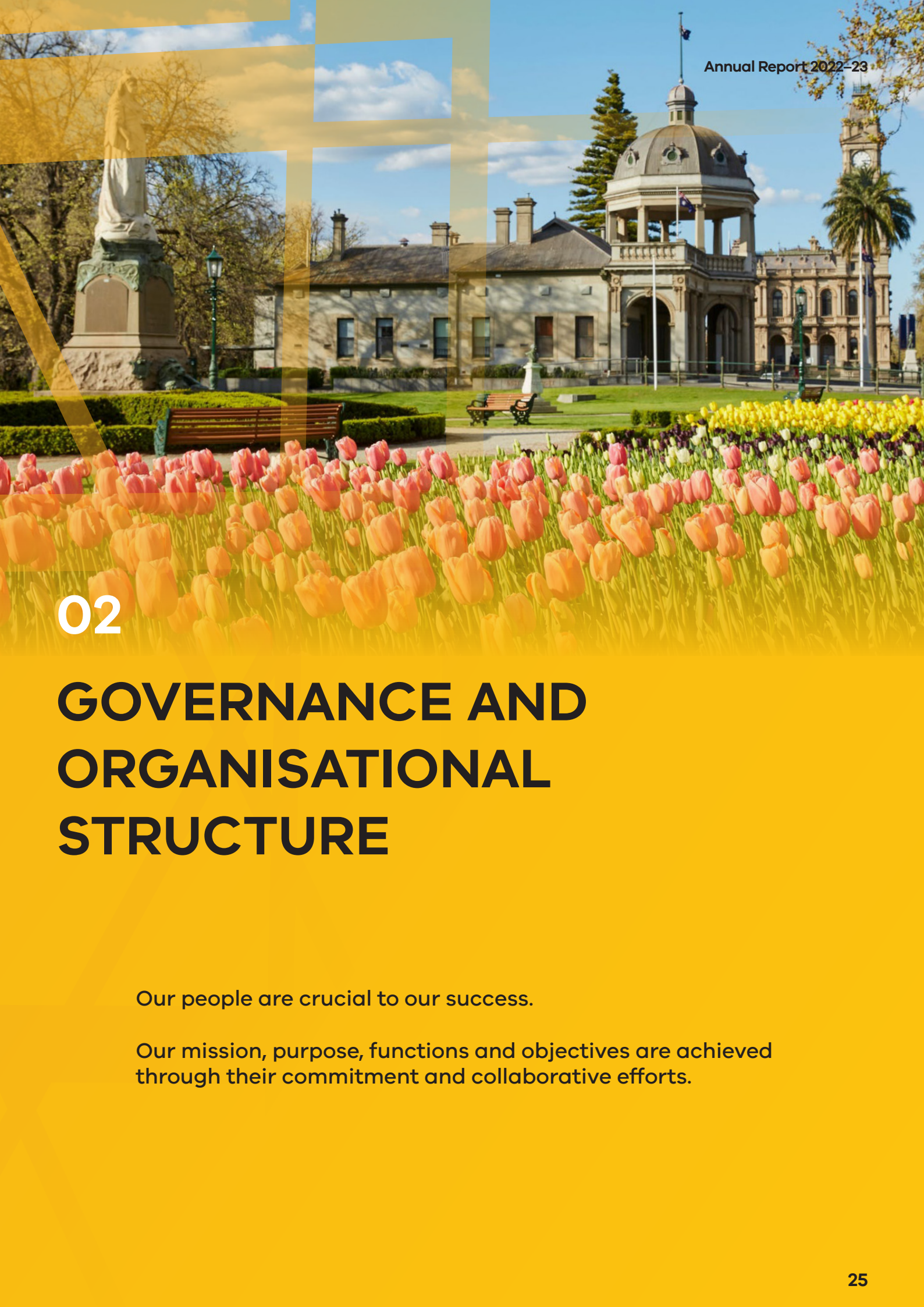
LHA's net result from transactions for the financial year was a \$5.109 million surplus. The total number of applications since inception increased to 8,245 as at 30 June 2023.

LHA recognises application fee income over the life of the application cycle, which is usually three years. Application fee income is recognised from the point a licence is granted and consumed equally over the licence term. Licence fee revenue is recognised when the licence fee is due and payable.

LHA is a self-funded regulator and all fee revenue is retained by LHA to fund its operations. Total revenue from application fees was \$6.404 million in 2022-23 and licence fee revenue was \$12.862 million. Income from government grants, interest and other sources totalled \$1.487 million. Total operating expenditure was \$15.644 million, which resulted in a net operating surplus of \$5.109 million.

Financial position – balance sheet

Cash deposits increased by \$9.831 million, rising to \$34.296 million. LHA has deferred income of \$12.737 million.



02

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 LHA. Steve was appointed Commissioner under the Act in October 2018.

The Commissioner provides executive direction and leadership to LHA, and exercises power under the Act. The Commissioner oversees LHA's regulatory system and decision-making process in relation to licensing, compliance and enforcement functions. The Commissioner also provides oversight of strategic partnerships with stakeholders and ensures that LHA is financially sustainable and effective.



Natalie Wakefield

Director, Intelligence, Compliance and Enforcement Division

Natalie Wakefield commenced as LHA's Director, Intelligence, Compliance and Enforcement in September 2021. She brings extensive experience leading the design and implementation of compliance frameworks in a regulatory environment and was previously Director of the Labour Hire Licensing Compliance Unit in the Queensland Government Office of Industrial Relations.

The Director of the Intelligence, Compliance and Enforcement Division leads LHA's Compliance and Enforcement branches, and the Intelligence and Analytics team.



Peter Cozens

Director, Regulatory Operations Division

Peter Cozens was appointed as the Director of Regulatory Operations in February 2023 after joining LHA in November 2021. Peter has extensive leadership experience in industrial relations, has held senior management roles across finance, people and culture, and corporate governance, and a number of board positions including in superannuation.

The Director of Regulatory Operations leads the Licensing and Enquiries branch and the Legal branch.



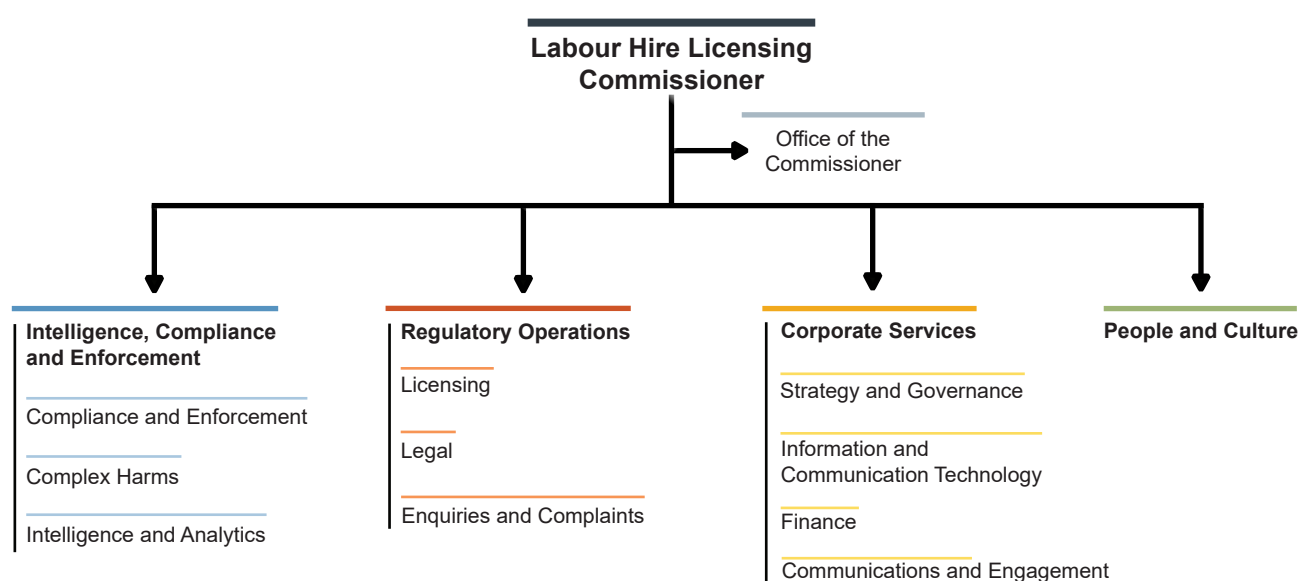
Anna Higgs

Chief Operating Officer

Anna Higgs began in the role of Chief Operating Officer (COO) in February 2021. She has more than 20 years' experience in the Victorian Government, including leading teams delivering strategy, finance and procurement functions. The COO has held executive roles at the Department of Justice and Community Safety and the Victorian Auditor-General's Office.

The COO leads the Corporate Services Division, which includes the Communications, Education and Engagement, Finance, Strategy and Governance, and Information and Communication Technology (ICT) branches.

Organisational structure and functions



Intelligence, Compliance and Enforcement

The *Intelligence, Compliance and Enforcement Division* is headed by the Director, Intelligence, Compliance and Enforcement. This division comprises the *Compliance and Enforcement Branch*, the *Complex Harms Branch* and the *Intelligence and Analytics Team*.

The *Compliance and Enforcement Branch* and *Complex Harms Branch* are jointly responsible for implementing the Compliance and Enforcement Program, which sets out LHA's compliance and enforcement activities over a 12-month period. The program includes inquiring into and investigating non-compliance with the Act and relevant laws by labour hire providers and hosts and implementing proactive programs designed to improve compliance in the sector.

The *Intelligence and Analytics Team* provides intelligence and analytical support for LHA's licensing, and compliance and enforcement work by collecting and analysing data and information received by LHA from members of the public and other sources such as other government agencies (for instance, via our information sharing agreements). It also provides analytical support to the broader agency by extracting and evaluating own source data for strategic and operational needs.



Regulatory Operations

The *Regulatory Operations Division* is headed by the Director, Regulatory Operations. This Division comprises the *Licensing and Enquiries Branch* (comprising the *Licensing Team* and the *Enquiries and Complaints Team*) and the *Legal Branch*.

The *Licensing Team* is responsible for administering the Labour Hire Licensing Scheme. This includes receiving, assessing, and processing applications from labour hire providers for a licence, and recommending to the Commissioner whether to approve the licence application.

The *Enquiries and Complaints Team* handles the enquiries and complaints received by LHA from members of the public, including through the Report a Problem form on LHA's website.

The *Legal Branch* provide in-house legal services to LHA, including legal advice and conducting legal proceedings to enforce the Act.



Corporate Services

The *Corporate Services Division* is headed by the COO and comprises the *ICT Branch*, the *Finance Branch*, the *Communications and Engagement Branch*, and the *Strategy and Governance Branch*.

The *ICT Branch* manages LHA's information technology infrastructure, providing a combination of bespoke and 'off-the-shelf' ICT solutions to meet LHA's operational needs.

The *Finance Branch* is responsible for LHA's financial matters, including the budget, purchases, credit cards, the internal financial management systems, and reimbursement of expenses.

The *Communications and Engagement Branch* is responsible for LHA's media and communications, and stakeholder engagement functions, including responding to requests from the media, LHA's newsletters, the website and intranet, and LHA branding. As of 1 July 2023, the *Communications and Engagement Branch* sits within the *Regulatory Operations Division*.

The *Strategy and Governance Branch* manages LHA's strategic and business plans and governance frameworks and works to ensure LHA is managed in a way that is accountable and transparent in accordance with its obligations as a Victorian Government agency.



People and Culture

The *People and Culture Branch* is responsible for all human resourcing related matters, including recruitment, induction, performance development plans, capability development, pay and leave, flexible working arrangements and managing the employee assistance program. The *People and Culture Branch* also plays a central role in managing LHA's Culture Consultative Committee. In 2022-23, the *People and Culture Branch* reported directly to the Commissioner, but from 1 July 2023, this branch sits within the *Corporate Services Division*.

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 *Financial Management Act 1994 (Vic)*.

The *Audit and Risk Committee* (ARC) is responsible directly to LHA's 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 three independent members. It is governed by a charter detailing its role and responsibilities consistent with the standing directions and best practice corporate governance principles.

All ARC members were appointed for an additional three-year term following a review of the Committee's performance in June 2023.

The three 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

After a robust procurement process, LHA appointed HLB Mann Judd in 2020-21 to provide internal audit services for a period of three years.

The strategic internal audit program includes reviews of LHA's governance frameworks, risk management, occupational health and safety (OHS), business continuity and disaster recovery practices, and other internal controls practices. The audit results and follow-up actions are reported to the ARC for review.



03

WORKFORCE DATA

Public sector values and Code of Conduct

The *Public Administration Act 2004* (Vic) establishes the Victorian Public Sector Commission (VPSC), the VPS Values and the VPS Code of Conduct, which describe the expected standards of behaviour and provide detailed guidance on how we should demonstrate the VPS Values

The VPS Values are:

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human Rights

LHA has introduced policies and practices to ensure that all LHA staff uphold the VPS Values at all times and apply the Code of Conduct, to maintain the highest standards of integrity and public trust in LHA's work and how we do it.

LHA provides detailed guidance and procedures for our employees on how:

- to manage and avoid conflicts of interest
- to avoid, report, and eliminate fraud and corruption
- to respond to offers of gifts and benefits
- to exercise delegations of power and financial authorisations
- we will address misconduct in relation to these matters.

Employment and conduct principles

LHA 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.

LHA applies merit and equity principles when appointing staff. LHA employees have been advised of the principles as well as recruitment and selection processes.

LHA recruitment and selection policies and processes are modelled on the Department of Premier and Cabinet (DPC) recruitment policy and processes. They also incorporate the VPSC Jobs Skills Exchange recruitment policy, robust assessment criteria and public sector employment principles and standards.

The selection process ensures merit in the process by assessing applicants using objective criteria on work related qualities and their relative ability.

Workforce inclusion policy

LHA is committed to inclusion, diversity and equity and benefits from the DPC 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 participate in all aspects of work life
- have the opportunity to work flexibly.

LHA participated in the Victorian Government Graduate Program in 2023 and has hired an additional two graduates who will commence their employment in January 2024.

Our people

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.

LHA's workforce and organisational structure has continued to adapt to the expanding compliance and enforcement program, with appropriate expansion of resources and capability in other areas of LHA to meet our operational and organisational requirements.

As at 30 June 2022, LHA's staffing profile was 63.4 (FTE), which increased to 80.1 at 30 June 2023, reflecting targeted and appropriate growth in response to our regulatory activities. 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 of LHA employed in the last full pay period in June of the current reporting period (2023), and in the last full pay period in June of the previous reporting period (2022).

| | | JUNE 2023 | | | | | | JUNE 2022 | | | | | | | |
|------------------------|-------------------------|--------------------|-----------|-----------------------|-----------------------|-----------------------|--------------------|---------------|--------------------|-----------|-----------------------|-----------------------|-----------|--------------------|------|
| | | 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 | 37 | 37.0 | 33 | 0 | 33.0 | 4 | 4.0 | 26 | 26.0 | 22 | 0 | 22.0 | 4 | 4.0 |
| | Women | 45 | 43.1 | 31 | 4 | 33.9 | 14 | 9.2 | 39 | 37.4 | 22 | 5 | 25.6 | 12 | 11.8 |
| | Self-described | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 |
| | Age | | | | | | | | | | | | | | |
| | 15 – 24 | 1 | 0.6 | 0 | 0 | 0 | 1 | 0.6 | 2 | 1.8 | 0 | 0 | 0.0 | 2 | 1.8 |
| | 25 – 34 | 19 | 18.2 | 13 | 2 | 14.2 | 6 | 4.0 | 13 | 12.5 | 9 | 1 | 9.5 | 3 | 3.0 |
| | 35 – 44 | 33 | 32.3 | 26 | 2 | 27.7 | 7 | 4.6 | 28 | 27.5 | 17 | 3 | 19.5 | 8 | 8.0 |
| | 45 – 54 | 21 | 21.0 | 17 | 0 | 17.0 | 4 | 4.0 | 16 | 16.0 | 13 | 0 | 13.0 | 3 | 3.0 |
| | 55 – 64 | 8 | 8.0 | 8 | 0 | 8.0 | 0 | 0.0 | 6 | 5.6 | 5 | 1 | 5.6 | 0 | 0.0 |
| 65+ | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 | |
| Classification data | VPS 1 - 6 grades | | | | | | | | | | | | | | |
| | VPS 1 | 0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 |
| | VPS 2 | 2 | 2.0 | 0 | 0 | 0 | 2 | 2.0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 |
| | VPS 3 | 9 | 8.2 | 4 | 0 | 4.0 | 5 | 4.2 | 7 | 6.8 | 4 | 0 | 4.0 | 3 | 2.8 |
| | VPS 4 | 18 | 17.6 | 14 | 1 | 14.6 | 4 | 3.0 | 17 | 16.3 | 13 | 2 | 14.3 | 2 | 2.0 |
| | VPS 5 | 30 | 29.3 | 25 | 3 | 27.3 | 5 | 2.0 | 27 | 26.6 | 19 | 1 | 19.6 | 7 | 7.0 |
| | VPS 6 | 17 | 17.0 | 16 | 0 | 16.0 | 1 | 1.0 | 10 | 9.7 | 7 | 2 | 8.7 | 1 | 1.0 |
| | Senior employees | | | | | | | | | | | | | | |
| | STS | 3 | 3.0 | 3.0 | 0 | 3.0 | 0 | 0 | 1 | 1.0 | 1 | 0 | 1.0 | 0 | 0.0 |
| | Executives | 3 | 3.0 | 2 | 0 | 2.0 | 1 | 1.0 | 3 | 3.0 | 0 | 0 | 0.0 | 3 | 3.0 |
| Total Employees | 82 | 80.1 | 64 | 4 | 66.9 | 18 | 13.2 | 65 | 63.4 | 44 | 5 | 47.6 | 16 | 15.8 | |

GIC appointments are not included in this table.



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. This table does not include the Accountable Officer.

| Income Band (salary) | Executives | STS |
|-----------------------|------------|----------|
| < \$160,000 | - | - |
| \$160,000 – \$179,999 | - | - |
| \$180,000 – \$199,999 | - | 2 |
| \$200,000 – \$219,999 | - | - |
| \$220,000 – \$239,999 | 1 | 1 |
| \$240,000 – \$259,999 | 2 | - |
| Total | 3 | 3 |

The following table discloses the number of Senior Executive Service (SES) officers at LHA broken down by gender classification levels.

| Classification | Female | | Male | | Self-described | |
|----------------|------------|-------------|------------|------------|----------------|------------|
| | Number | Variation | Number | Variation | Number | Variation |
| SES-3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SES-2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SES-1 | 2.0 | -1.0 | 1.0 | 1.0 | 0.0 | 0.0 |
| Total | 2.0 | -1.0 | 1.0 | 1.0 | 0.0 | 0.0 |

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.2 in the financial statements lists the actual number of SES officers and the total remuneration paid to SES officers over the course of the reporting period. The financial statements note does not include the Accountable Officer. It does not distinguish between executive levels or disclose separations. Separations are executives who left 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.

| | 2023 | 2022 |
|--|------------|------------|
| Executives | 3.0 | 1.0 |
| Additions | 1.0 | 2.0 |
| Separations | 1.0 | 0.0 |
| Total executive numbers at 30 June 2023 | 3.0 | 3.0 |

Health and Safety

LHA is committed to providing a safe and healthy workplace and to promoting the mental health and wellbeing of our people. As a portfolio agency of 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*.

LHA's Health and Safety Committee (HSC) comprises management representatives, health and safety representatives and union representatives. 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 safety rules and information
- reviewing emergency procedures and drills.

Throughout 2022-23, we:

- reformed the Culture Transformation Committee into a permanent Culture Consultative Committee, which oversees a program of work for LHA to be a great place to work and to sustain a positive, enriching workplace culture

- embedded a capability development plan to grow organisational and individual capabilities, by providing experience, exposure, and education opportunities for all staff
- embedded an internal communication program, including a weekly newsletter and regular all-staff 'stand-ups' to promote information sharing and connection between people within LHA
- hosted an all-staff values workshop to identify LHA values and promote behaviours to achieve LHA goals
- promoted access to the Employee Assistance Program and Managers Assist.

These initiatives have contributed to LHA achieving improvements to its psychological safety ratings in the 2023 People Matter Survey and an overall rating indicating a positive climate.

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





04

OTHER DISCLOSURES

Local Jobs First – Implementation of the Victorian Industry Participation Policy

The Local Jobs First policy supports Victorian businesses and workers by ensuring that small and medium size enterprises are given a full and fair opportunity to compete for both large and small government contracts, helping to create job opportunities, including for apprentices, trainees and cadets.

LHA must apply the Local Jobs First – Victorian Industry Participation Policy in all procurement activities valued at \$1 million or greater. This is because LHA is located in regional Victoria.

LHA undertook no projects subject to this policy during the 2022-2023 reporting period.

Consultancy expenditure

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

In 2022-2023, two consultancies were engaged where the total fees payable was \$10,000 or greater (excluding GST). The total expenditure was \$41,202.

| Consultant | Purpose | Total approved expenditure (ex GST) (\$) (\$000) | Expenditure in 2021-2022 (ex GST) (\$) (\$000) | Future expenditure (ex GST) (\$) (\$000) |
|------------------------|-------------------------|--|--|--|
| Emma Savage Consulting | ICT consulting services | 21 | 21 | 0 |
| Hays | Specialist recruitment | 20 | 20 | 0 |

Details of consultancies valued under \$10,000

In 2022-2023, four consultancies were engaged where the total fees payable were under \$10,000 (excluding GST). The total expenditure was \$19,207.

| Consultant | Purpose | Total approved expenditure (ex GST) (\$) (\$000) | Expenditure in 2021-2022 (ex GST) (\$) (\$000) | Future expenditure (ex GST) (\$) (\$000) |
|----------------------------|--------------------------|--|--|--|
| SHK Asia Pacific | Professional services | 10.0 | 10.0 | 0 |
| Focused Future | Professional development | 5.0 | 5.0 | 0 |
| Andrew Warland | ICT consulting services | 3.4 | 3.4 | 0 |
| The Performance Architects | Professional development | 0.9 | 0.9 | 0 |

Government advertising expenditure

In 2022-2023, LHA did not engage in any advertising campaigns with a total media spend of \$100,000 or greater (excluding GST).

Information and Communication Technology (ICT) expenditure

In 2022-2023, LHA had a total ICT expenditure of \$4,221,793 (excluding GST) as detailed below.

| All operational ICT expenditure | ICT expenditure related to project to create or enhance ICT capabilities | | |
|---|--|-------------------------|---------------------|
| Business As Usual (BAU) ICT expenditure | Non-BAU ICT expenditure | Operational Expenditure | Capital Expenditure |
| \$2,184,571 | \$2,037,221 | \$1,257,869 | \$779,352 |

Note: ICT expenditure refers to LHA's costs providing business enabling ICT services within the current reporting period. It comprises BAU ICT expenditure and non-BAU ICT expenditure. BAU ICT expenditure primarily relates to ongoing activities to operate or maintain the current ICT capability. Non-BAU ICT expenditure relates to extending or enhancing LHA's current ICT capabilities, comprising operational expenditure and capital expenditure.

Freedom of Information (FOI)

The *Freedom of Information Act 1982* (Vic) (FOI Act) allows the public a right of access to documents held by LHA. The purpose of the FOI 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 FOI Act.

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

The FOI Act allows bodies subject to it 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 audits
- 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 LHA in confidence.

LHA received and processed one FOI application in 2022-23.

Making an FOI application

When making an FOI request, applicants should ensure requests:

- are in writing
- identify as clearly as possible which documents are requested
- are accompanied by the application fee.

An application fee of \$31.80 applies. Access charges may also be payable if the document pool is large and the search for material is time consuming.

FOI requests can be lodged at FOI@labourhireauthority.vic.gov.au or:

Freedom of Information Officer

Labour Hire Authority
PO Box 393
Bendigo VIC 3552

More information about FOI can be found at ovic.vic.gov.au

Compliance with the *Building Act 1993* (Vic)

LHA met all relevant compliance provisions of the *Building Act 1993* (Vic) in its building and maintenance activities in 2022-2023.

Public Interest Disclosures

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

LHA does not tolerate improper conduct by its employees, nor reprisals being made against those who come forward to disclose improper conduct. LHA is committed to ensuring transparency and accountability in its administrative and management practices, and 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.

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. LHA encourages its staff 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 LHA or any of its employees may be made by staff or members of the public to any of the following LHA personnel:

- the Commissioner
- Public Interest Disclosure Coordinator
- manager or supervisor, if the discloser is a staff member of 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 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, anyone may make disclosures of improper conduct or detrimental action by 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 made under the *Public Interest Disclosures Act 2012 (Vic)*

LHA made one disclosure to the Independent Broad-based Anti-corruption Commission in 2022-2023 in relation to an applicant.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure that where they undertake significant business activities in markets and compete, potentially 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 *National Competition Policy* and the *Victorian Competitive Neutrality Policy* supports fair competition between public and private businesses. It gives government businesses the tools to enhance decisions on resource allocation.

The guiding principle of the *Competitive Neutrality Policy* is that government businesses should not have a competitive advantage by virtue of being publicly owned, unless the impact of the government business on competitive neutrality is in the public interest.

LHA continues to comply with the *Competitive Neutrality Policy*.

Compliance with the *Carers Recognition Act 2012*

LHA has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012* (Vic).

In line with this Act, LHA recognises and values the contribution carers make within the community by:

- considering the care relationships principles set out in this 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 mental health and wellbeing training.

In addition, in 2022-23 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 the *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 Department of Premier and Cabinet (DPC) developed a comprehensive *Disability Action Plan 2017–20* that informs 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 LHA to provide equitable access to employment opportunities for people with a disability as well as ensuring that our day-to-day practices are as inclusive as possible for all members of our community, including people with a disability.

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. This has enabled LHA to hire employees with disability.

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 also 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.

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.

During 2022-23, LHA operated eight petrol-powered vehicles, comprising five sedans, two medium SUVs, and one large SUV. All LHA fleet vehicles, except for two executive fleet vehicles, were returned to VicFleet on 30 June 2023 and LHA now operates on an alternative hire car model.

A summary of LHA's office based environmental impact (at the Bendigo head office) is below:

| | |
|--|--------|
| Electricity (excluding green power) kWh | 733.09 |
| Greenhouse gas emissions from total energy consumption (CO2-e) | 62.7 |
| Number of FTEs (office based) | 29.45 |
| Office tenancy (m2) | 505 |
| Units of energy kWh used per unit of office space m ² | 1.452 |
| Units of energy used per FTE (office based) | 24.89 |

Additional information available on request

In line with the Financial Reporting Directions, 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 statement that declarations of pecuniary interests have been duly completed by all relevant officers.
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by LHA about itself, and how these can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by LHA.
- Details of any major external reviews carried out on LHA.
- Details of major research and development activities undertaken by LHA.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by LHA to develop community awareness of LHA and its services.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within LHA and details of time lost through industrial accidents and disputes.

- A list of major committees sponsored by LHA, the purposes of each committee and the extent to which the purposes have been achieved.
- Details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

This information is available on request from:

Chief Operating Officer

Labour Hire Authority
PO Box 393
BENDIGO, VIC 3552

EMAIL FOI:

foi@labourhireauthority.vic.gov.au

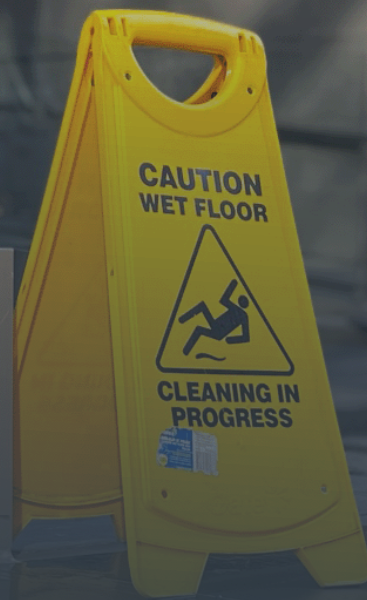
EMAIL Governance:

governance@labourhireauthority.vic.gov.au

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy, LHA has not made any data sets available on the DataVic website. 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.

LHA has published data on its website, including 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 are available at no cost.



Attestation by the Responsible Body

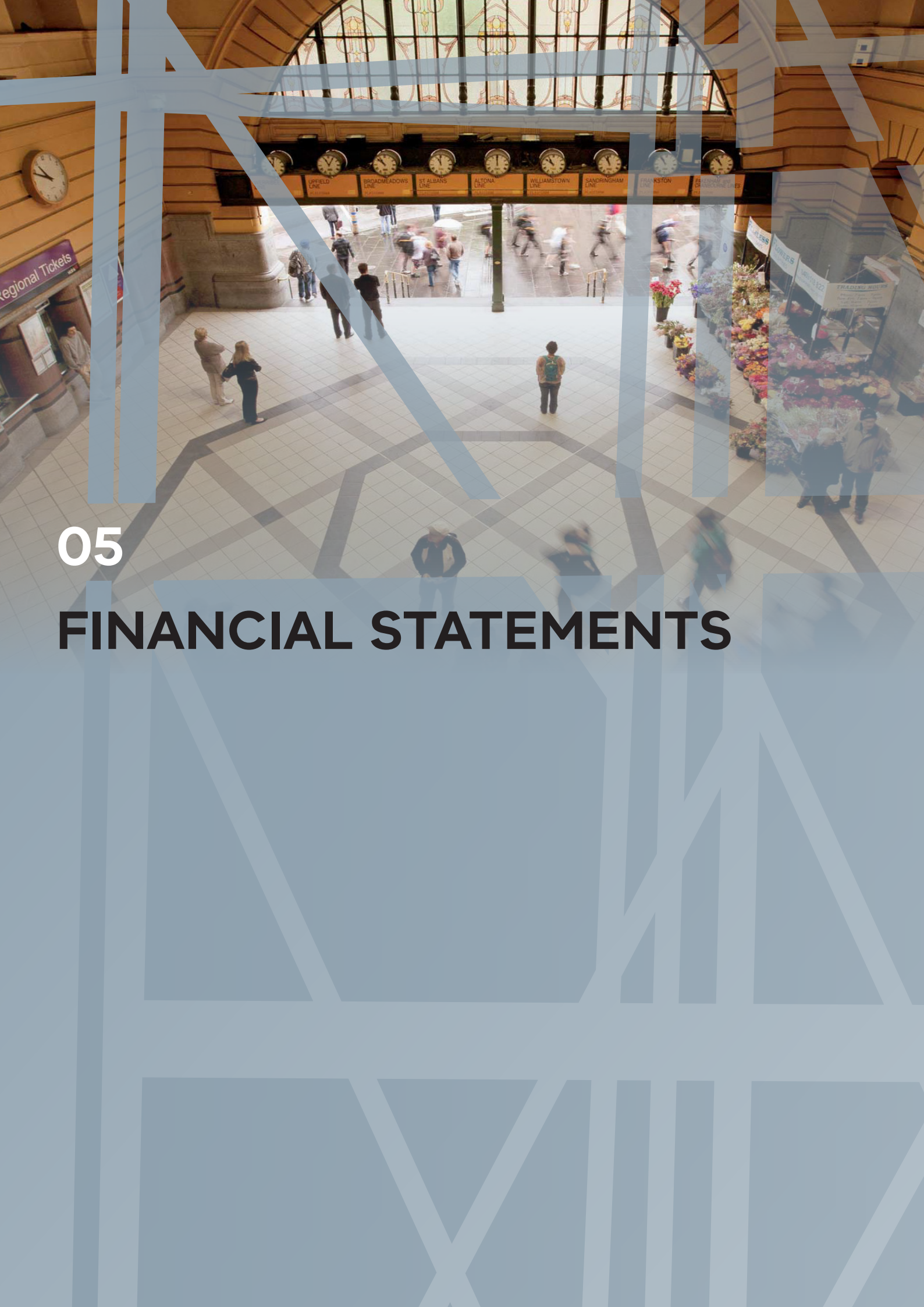
Financial Management Compliance Attestation Statement

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.

A handwritten signature in white ink, appearing to read 'Steve Dargavel', is written over a dark background.

Steve Dargavel

Labour Hire Licensing Commissioner
28 September 2023



05

FINANCIAL STATEMENTS

Accountable Officer's and Chief Finance Officer's declaration

STATUTORY CERTIFICATION

We certify that the attached financial statements for the Labour Hire Licensing Authority (LHA) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* (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 2023 and the financial position of LHA as at 30 June 2023.

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

We authorise the attached financial statements for issue on 28 September 2023.



Steve Dargavel
Labour Hire Licensing Commissioner
Labour Hire Licensing Authority



Tracey Langdon
Chief Finance Officer
Labour Hire Licensing Authority

Comprehensive Operating Statement

For The Financial Year Ended 30 June 2023

| | NOTES | 2023 (\$'000) | 2022 (\$'000) |
|--|------------|------------------|------------------|
| Continuing operations | | | |
| <i>Revenue and income from transactions</i> | | | |
| Government grants | 2.2.1 | 300 | 47 |
| Regulatory fees | 2.2.2 | 19,266 | 19,426 |
| Interest income | | 803 | 39 |
| Other income | | 384 | 334 |
| Total revenue and income from transactions | 2.1 | 20,753 | 19,846 |
| <i>Expenses from transactions</i> | | | |
| Employee benefits expense | 3.3.1 | 11,488 | 8,070 |
| Administration expense | 3.2 | 3,505 | 3,873 |
| Interest expense | 6.2.2 | 3 | 3 |
| Depreciation and amortisation | 4.1.2 | 648 | 433 |
| Total expenses from transactions | 3.1 | 15,644 | 12,379 |
| Net result from transactions (net operating balances) | | 5,109 | 7,467 |
| Net result from continuing operations | | 5,109 | 7,467 |
| Net result | | 5,109 | 7,467 |
| Comprehensive result | | 5,109 | 7,467 |

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2023

| | NOTES | 2023 (\$'000) | 2022 (\$'000) |
|--------------------------------------|-------|------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and deposits | 6.3 | 34,296 | 24,465 |
| Receivables | 5.1 | 2,025 | 1,375 |
| Prepayments | | 64 | 41 |
| Total financial assets | | 36,385 | 25,881 |
| Non-current assets | | | |
| Property, plant and equipment | 4.1 | 704 | 642 |
| Intangible Assets | 4.2 | 279 | 189 |
| Total non-current assets | | 983 | 831 |
| TOTAL ASSETS | | 37,368 | 26,712 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5.2 | 1,078 | 722 |
| Make good provisions | | 112 | 112 |
| Contract liabilities | 5.3 | 5,540 | 4,436 |
| Employee benefits | 3.3.2 | 1,572 | 1,287 |
| Borrowings | 6.1 | 11 | 204 |
| Total current liabilities | | 8,313 | 6,761 |
| Non-current liabilities | | | |
| Employee benefits | 3.3.2 | 231 | 266 |
| Contract liabilities | 5.3 | 7,197 | 3,119 |
| Borrowings | 6.1 | 63 | 111 |
| Total non-current liabilities | | 7,491 | 3,496 |
| TOTAL LIABILITIES | | 15,804 | 10,257 |
| NET ASSETS | | 21,564 | 16,455 |
| Equity | | | |
| Accumulated funds | | 21,564 | 16,455 |
| NET WORTH | | 21,564 | 16,455 |

The accompanying notes form part of these financial statements.

Cash Flow Statement

For The Financial Year Ended 30 June 2023

| | NOTES | 2023 (\$'000) | 2022 (\$'000) |
|---|-------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Receipts | | | |
| Receipts from government | | 300 | 21 |
| Receipts from regulatory fees | | 23,118 | 14,253 |
| Interest received | | 804 | - |
| Goods and services tax received from / (paid to) the ATO ⁽ⁱ⁾ | | 269 | 279 |
| Other receipts | | 57 | 159 |
| Total receipts | | 24,548 | 14,712 |
| Payments | | | |
| Payments to suppliers and employees | | (14,064) | (10,100) |
| Borrowing costs and finance charges | | (107) | (65) |
| Total payments | | (14,171) | (10,165) |
| Net cash flows from / (used in) operating activities | 6.3.1 | 10,377 | 4,547 |
| Cash Flows from Investing Activities | | | |
| Payments for non-financial assets | | (418) | (285) |
| Net cash flows from / (used in) investing activities | | (418) | (285) |
| Cash Flows from Financing Activities | | | |
| Net receipts / (payment) of funds leases | | (128) | (122) |
| Net cash flows from / (used in) financing activities | | (128) | (122) |
| Net increase / (decrease) in cash and cash equivalents | | 9,831 | 4,140 |
| Cash and cash equivalents at the beginning of the financial year | | 24,465 | 20,325 |
| Cash and cash equivalents at end of financial year | | 34,296 | 24,465 |

The accompanying notes form part of these financial statements.

⁽ⁱ⁾ Goods and Services Tax paid to the ATO is presented on a net basis.

Statement of Changes in Equity

For The Financial Year Ended 30 June 2023

| | TOTAL (\$'000) |
|--------------------------------|---------------------------------|
| Balance at 30 June 2021 | 8,988 |
| Net result for the year | 7,467 |
| Balance at 30 June 2022 | 16,455 |
| Net result for the year | 5,109 |
| Balance at 30 June 2023 | 21,564 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

NOTE 1: ABOUT THIS REPORT

Introduction

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 3550

Structure

1.1 Basis of Preparation

1.1 Basis of Preparation

General

This financial report of the LHA 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.

LHA 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.

LHA 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.

LHA 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 which ensures that 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 twelve months, being LHA's operational cycle.

Rounding

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

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 liabilities (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 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. LHA was established on the basis that it would be self-funding over the medium to long term. In order for LHA to collect labour hire licence 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.

Key sources of estimation uncertainty

At the end of the financial reporting year 2023 LHA has 5,329 licence holders who must renew their application under the LHL Scheme (see the Act, Part 3, section 28(1)). There is uncertainty as to the number of these licence holders that will re-apply. The total amount expected if all licence holders re-apply is \$17,073,646 over the next three years.

Comparatives

For disclosure purposes, comparative amounts may be reclassified to better reflect accounting data across different reporting periods. These changes do not constitute a change in accounting policy.

Waivers

LHA has granted waivers for licence holders with special circumstances under section 35A of the Act (ref Note 8.6).

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

Introduction

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

LHA has made a judgement that amounts received in relation to regulatory application fee revenue, recognised under AASB 15 are brought to account on the basis that performance obligations have been satisfied during the financial period.

LHA also receives other income which is brought to account under AASB 1058 in the current financial year.

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 revenue and income that funds the delivery of our services

| | NOTES | 2023 (\$'000) | 2022 (\$'000) |
|-------------------------|-------|------------------|------------------|
| Government grants | 2.2.1 | 300 | 47 |
| Application fee revenue | 2.2.2 | 6,404 | 6,593 |
| Licence fee income | 2.2.2 | 12,862 | 12,833 |
| Interest income | | 803 | 39 |
| Other income | | 384 | 334 |
| | | 20,753 | 19,846 |

Revenue and income that fund the delivery of LHA's services are accounted for consistently with the requirements of the relevant Accounting standards disclosed in the following notes.

2.2 Revenue and income from transactions

2.2.1 Government grants

| | 2023 (\$'000) | 2022 (\$'000) |
|------------------------------------|------------------|------------------|
| Department of Premier and Cabinet | - | 47 |
| Department of Treasury and Finance | 300 | - |
| | 300 | 47 |

Output appropriations, income from the outputs LHA provides to the Government is recognised when those outputs have been delivered and the relevant Minister has certified delivery of those outputs in accordance with specified performance criteria.

2.2.2 Regulatory fee revenue

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Application fee revenue | | |
| Business Tier 1 (annual turnover of no more than \$2,000,000) | 2,696 | 2,672 |
| Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000) | 1,568 | 1,646 |
| Business Tier 3 (annual turnover of more than \$10,000,000) | 2,140 | 2,275 |
| | 6,404 | 6,593 |
| Licence fee income | | |
| Business Tier 1 (annual turnover of no more than \$2,000,000) | 3,797 | 4,627 |
| Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000) | 3,647 | 3,530 |
| Business Tier 3 (annual turnover of more than \$10,000,000) | 5,418 | 4,676 |
| | 12,862 | 12,833 |
| Total regulatory fee revenue | 19,266 | 19,426 |

Regulatory application fee revenue is derived from fees payable to LHA in accordance with section 24(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.

Regulatory licence fee income is derived from fees payable to LHA in accordance with section 35 (1) the Act. These fees are recognised when invoiced by LHA.

NOTE 3: THE COST OF DELIVERING OUR SERVICES

Introduction

This note provides information about how LHA'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 | 2023 (\$'000) | 2022 (\$'000) |
|-------------------------------|-------|------------------|------------------|
| Administration expense | 3.2 | 3,505 | 3,873 |
| Employee benefits expense | 3.3 | 11,488 | 8,070 |
| Interest expense | 6.2.2 | 3 | 3 |
| Depreciation and amortisation | 4.1.2 | 648 | 433 |
| | | 15,644 | 12,379 |

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

| | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| Information technology costs | 1,139 | 821 |
| Professional services and labour contractors | 592 | 584 |
| Occupancy costs | 129 | 478 |
| Staff development costs | 199 | 90 |
| Travel expenses | 163 | 103 |
| Provision for doubtful debts expense | (5) | 1,234 |
| Bad debts written off | 743 | 237 |
| Business search / merchant fees | 213 | 130 |
| Other expenses | 332 | 196 |
| | 3,505 | 3,873 |

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

3.3. Employee benefits expense

3.3.1 Employee benefits expense in the comprehensive operating statement

| | 2023 (\$'000) | 2022 (\$'000) |
|---------------------------------|------------------|------------------|
| Salaries and wages | 9,468 | 6,700 |
| Annual leave | 145 | 74 |
| Long service leave | 163 | 105 |
| Superannuation | 979 | 743 |
| Payroll Tax | 548 | 304 |
| Workcover | 172 | 131 |
| Other employee benefits expense | 13 | 13 |
| | 11,488 | 8,070 |

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 LHA to the relevant superannuation plans in respect to the services of the LHA's staff. Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that LHA is required to comply with.

3.3.2 Employee benefits in the balance sheet

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Current provisions: | | |
| <i>Annual leave:</i> | | |
| Unconditional and expected to settle within 12 months | 584 | 454 |
| Unconditional and expected to settle after 12 months | 108 | 118 |
| <i>Long service leave:</i> | | |
| Unconditional and expected to settle within 12 months | 493 | 82 |
| Unconditional and expected to settle after 12 months | 199 | 431 |
| <i>Provisions for on-costs:</i> | | |
| Unconditional and expected to settle within 12 months | 145 | 108 |
| Unconditional and expected to settle after 12 months | 43 | 94 |
| Total current provisions for employee benefits | 1,572 | 1,287 |
| Non-current provisions: | | |
| <i>Long service leave:</i> | | |
| Conditional and expected to settle after 12 months | 199 | 207 |
| <i>Provisions for on-costs:</i> | | |
| Conditional and expected to settle after 12 months | 32 | 59 |
| Total current provisions for employee benefits | 231 | 266 |
| Total provisions for employee benefits | 1,803 | 1,553 |

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 LHA 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 LHA expects the liabilities to be wholly settled within 12 months of 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 LHA 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

The components of this current LSL liability are measured at:

- undiscounted value – if LHA expects to wholly settle within 12 months; or
- present value – if LHA 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.

Unconditional LSL is disclosed as a current liability, even where LHA does not expect to 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.

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY**Introduction**

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

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.1 in connection with how those fair values were determined

Structure**4.1 Property, plant and equipment**

4.1.1 Right of use assets:
Buildings and motor

4.1.2 Depreciation and
amortisation

4.2 Intangible assets**4.1 Total property, plant and equipment**

| | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
|-------------------------------|-----------------------|------------------|--------------------------|------------------|---------------------|------------------|
| | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) |
| Buildings at fair value | 542 | 542 | (542) | (406) | - | 136 |
| Leasehold improvements | 435 | 434 | (403) | (255) | 32 | 179 |
| Office and computer equipment | 542 | 384 | (306) | (111) | 236 | 273 |
| Motor vehicles under lease | 286 | 225 | (216) | (171) | 70 | 54 |
| Assets under construction | 366 | - | - | - | 366 | - |
| Net carrying amount | 2,171 | 1,585 | (1,467) | (943) | 704 | 642 |

| | Buildings at fair value | | Leasehold improvements at fair value | | Office and computer equipment at fair value | | Motor vehicles under lease | | Assets under construction | | TOTAL | |
|------------------------|-------------------------|------------------|--------------------------------------|------------------|---|------------------|----------------------------|------------------|---------------------------|------------------|------------------|------------------|
| | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2023 (\$'000) | 2022 (\$'000) |
| Opening balance | 136 | 271 | 179 | 272 | 273 | 100 | 54 | 108 | - | 152 | 642 | 903 |
| Transfer | - | - | - | - | - | 152 | - | - | - | -152 | - | - |
| Additions | - | - | - | - | 158 | 109 | 107 | - | 366 | - | 631 | 109 |
| Disposals | - | - | - | - | - | - | (47) | - | - | - | (47) | - |
| Depreciation | (136) | (135) | (147) | (93) | (195) | (88) | (44) | (54) | - | - | (522) | (370) |
| Closing Balance | - | 136 | 32 | 179 | 236 | 273 | 70 | 54 | 366 | - | 704 | 642 |

4.1.1 Right of use assets: Buildings and motor vehicles

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

| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Gross carrying amount | Accumulated depreciation | Net carrying amount |
|----------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | 2023 (\$'000) | 2023 (\$'000) | 2023 (\$'000) | 2022 (\$'000) | 2022 (\$'000) | 2022 (\$'000) |
| Buildings at fair value | 542 | (542) | - | 542 | (406) | 136 |
| Motor vehicles | 286 | (216) | 70 | 225 | (171) | 54 |
| Net carrying amount | 828 | (758) | 70 | 767 | (577) | 190 |

| | Buildings at fair value | Motor vehicles | TOTAL |
|--------------------------------------|-------------------------|----------------|------------|
| Opening balance - 1 July 2022 | 136 | 54 | 190 |
| Additions | - | 107 | 107 |
| Disposals | - | (47) | (47) |
| Depreciation | (136) | (44) | (180) |
| Net carrying amount | - | 70 | 70 |

Initial recognition

Total property, plant and equipment represent non-current physical assets comprising equipment and right-of-use assets used by LHA 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 LHA are recognised at fair value at the date of acquisition.

LHA 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 (excluding Assets under Construction - measured at cost) 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).

LHA 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 103.

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

4.1.2 Depreciation and Amortisation

| Change for the period | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| Buildings at fair value | 136 | 135 |
| Leasehold improvements | 147 | 93 |
| Plant and equipment | 195 | 88 |
| Motor vehicles under lease | 44 | 54 |
| Capitalised software development | 126 | 63 |
| Total depreciation and amortisation | 648 | 433 |

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 | 2022-23 Useful Life |
|---|------------------------|
| Buildings - leased assets | 2-10 years |
| Plant, equipment and vehicles (including leased assets - excluding Assets Under Construction) | 3-10 years |
| Leasehold improvements | 2-5 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 LHA obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that it will exercise a purchase option, LHA depreciates the right-of-use asset over its useful life.

Short-term leases and leases of low-value assets

LHA has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term (AASB 16.60, FRD 123).

4.2 Intangible assets

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Capitalised software development | 484 | 268 |
| Less: accumulated amortisation | (205) | (79) |
| Total capitalised software development | 279 | 189 |
| Reconciliations of carrying amounts | | |
| Capitalised software development | | |
| Carrying amount at the start of the year | 189 | 150 |
| Additions | 216 | 102 |
| Amortisation expense (note 4.1.2) | (126) | (63) |
| Carrying amount at the end of the year | 279 | 189 |

NOTE 5: OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

5.1 Receivables

5.1.1 Movement in loss allowance for statutory receivables

5.1.2 Ageing analysis of receivables

5.2 Payables

5.3 Contract liabilities

5.4 Other non financial assets

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.

Current receivables

| | 2023 (\$'000) | 2022 (\$'000) |
|---------------------------------|------------------|------------------|
| Contractual: | | |
| Other receivables | 306 | 249 |
| | 306 | 249 |
| Statutory: | | |
| Regulatory Licence fees | 1,675 | 1,118 |
| Allowance for impairment losses | (8) | (13) |
| GST receivables | 52 | 21 |
| | 1,719 | 1,126 |
| | 2,025 | 1,375 |
| Represented by: | | |
| Current receivables | 2,025 | 1,375 |

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. LHA applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Details about LHA's exposure to credit risk are set out in Note 7.1.4.

5.1.1 Movement in loss allowance for statutory receivables

As at 30 June 2023, impaired receivables were as follows - Reconciliation of the movement in the loss allowance for (statutory) receivables is shown as follows:

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Balance at the beginning of the year | 13 | 442 |
| Increase in provision recognised in the net result ⁽ⁱ⁾ | 218 | 997 |
| Reversal of provision for receivables written off during the year as uncollectable | (223) | (1,201) |
| Prior year bad debts written off | - | (225) |
| Closing balance at 30 June | 8 | 13 |
| Bad debts written off with no provision (at licence holder's request) ⁽ⁱⁱ⁾ | (519) | (237) |

⁽ⁱ⁾ The Scheme commenced in 2019 with licence fee invoices predominantly raised in FY2021. Due to the impacts of COVID-19 on businesses in Victoria and the subsequent lockdowns the recovery of debt was not vigorously pursued until FY2022. An extensive debt management process was established in FY2022 to follow up and provide for those Debtors that ultimately became uncollectable.

⁽ⁱⁱ⁾ s41 of the Labour Hire Licensing Act 2018 provides for the cancellation of a licence on request of the licence holder

Nature and extent of risk arising from receivables

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

5.1.2 Ageing analysis of receivables

The ageing at 30 June 2023 includes current licence fee receivables, sundry customer receivables, and non-current customer receivables.

| | <1 month | 1 to 3 months | 3 months to 1 year | >1 year |
|--|--------------|---------------|--------------------|------------|
| 2022 - 2023 | | | | |
| Regulatory Licence fees | 1,417 | 80 | 170 | 8 |
| Allowance for impairment losses of contractual receivables | - | (8) | - | - |
| GST receivables | 52 | - | - | - |
| Other receivables | 28 | - | 58 | 220 |
| | 1,497 | 72 | 228 | 228 |

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.

| | 2023 (\$'000) | 2022 (\$'000) |
|------------------------|------------------|------------------|
| Contractual: | | |
| Trade payables | 646 | 217 |
| Accrued expenses | 426 | 505 |
| | 1,072 | 722 |
| Statutory: | | |
| FBT payable | 5 | - |
| | 5 | - |
| Total payables | 1,077 | 722 |
| Represented by: | | |
| Current payable | 1,077 | 722 |

Current payables consist of:

- Contractual payables include such as accrued expenses.
- Statutory payables such as goods and services tax and fringe benefits tax.

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 LHA, 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.

5.3 Contract liabilities

| | 2023 (\$'000) | 2022 (\$'000) |
|-------------|------------------|------------------|
| Current | 5,540 | 4,436 |
| Non-Current | 7,197 | 3,119 |
| | 12,737 | 7,555 |

AASB 15 introduces Revenue Recognition based on transfer of control. LHA have used the five step model to account for Revenue.

AASB 15 Revenue from Contracts with Customers is applicable to Application Fee Revenue received by LHA. LHA 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 three years). LHA will assess the application and grant or refuse a licence based on pre-determined criteria. During the licence period LHA will monitor and assess the suitability of the applicant against this criteria during the licence term. During the licence period if the licence is cancelled under section 40 or 41 of the Act the remaining fee (contract liability) is recognised in the Comprehensive Operating Statement immediately.

Regulatory application fee revenue is derived from fees payable to LHA in accordance with section 24(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 for which LHA has an obligation to fulfil future commitments.

LHA 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.

5.4 Other non financial assets

Current other assets

| | 2023 (\$'000) | 2022 (\$'000) |
|-----------------------------------|------------------|------------------|
| Prepayments | 64 | 41 |
| Total current other assets | 64 | 41 |

Other non financial assets include prepayments, which represent payments in advance of receipt of goods or services, or the payments made for the services covering a term extending beyond that financial accounting period.

NOTE 6: FINANCING OUR OPERATIONS**Introduction**

This note provides information on the balances related to the financing of LHA, including financial commitments at year-end. LHA'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

| | 2023 (\$'000) | 2022 (\$'000) |
|-------------------------------------|------------------|------------------|
| Current borrowings | | |
| Lease liabilities | 11 | 204 |
| Total current borrowings | 11 | 204 |
| Non-current borrowings | | |
| Lease liabilities | 63 | 111 |
| Total non-current borrowings | 63 | 111 |
| Total borrowings | 74 | 315 |

6.2 Leases

LHA leases office premises at the Galkangu (Govhub) in Bendigo and eight 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 five years to reflect market rentals.

6.2.1 Right use of assets

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

6.2.2 Amounts recognised in the Statement of Comprehensive Income

The following amounts are recognised in the Statement of Comprehensive Operating Statement relating to leases:

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Interest expense on lease liabilities | 3 | 3 |
| Total amount recognised in the statement of comprehensive income | 3 | 3 |

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 2023 relating to leases:

| | 2023 (\$'000) | 2022 (\$'000) |
|--------------------------------------|------------------|------------------|
| Total cash outflow for leases | 128 | 122 |

For any new contracts entered into, LHA 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 LHA assesses whether the contract meets three 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 LHA and for which the supplier does not have substantive substitution rights;
- LHA 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 has the right to direct the use of the identified asset throughout the period of use; and
- LHA 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

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 LHA'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

LHA presents right-of-use assets as 'property, plant and 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.

6.3 Cash flow information and balances

| | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| Cash and cash equivalents | | |
| Total cash and deposits disclosed in the balance sheet - Authority | 34,296 | 24,465 |
| Balance as per cash flow statement | 34,296 | 24,465 |

6.3.1 Reconciliation of net result for the period to cash flow from operating activities

| | 2023 (\$'000) | 2022 (\$'000) |
|---|------------------|------------------|
| Net result for the period | 5,109 | 7,467 |
| Non-cash movements | | |
| Depreciation and amortisation | 648 | 433 |
| Gain on Disposal Assets | (8) | |
| | 5,749 | 7,900 |
| Movements in assets and liabilities | | |
| Decrease/(increase) in receivables | (650) | 333 |
| Decrease/(increase) in other assets | (269) | (254) |
| (Decrease)/increase in payables | 356 | 621 |
| (Decrease)/increase in contract liabilities | 5,182 | (4,337) |
| (Decrease)/increase in employee benefits | 250 | 284 |
| (Decrease)/increase in borrowings | (241) | |
| Net cash inflows from operating activities | 10,377 | 4,547 |

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

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

LHA 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 LHA'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.

LHA 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 2023/24 reporting period.

7.1.1 Categories of financial assets

Financial assets at amortised cost

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 LHA 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.

LHA recognises the following assets in this category: cash and deposits, receivables (excluding statutory receivables).

Property, plant and equipment at fair value

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets are carried at fair value: buildings, motor vehicle and plant and equipment. The valuation methods used by management in compliance with AASB 136 are, discounted cash flow, quoted price in active market, physical depreciation and obsolescence.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- LHA 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
- LHA 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 risks and rewards of the asset, but has transferred control of the asset.

Where LHA has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of LHA’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. LHA recognises the following liabilities in this category:

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

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

| 2022-2023 | Contractual financial assets at amortised cost (\$'000) | Contractual financial liabilities at amortised cost (\$'000) | TOTAL (\$'000) |
|---|--|---|-------------------|
| Contractual financial assets | | | |
| Cash and cash deposits | 34,296 | - | 34,296 |
| Total contractual financial assets | 34,296 | - | 34,296 |
| Contractual financial liabilities | | | |
| <i>Payables</i> | | | |
| Trade payables and accrued expenses (excluding statutory payables) | - | 1,078 | 1,078 |
| Borrowings | - | 74 | 74 |
| Total contractual financial liabilities | - | 1,152 | 1,152 |
| 2021-2022 | Contractual financial assets at amortised cost (\$'000) | Contractual financial liabilities at amortised cost (\$'000) | TOTAL (\$'000) |
| Contractual financial assets | | | |
| Cash and cash deposits | 24,465 | - | 24,465 |
| Total contractual financial assets | 24,465 | - | 24,465 |
| Contractual financial liabilities | | | |
| <i>Payables</i> | | | |
| Trade payables and accrued expenses (excluding statutory payables) | - | 722 | 722 |
| Borrowings | - | 315 | 315 |
| Total contractual financial liabilities | - | 1,037 | 1,037 |

7.1.4 Financial risk management objectives and policies

The activities of LHA expose it to a variety of financial risks, market risk, credit risk and liquidity risk. This note presents information about LHA'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 LHA 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 LHA. LHA 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 LHA'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 LHA is exposed to through its financial instruments are as follows

(a) Credit risk

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

LHA 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. LHA is not materially exposed to any individual debtor.

There has been no material change to LHA's credit risk profile in 2022-23.

(b) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of LHA's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. LHA'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

LHA 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. LHA is not currently exposed to these risks.

There is minimal market risk to LHA's cash on hand and cash equivalents.

(c) Liquidity risk

Liquidity Risk is the risk that LHA will not be able to meet its financial obligations as they fall due. LHA'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.

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

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.

There were no material contingent assets or liabilities at 30 June 2023 (30 June 2022, \$nil).

NOTE 8: OTHER DISCLOSURES

Introduction

This note provides information on other disclosures that impact LHA.

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 Ex gratia expenses**
- 8.7 Australian Accounting Standards issued that are not yet effective**

8.1 Responsible persons

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

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

| Name | Title | From | To |
|------------------------|------------------------------------|-------------|-------------|
| The Hon. Tim Pallas MP | Minister for Industrial Relations | 01 Jul 2022 | 30 Jun 2023 |
| Steve Dargavel | Labour Hire Licensing Commissioner | 01 Jul 2022 | 30 Jun 2023 |

Remuneration

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State's Annual Financial Report.

Remuneration received or receivable by the Accountable Officer and other responsible persons in connection with the management of LHA during the reporting period was in the range of \$330,000 - \$339,999.

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

| | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| Short-term employee benefits | 678 | 633 |
| Post-employment benefits | 66 | 68 |
| Other long-term benefits | 6 | 11 |
| Total remuneration ⁽ⁱ⁾ | 750 | 712 |
| Total number of executives | 3 | 3 |
| Total annualised employee equivalents ⁽ⁱⁱ⁾ | 3.8 | 3 |

⁽ⁱ⁾ No Executive Officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and as such, are not included in the related parties note disclosure (Note 8.3).

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

8.3 Related parties

LHA is a wholly owned and controlled entity of the State of Victoria. Related parties of LHA 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 departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.
- All Cabinet Ministers and their close family members.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

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

| | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| <i>Amounts recognised as income in the Comprehensive Operating Statement</i> | | |
| Entity and nature of transaction | | |
| Grants from Department of Premier and Cabinet | - | 47 |
| Grants from Department of Treasury and Finance | 300 | - |
| Total remuneration | 300 | 47 |

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 LHA, directly or indirectly. KMP of LHA includes the Portfolio Minister and Executive Officers of LHA as listed under responsible persons in Note 8.1.

| | 2023 | 2022 |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 953 | 942 |
| Post-employment benefits | 91 | 91 |
| Other long-term benefits | 6 | 11 |
| Total | 1,050 | 1,044 |

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

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 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 LHA, 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.

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 which significantly affect or may significantly affect the operations of LHA, the results of those operations, or the state of affairs of LHA in future financial years.

8.5 Auditors Remuneration

Auditors remuneration for auditing the financial statements of LHA excluding GST for 2022/23 has been set at \$34,100 (FY22 was \$28,700) by the Victorian Auditor-General Office (VAGO). No other benefits were received or are receivable by VAGO.

8.6 Ex gratia expenses

Ex gratia expenses are voluntary payments of money or other non-monetary benefit (e.g. a write off) that are not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against LHA.

LHA has granted waivers in special circumstances under section 35A of the *Labour Hire Licensing Act 2018*.

| | 2023 (\$'000) | 2022 (\$'000) |
|--|------------------|------------------|
| Forgiveness of waiver of debt ^(a) | 25 | 34 |

Notes

^(a) Includes ex gratia payments for both individual items and aggregate that are greater than or equal to \$5,000.

8.7 Australian Accounting Standards issued that are not yet effective

As at 30 June 2023, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2023. LHA 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 13 Fair Value Measurement | <p>The AASB has amended AASB 13 by including authoritative implementation guidance to be followed by not-for-profit (NFP) public sector entities when fair valuing their non-financial assets not held primarily for their ability to generate cash inflows (non-financial assets).</p> <p>In the sections below we cover the key amendments, which relate to:</p> <ul style="list-style-type: none"> • highest and best use • developing unobservable inputs • application of the cost approach. <p>In its announcement, the AASB has also included examples to illustrate various aspects.</p> | 1-Jan-24 | 1-Jan-24 | |
| Amendments to AASB 101 and AASB 16 | <p>The AASB has amended AASB 101 and AASB 16 relating to:</p> <ul style="list-style-type: none"> • classifying a liability as current or non-current • subsequent measurement of lease liabilities arising from sale and leaseback transactions. | 1-Jan-24 | 1-Jan-24 | |

The following accounting pronouncements are also issued but not effective for the 2022-23 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 Sector Entities* .
- *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

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 2023• 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 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 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> |
| The Commissioner's responsibilities for the financial report | <p>The Commissioner of the Authority 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
19 October 2023



Janaka Kumara
as delegate for the Auditor-General of Victoria



06

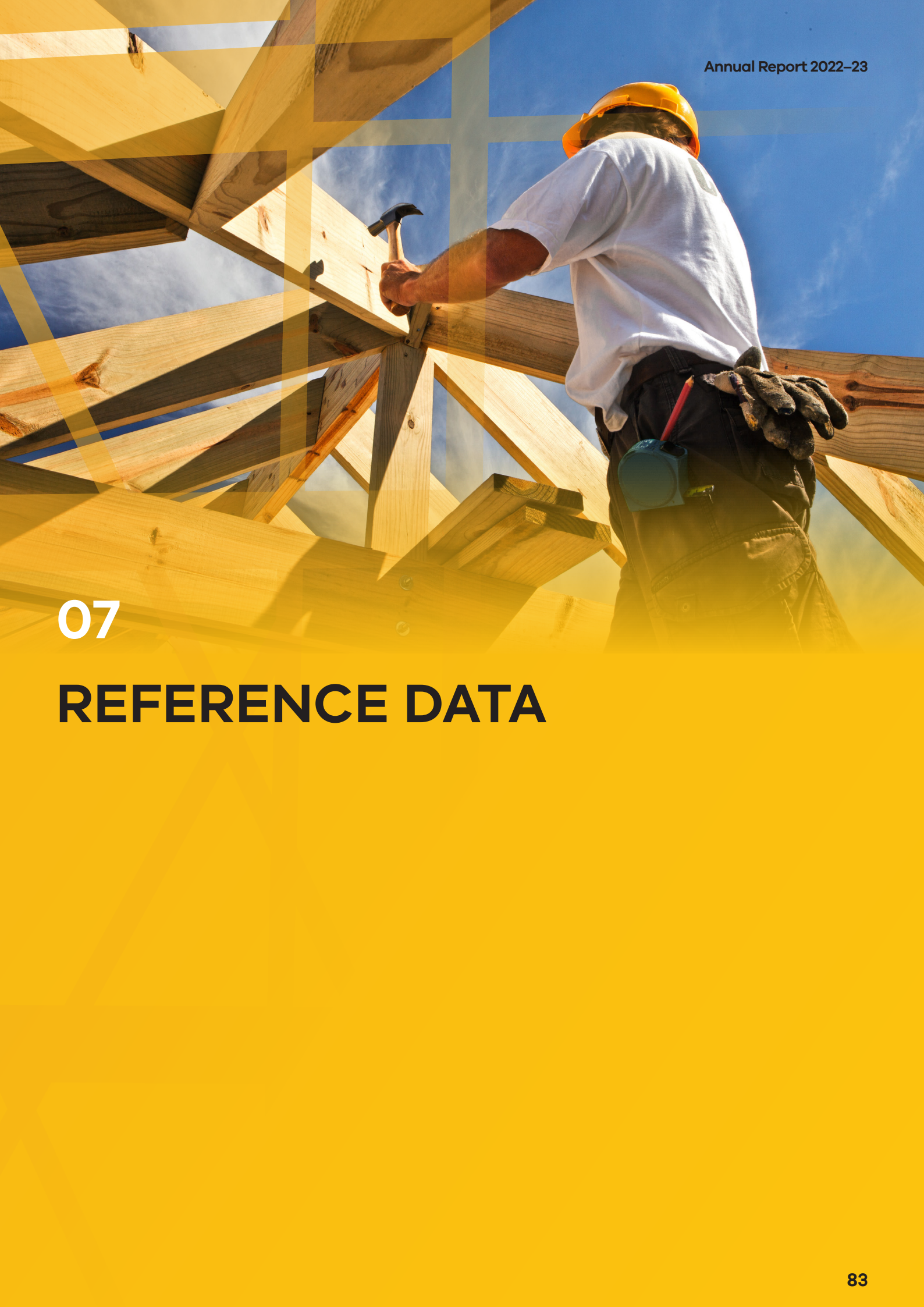
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07

REFERENCE DATA

Data summary – as at 30 June 2023

| | |
|------------------------------------|-------|
| Total applications lodged with LHA | 8,245 |
| Total licences granted by LHA | 7,242 |
| Total current licences | 5,239 |

Licensing data – 1 July 2022 to 30 June 2023

| | |
|--|-------|
| New licence applications made | 1,251 |
| New licences granted | 922 |
| New licences granted with conditions | 28 |
| New licences granted without conditions | 894 |
| Licence applications withdrawn | 91 |
| Licence renewal applications made | 2,030 |
| Licence renewals granted | 1,998 |
| Licence renewals granted with conditions | 0 |
| Licence renewals granted without conditions | 1,998 |
| Licence renewal applications withdrawn | 1 |
| Licence variation applications made | 222 |
| Licence variations granted | 197 |
| Licences suspended | 0 |
| Notices of intention to refuse issued | 206 |
| Licences refused | 92 |
| Licence renewals refused | 2 |
| Warnings issued | 328 |
| Notices of intention to cancel (show cause notices) issued | 460 |
| Total licences cancelled | 585 |
| Licences cancelled by LHA | 187 |
| Licences cancelled on request* | 398 |
| Objections received against applications for a labour hire licence | 4 |
| Special Circumstances applications made | 9 |
| Special Circumstances applications granted | 6 |
| Special Circumstances applications refused | 2 |
| Special Circumstances applications were invalid (incomplete) | 0 |
| Annual reports lodged | 2,801 |

*Note: a number of requests to cancel follow investigations and/or formal notices issued to licence holders.

Enquiries data – 1 July 2022 to 30 June 2023

| | |
|---|-------|
| Telephone calls received by our enquiries line | 7,770 |
| Live calls | 3,944 |
| Call backs | 2,469 |
| % of phone calls from labour hire providers | 97% |
| % of phone calls concerning the application process | 33% |
| % of phone calls about fees | 15% |
| % of phone calls resolved by LHA | 99% |
| % of calls referred to other agencies | <1% |
| Problems reported in the <i>LHA Report a Problem</i> form | 817 |
| Emails received by our enquiries mailbox | 6,572 |
| Emails sent from our enquiries mailbox | 6,340 |
| Requests for information sent to applicants and licence holders | 2,127 |
| Notifications sent to providers (including final warnings, cancellation, refusal, and suspension notices) | 1,460 |

Communications and engagement data – 1 July 2022 to 30 June 2023

| | |
|---|--------------|
| Mentions of LHA in news media | 279 |
| Estimated combined reach of publications containing LHA media stories | ~131 Million |
| Stakeholder engagement activities | 47 |
| LHA website – number of visits | 72,633 |
| LHA website – number of page views | 274,505 |
| LHA News monthly e-newsletter – number of subscribers at 30 June | 10,333 |

Compliance and enforcement data – 1 July 2022 to 30 June 2023

| | |
|--|-----|
| Investigations finalised | 255 |
| Matters remain under current investigation | 289 |
| Number of field activities | 163 |
| Number of workers interviewed | 94 |
| Number of hosts interviewed | 49 |
| Number of providers interviewed | 20 |

Labour hire providers by industry (as a % of total labour hire providers in Victoria) – as at 30 June 2023

| | | |
|--|-------|-------|
| Accommodation & food services | 103 | 1.1% |
| Administrative & support services | 503 | 5.2% |
| Agriculture – farming | 181 | 1.9% |
| Agriculture – growing | 47 | 0.5% |
| Agriculture – packing | 103 | 1.1% |
| Agriculture – production | 62 | 0.6% |
| Arts & recreation service | 67 | 0.7% |
| Cleaning – commercial | 1,314 | 13.7% |
| Cleaning – non-domestic building | 425 | 4.4% |
| Construction | 782 | 8.1% |
| Education & training | 289 | 3.0% |
| Electricity, gas, water & waste services | 241 | 2.5% |
| Financial & insurance services | 333 | 3.5% |
| Health care & social assistance | 537 | 5.6% |
| Horticulture | 530 | 5.5% |
| Hospitality | 195 | 2.0% |
| Information media & telecommunications | 378 | 3.9% |
| Manufacturing (other) | 460 | 4.8% |
| Meat manufacturing & processing | 190 | 2.0% |
| Mining | 131 | 1.4% |
| Other services (including repair & maintenance, person & other services) | 320 | 3.3% |
| Professional, scientific & technical services (including IT) | 1,119 | 11.6% |
| Rental hire & real estate services | 53 | 0.6% |
| Retail trade | 185 | 1.9% |
| Security, public administration & safety | 473 | 4.9% |
| Transport, postal & warehousing | 498 | 5.2% |
| Wholesale trade | 104 | 1.1% |

Note: We gather this information from labour hire providers that 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 commercial premises. Providers may nominate multiple industries. Other measures may be used to determine the proportional coverage of labour hire in Victoria.

Other statistics – as at 30 June 2023

| | |
|---|-------|
| Number of providers that supply transportation to labour hire workers | 493 |
| Number of providers that do not supply transportation to labour hire workers | 4,746 |
| Number of providers that supply accommodation to labour hire workers | 195 |
| Number of providers that do not supply accommodation to labour hire workers | 5,043 |
| Number of providers that supply workers with visas to hosts | 1,606 |
| Number of providers that do not supply workers with visas to hosts | 3,633 |

Note: based on information provided at the application stage.

Labour Hire Authority

Website

www.labourhireauthority.vic.gov.au

Email

enquiries@labourhireauthority.vic.gov.au

Phone

1300 545 200

Opening hours

9:00am – 5:00pm

Postal Address

Labour Hire Authority
PO Box 393
Bendigo VIC 3552



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For more information, visit:
relayservice.gov.au