

Victorian Skills Commission

Annual Report 2011-12



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September 2012

The Hon. Peter Hall, MLC
Minister for Higher Education and Skills
2 Treasury Place
East Melbourne Victoria 3002

Dear Minister

On behalf of the Victorian Skills Commission I am pleased to submit the annual report for the year 2011-12 in accordance with the requirements of the *Financial Management Act 1994*.

In 2011, TAFE institutes, private and *Learn Local* providers delivered approximately 651,000 course enrolments of vocational training.

In May 2012, the Victorian Government published the Refocusing Vocational Training in Victoria statement, which details its policy decision to give Victorian industry a stronger voice and a critical role in directly influencing the vocational training market, to deliver the skill outcomes business and the Victorian economy needs. The statement included the announcement that the VSC would be wound up later in 2012.

I would like to record my appreciation of the contribution made by VSC members to Victoria's economic and social wellbeing.

Yours sincerely

A handwritten signature in black ink that reads 'Richard Bolt'.

Richard Bolt
Accountable Officer

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2011–12 in brief

- The Victorian Training Guarantee (VTG) was implemented for all VET qualifications in Victoria for its first full year in 2011.
- In 2011, Technical and Further Education (TAFE) institutes, *Learn Local* organisations and private registered training organisations (RTOs) delivered 200 million student contact hours of training and further education (excluding non-VET activity) to approximately 651,000 course enrolments.
- In 2011, more than 137,000 young people aged 15–19 years undertook vocational education and training with TAFE institutes, *Learn Local* organisations and private RTOs.
- As at 30 June 2012, there were over 144,000 apprentices and trainees in Victoria.
- The VSC prepared to be wound up as outlined in the Victorian Government's Refocusing Vocational Training in Victoria statement.

About the Victorian Skills Commission

Context

The VSC is responsible for addressing Victoria's government, industry and community training needs, is the fund holder for government funding for vocational education and training and regulates the Victorian apprenticeship and traineeship system.

The VET system delivers programs and services to the Victorian community through a range of organisations:

- 18 TAFE institutes, including four TAFE divisions within universities
- 1100 registered training organisations as of 30 June 2012, comprising 593 registered with the national VET regulator, the Australian Skills Quality Authority (ASQA) and 507 registered with the Victorian Registration and Qualifications Authority (VRQA), including 81 schools involved with VET programs and 177¹ registered *Learn Local* providers. The Victorian Government provides funding through the VSC for training delivery to 609 providers.

These organisations provide:

- entry- or certificate-level training, including apprenticeships and traineeships
- courses in basic literacy and numeracy
- basic preparation for work
- advanced vocational training, including training for paraprofessionals
- undergraduate and postgraduate degrees and other programs.

The VSC role

The VSC oversees the efficiency and effectiveness of the publicly funded training market in Victoria. In exercising this role, the VSC:

- captures and publishes information about the current and prospective labour market demand for skills
- monitors quarterly outcomes of training expenditure and training activity, including matching of training delivery to labour market needs
- as fund holder, oversees the appropriateness of Department of Education and Early Childhood Development (DEECD) contracting and payment business processes, and controls and authorises the release of funds accordingly.

¹ 139 *Learn Local* RTOs registered with VRQA, and 38 registered with ASQA.

In May 2012, the Victorian Government published the Refocusing Vocational Training in Victoria statement, which details its policy decision to give Victorian industry a stronger voice and a critical role in directly influencing the VET market to deliver the skill outcomes business and the Victorian economy needs. The statement included the announcement that the VSC would be wound up later in 2012.

Members of the VSC

The VSC consists of 11 members whose appointments reflect its responsibility to ensure effective links with community stakeholders, industry and key government advisory bodies, including the Victorian Registration and Qualifications Authority (VRQA) and the Adult, Community and Further Education (ACFE) Board.



Yvonne von Hartel
AM

Yvonne von Hartel AM

Chair

Ms Yvonne von Hartel AM is a founding principal of the award-winning national architectural and urban design practice, peckvonhartel. Ms von Hartel has practised as an architect for over 45 years, working on Australia's largest and most significant infrastructure projects.

Ms von Hartel is currently Chair of the Southbank Arts Precinct Working Group, a Director of the University of Wollongong, SMART Infrastructure Advisory Council and is the Independent Specialist Advisor – Design for the Sydney International Convention, Exhibition and Entertainment Precinct. Since 2001, Ms von Hartel has been a Trustee of the Melbourne Convention and Exhibition Centre and Chair of the Capital Works Committee. In 2012, Ms von Hartel was invited to become a member of the Victorian Premier's Business Roundtable.

Until the recent sale of the ConnectEast Group to CP2, Ms von Hartel was a Director (from 2003–11) of ConnectEast. She has served as Chair of the Sustainability in Buildings Standards Coordination Group of Standards Australia, as inaugural Chair of the Victorian Design Advisory Council, and as a Director of the national Tourism and Transport Forum.

During her career, Ms von Hartel has taught both full time and part time at the School of Architecture at the University of Melbourne.



Rowena Allen

Rowena Allen

Ex officio member

Ms Rowena Allen is chair of ACFE. She was formerly the Chief Executive Officer of UnitingCare – Cutting Edge, a Uniting Church welfare agency she established 11 years ago in the Goulburn Valley. Ms Allen has a passion for social justice and social inclusion, and has held positions in the area of community development and direct youth services with rural and metropolitan local governments.

Ms Allen is a former Chair of the Victorian Green Skills Taskforce and the Youth Affairs Council of Victoria, and was Acting Chair of the VSC for 15 months prior to being appointed Chair of the ACFE Board in November 2010. In 2009, she was inducted into the Victorian Honour Role for Women and is also the recipient of a Centenary Award for services to the community.



Robyn Archer

Robyn Archer

Member

Ms Robyn Archer has had a 20-year career in education, training and human resources, working in primary education, vocational education, and adult literacy and numeracy. She was previously Manager, Learning and Development for Connex Melbourne, working in organisational development, human resources strategy and change management. Ms Archer has established a consultancy specialising in development and change with ageing workforces, cultural change program development, and learning and development strategies for a range of industries.



Richard Bolt

Richard Bolt

Ex officio member from 29 August 2011

Mr Richard Bolt was appointed Secretary of DEECD in August 2011. He leads DEECD in building a system that supports children, students and adults to form the skills and capabilities that make lifelong learning and genuine social and economic participation a reality.

Prior to joining DEECD, Mr Bolt was Secretary of Victoria's Department of Primary Industries.



Peter Coyne

Peter Coyne

Member

Mr Peter Coyne is Executive General Manager of Human Resources for Crown Melbourne, responsible for the people strategy for Australia's largest hospitality employer. Mr Coyne began as a contractor assisting long-term unemployed people to work in hospitality and since then has focused on leadership development and human resource management during his 14 years with Crown. Prior to this, he was a secondary school teacher in country and metropolitan schools for 19 years, and established his own curriculum and resource development business focused on school-to-work transition.



Stuart Hamilton AO

Stuart Hamilton AO

Ex officio member

Mr Stuart Hamilton provides strategic advice on education and public policy. He was Chief Executive Officer of Open Universities Australia (2003–12). He held the position of Secretary of the Victorian Department of Education and Training (2001–02), Director of the Victorian Innovation Economy Advisory Board (2002–03) and Chair of the Victorian Curriculum and Assessment Authority (2004–06).

Mr Hamilton was Executive Director of what is now Universities Australia (1996–2001) and before that worked in the Commonwealth Public Service for many years, including as Secretary to the Departments of Health (1988–93) and Environment (1993–96). He is Chair of the Victorian Registration and Qualifications Authority.



Jeannette Lang

Jeannette Lang

Member

Ms Jeannette Lang is the former Head of the Learning Group for Transfield Services (1995–2009), an international company with 28,000 employees that provides services across 11 industries. She was Chief Officer of Transfield's RTO.

Ms Lang has 18 years' experience as a senior executive in human resources and people development for major national and international companies in industries such as oil and gas, mining, manufacturing, retail, hospitality, telecommunications, water, power/energy, defence, facilities management and call centre operations. She is currently director of a human resources consultancy group specialising in human resources and learning solutions for small-to-medium businesses.

Ms Lang has extensive involvement with state and national peak bodies, including the Australian Industry Group, state and Australian chambers of commerce and industry, and the national Enterprise RTO Association.



Roger Leeming

Roger Leeming

Member

Mr Roger Leeming spent 26 years with Pilkington in Europe, largely in the automotive glazing area. In 1995, he moved to Australia, assuming overall responsibility for the Australasian operations in 1997 as President Building Products Australasia and Country Manager Australasia. The business had a turnover of around \$400 million and employed some 1800 people. Mr Leeming has sat on the executive of a number of industry bodies, and was national President of the Australian Glass and Glazing Association and President of the Australian Industry Group in Victoria (and National Vice-president). He is a Fellow of the Australian Institute of Management.

Mr Leeming retired from Pilkington in 2006 and has a portfolio of non-executive directorships, chairmanships and memberships of government panels, including the Emergency Services Telecommunications Authority (Vic). He was a member of the National Industry Skills Committee and was appointed to the Board of Holmesglen Institute of TAFE in May 2011.



Megan Lilly

Megan Lilly

Member

Ms Megan Lilly is the Director, Education and Training for the Australian Industry Group. Megan is also the Chair of Manufacturing Skills Australia, member of the National Skills Standards Council, National Trade Cadetship Advisory Panel, the Australian Qualifications Framework Council, Australia Pacific Technical College Advisory Group, and the Australian College of Education. Ms Lilly chaired the Joint COAG–NQC VET Products for the 21 Century and has led major industry research projects, including World Class Skills for World Class Industries (2006), Skilling the Existing Workforce (2009), and Language, Literacy and Numeracy in the Workplace (2011).

Ms Lilly was the Chief Executive Officer of Business Services Training Australia, has held senior management positions in Victorian TAFE institutes and managed the Australian Competency Research Centre. She has a Masters in Educational Policy and Administration.



Jeff Rosewarne

Jeff Rosewarne

Ex officio member to 28 August 2011

Mr Jeff Rosewarne was appointed Acting Secretary of DEECD in December 2010, following the departure of Professor Peter Dawkins. As Acting Secretary, he was responsible for managing DEECD and ensuring that the three education portfolio Ministers were supported.

Mr Rosewarne began his public service career in the Department of Education in 1980. In 1997, he moved to the Department of Treasury and Finance where he held a range of executive positions for the following six years. In 2003, Mr Rosewarne returned to the then Department of Education and Training to take up the position of Deputy Secretary, Office for Resources and Infrastructure.

Between February and June in 2009, Mr Rosewarne was appointed acting Chief Executive Officer of the Victorian Bushfire Reconstruction and Recovery Authority and was responsible for its establishment.



Julie Warren

Julie Warren

Ms Julie Warren is the President of the National Union of Workers (Victoria) and has been with the union for over 15 years. During her time at the union, Ms Warren's focus has been in the eastern suburbs and she has recently taken on responsibility as branch trainer. Ms Warren has had extensive involvement in vocational education throughout her career. Current appointments include the Chair of the Manufacturing and Engineering Skills Advisory Board where she has served as a Board member for over 10 years, and as Deputy Chair of the Manufacturing Skills Taskforce for the past five years.

Ms Warren is also a Board member of LUCRF Super Community Partnership Trust.

Audit and Risk Committee

The Audit and Risk Committee has an independent Chair, one independent member and three members of the VSC. It operates within the guidelines of the *Financial Management Act 1994*. Members are:

Ms Merran Kelsall (Chair and independent member)

Mr Robert Maughan (independent member) to March 2012

Ms Yvonne von Hartel (VSC member)

Mr Roger Leeming (VSC member)

Ms Jeannette Lang (VSC member).

Summary of financial results

The table below shows information on the VSC's financial results and financial position for 2011–12 and comparisons with the preceding four years. Full details are in the financial report.

	Notes	2011–12 \$m	2010–11 \$m	2009–10 \$m	2008–09 \$m	2007–08 \$m
Operating revenue	1	1,768.3	1,545.1	1,329.0	1,149.6	1,093.5
Operating expenses	2	1,795.7	1,551.0	1,353.7	1,131.3	1,062.1
Operating surplus/(deficit)	3	-27.4	-5.9	-24.7	18.3	31.4
Total assets	4	273.0	337.1	175.6	169.0	152.5
Total liabilities	5	171.6	228.1	60.7	23.0	24.8
Retained funds	6	101.4	109.0	114.9	146.0	127.7
Net cash inflow/(outflow)	7	-74.2	-38.7	-8.0	20.0	37.3

The following notes refer to 2011–12 data only.

1, 2 Operating revenue increased from \$1,545.1 million in 2010–11 to \$1,768.3 million in 2011–12; an increase of \$223.2 million (14.4%). Operating expenses also increased by \$244.7 million from \$1,551.0 million in 2010–11 to \$1,795.7 million in 2011–12 (15.8%). The main driver of increased income is the receipt of funds from the Department of Treasury and Finance for the above base delivery of training under the Victorian Training Guarantee, paid in accordance with the terms of the Memorandum of Understanding between the Department of Treasury and Finance and DEECD. An additional \$273.8 million of expenditure incurred for training delivery is offset by reductions in expenditure on capital and other programs.

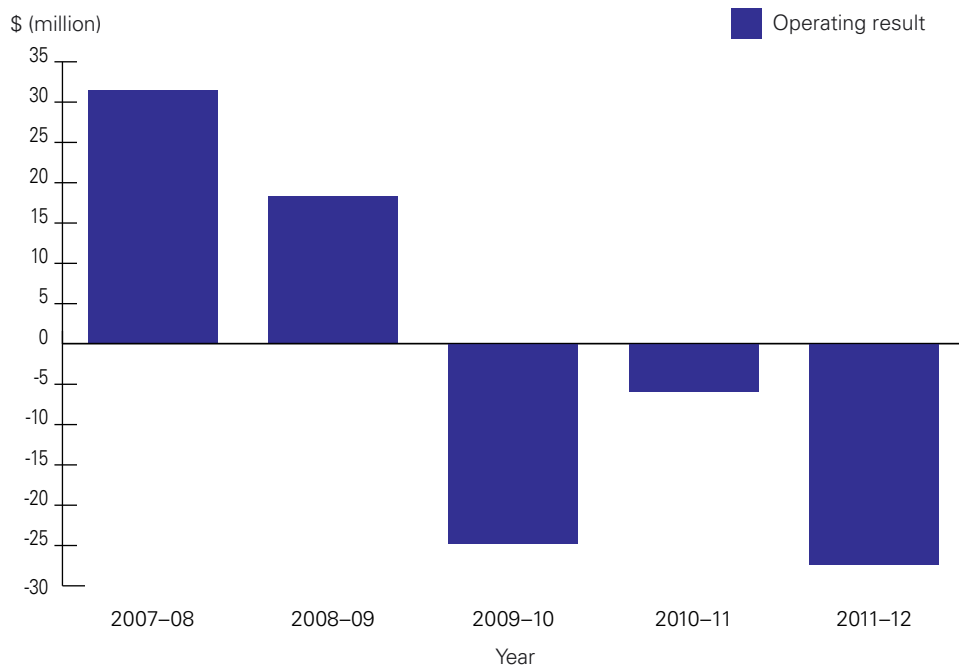
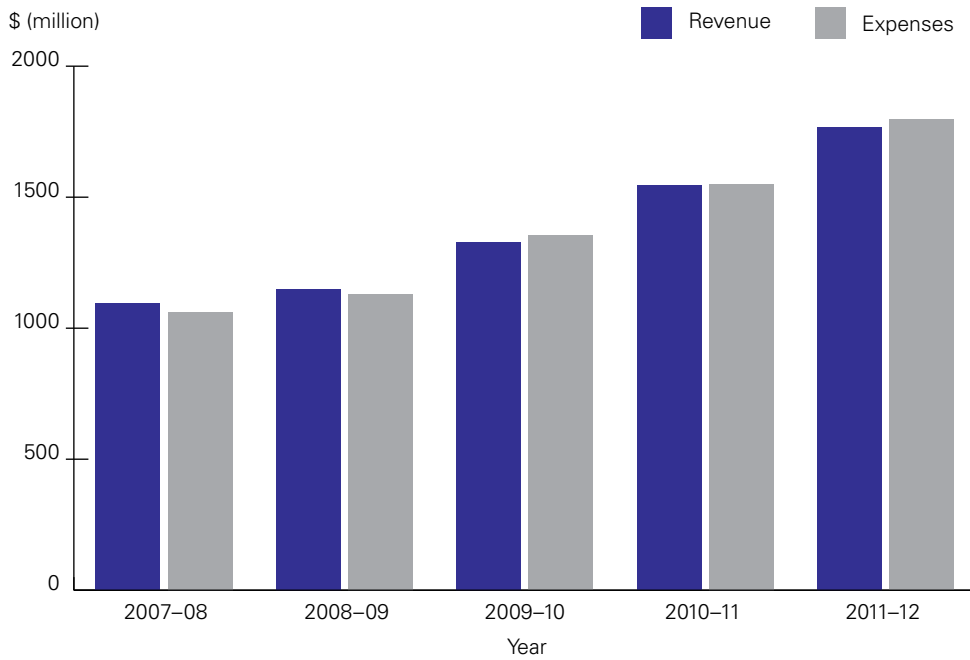
3 Operating deficit for 2011–12 is \$27.4 million, an increased deficit of \$21.5 million over the 2010–11 deficit of \$5.9 million (364.4% increase).

4 Total assets of \$273.0 million represent a decrease of \$64.1 million (19.0%) from the previous year's assets of \$337.1 million. Assets have decreased mainly as a result of the requirement to have accrued income relating to demand driven delivery. Cash holdings were reduced significantly as part of the transition of the VSC's transactions to DEECD. Capitalisation of the Student Management System (SMS) project added \$24.8 million to the asset base, increasing intangible assets to \$63.6 million – all attributable to the Student Management System project.

5 Liabilities have decreased by \$56.5 million from \$228.1 million in 2010–11 to \$171.6 million in 2011–12. This is mainly due to the substantial funds made available by the Department of Treasury and Finance which helped to settle a large portion of liabilities to DEECD. Of the \$171.6 million still owing, a large portion relates to the accrual for payments due to training providers for training delivered in June 2012 and payable in July 2012.

6 Retained funds as at 30 June 2012 were \$67.3 million, a decrease of \$27.4 million from the previous year due to the deficit for the year. The majority of the accumulated surplus funds represent Commonwealth funding committed for the Priority Education and Training program, the Apprenticeship, Traineeship Training program and the investment in the Student Management System. A \$19.9 million increase in contributed capital is recorded due to the VSC's accommodating transfer of surplus assets from the Kangan Institute pending sale of these assets,

7 For the year to 30 June 2012, a net decrease in cash and cash equivalents was recorded.



Governance and policy context

The Victorian Government is building a modern VET system that has more people building skills which lead to better jobs. Government wants the VET system to:

- provide opportunities for as many people as possible to develop skills that lead to jobs
- give people confidence, and the knowledge that getting a qualification will lead to a better job and a more certain future
- give businesses and industry confidence that they can access the skilled people they need for their businesses
- ensure that government can properly monitor training providers and how they deliver training
- support high-priority areas and allocate public resources where they will have best effect
- be easier to understand and navigate
- be responsive to changing employment needs in Victoria.

In responding to these challenges, the Victorian Government has:

- provided budgeted funding for vocational education and training of \$1.2 billion per year for training subsidies over the next four years
- strengthened the regulatory regime by giving new powers to the VRQA and improving the entry standards for training providers wishing to deliver government-subsidised training
- changed the way vocational training is funded to make sure it is better targeted and is a reliable pathway to employment.

Training market performance

Victorian training market performance: January – June 2012

Compared with this period last year, first half 2012 figures reveal continued growth.

- Total enrolments (government funded and TAFE domestic fee-for-service) have grown by 40 per cent. Government-funded enrolments increased 45 per cent, with hours up 38 per cent and student numbers up 34 per cent compared with this time last year. TAFE domestic fee-for-service activity is also showing growth in the first half of 2012 with enrolments up by 13 per cent.
- Growth in government-funded enrolments has occurred across all nine regions in the first half of 2012. Growth has been largely driven by an increase in private provider activity (up 79 per cent), the *Learn Local* adult community education sector (up 39 per cent) and by the TAFE sector (up 24 per cent).
- The number of VET students who are unemployed has remained relatively stable, comprising 21 per cent of the government-funded VET market compared to 20 per cent this time last year.
- From an industry perspective, the sectors with the largest growth in enrolments in the first half of 2012 are health care and social assistance, administrative and support services, and construction. Retail trade and manufacturing industries, two of the largest industries in terms of workforce size, are expected to experience a decline in share of Victoria's workforce in the short to medium term. Enrolment figures (measured in terms of share) broadly align with these trends.

Victorian training market responsiveness: January – June 2012

- Enrolments are broadly responding to structural shifts in the Victorian economy. In the first half of 2012, enrolment growth of 17 per cent occurred in occupations that are either specialised or in shortage, an increase of over 16,000 enrolments from the same time last year.¹
- At an occupational level, the largest increases in course enrolments relating to specialised occupations have been for personal carers and assistants, bricklayers, carpenters and joiners, and electricians. Over the same period, the largest increases in enrolments in courses related to in-shortage occupations have been for child carers, health and welfare support workers, and personal carers and assistants.

¹ Specialised occupations relate to occupational skills, which require long training lead times and will have a significant economic or strategic impact on the state if they are under supplied. In shortage occupations are those occupations considered to have a skills shortage in Victoria and are listed on the Higher Education and Skills Group (2012) list of Occupations with Skills Shortages.

- Government-subsidised enrolments in foundation courses were 75,000 in the first half of 2012, an increase of 138 per cent from the same period in 2011. Younger age groups (15–24 years) have the highest rates of growth in take up of foundation training. TAFE institutes deliver 76 per cent of foundation training, and *Learn Local* and private RTOs deliver 13 per cent and 11 per cent respectively.

Victorian training market performance: January – December 2011²

In 2011, TAFE institutes, *Learn Local* organisations and private RTOs provided approximately 651,000 course enrolments with 166 million hours of vocational education and training and further education.

Over the last four years, industries experiencing the greatest growth were transport, postal and warehousing, health care and social assistance, financial and insurance services, and construction.³

Industries with smallest levels of growth were agriculture, forestry and fishing followed by accommodation and food services.

In 2011, of total government-funded enrolments, TAFE institutes delivered 263,000 (48 per cent), with the remainder delivered by *Learn Local* providers (12 per cent) and private RTOs (40 per cent).

Government-subsidised VET enrolments at higher levels have grown over recent years, up by 56 per cent in 2011 compared to 2008. In 2011, of the 86,000 enrolments in higher-level VET qualifications, just over 81 per cent were for Diplomas, 18 per cent were for Advanced Diplomas and the remaining 1 per cent for Graduate Certificates. TAFE institutes attracted 56 per cent of higher-level enrolments, private RTOs 42 per cent and *Learn Local* providers 2 per cent.

Mid-level enrolments (Certificates III and IV, government funded) have also shown growth, increasing by 74 per cent from 2008 to 2011. Mid-level training is particularly important, as a large proportion is in apprenticeships and traineeships, many in skills shortage areas.

Victorian training market responsiveness: January – December 2011

In 2011, training uptake in the demand-driven system showed clear signs of responsiveness to the changing occupational structure of the Victorian economy, with strong overall enrolment growth in courses relating to areas of identified labour market demand.

Analysis of enrolment trends reinforces previous assessments that Victorians are engaging in training that will meet the needs of the labour market, with 16 per cent growth in reported enrolments in 2011 compared with the same time in 2010 in qualifications related to occupations that are either specialised or in shortage (or both) — an increase of over 18,300 enrolments.

2 Note that a change in scope has been used in reporting total VET activity from 2011. It excludes fee-for-service activity reported by private and *Learn Local* providers and includes TAFE on-shore domestic fee for service at Certificate I and above. Hence figures quoted in this report are not comparable with earlier editions.

3 Based on ANZSIC industry classifications.

A further breakdown shows that reported enrolments in training related to occupations in shortage increased 17 per cent in 2011 compared with 2010 and training related to specialised occupations increased 12 per cent.

When viewed over the 2008–11 period, enrolments in occupations in shortage have grown 51 per cent. This high level of growth exceeds the total growth in enrolments of 44 per cent. This is reflective of students choosing to engage in training that is responding to labour market needs.

Some courses experienced very high growth in training delivery from 2010 to 2011, without an apparent equivalent growth in industry demand or employment opportunities. Courses included Certificate III/Diploma of Fitness that had a 128 per cent increase to 9470 enrolments in 2011 and the Diploma of Management with a 110 per cent increase to 13,559 in 2011.

TAFE domestic fee-for-service activity

In addition to government-funded delivery, individuals and enterprises invested directly in training. Figures quoted in this section refer to fee-for-service activity delivered by TAFE institutes to domestic students at Certificate I and above.

TAFE domestic fee-for-service delivery in 2011 accounted for 102,000 enrolments (15.7 per cent of total enrolments), 19 million hours (11.5 per cent of total hours) and 94,000 students (18 per cent of total student numbers).

Over the 2008–11 period, TAFE domestic fee-for-service activity grew by 14 per cent in enrolments, 8 per cent in hours and 17 per cent in student numbers. However, looking at growth in 2011 compared with 2010, TAFE domestic fee-for-service activity has decreased slightly across all measures; enrolments down 1 per cent, hours down 4 per cent and student numbers down 2 per cent.

Apprenticeships and traineeships delivery⁴

As at 30 June 2012, Victoria had over 144,000 apprentices and trainees. Between 1 July 2011 and 30 June 2012, approximately 105,000 apprentices and trainees commenced training. Building and construction, electrical, automotive and engineering continue to have the highest number of apprentice commencements.

The wholesale, retail and personal services industries, business services and property industries also continue to attract the highest numbers of trainee commencements.

There were over 53,000 completions. Strategies implemented to improve apprentice retention included:

- an interactive website for employers and out-of-trade apprentices
- continuation of the practice of allowing unemployed apprentices to complete the off-the-job portion of their qualification.

An apprentice retention project was completed which prepares, matches and places students completing trade skill shortage pre-apprenticeship programs into apprenticeships.

⁴ May vary from NCVET data due to calendar differences

A further retention project, in conjunction with WorkSafe, is still underway. This project identifies the key influencers in workplace bullying or harassment that any strategy or campaign should target.

Victoria has also provided input and leadership into ongoing national harmonisation of apprenticeship systems, the results of which are due to be implemented over the next one to two years.

Pathways for young people

A range of post-compulsory pathways are offered to encourage young people to complete a senior secondary certificate.

In 2011, over 13,000 senior school students commenced a school-based nationally accredited apprenticeship (734) or traineeship (12,300). These were undertaken either through integration with the student's Victorian Certificate of Education (VCE) or Victorian Certificate of Applied Learning (VCAL) program, or as separate part-time pathways involving out-of-school-hours employment.

In 2011, almost 7300 students undertook their senior secondary qualification in the VET system through a TAFE institute or *Learn Local* organisation.

Participation in all VET programs by students aged 15–19 increased by 41 per cent between 2008 and 2011, to just over 137,000. Those aged 20–24 have experienced similar levels of growth, increasing by 44 per cent over this period to 98,000 students.

Facilitating the Victorian training market

During 2011–12, DEECD undertook a range of market facilitation activities on behalf of the VSC to create and foster stronger relationships between industry, individual clients and training providers. Market facilitation also expanded the reach of the training market in targeted new and emerging skills areas. Activities included:

- further investigation of skills needs in biofuels production
- post-trade training in essential services maintenance and controls
- skills and capability using digital manufacturing technologies
- training in advanced manufacturing and the security industry to take advantage of the National Broadband Network
- total Quality Management Systems accreditation
- use of integrated green technologies in controlled environment horticulture
- lean and green training in manufacturing
- extension of activities – Centre for Sustainable Water Management
- extension of activities – Specialist Energy Training Network
- work with the International Fibre Centre to address sustainability issues within a number of small and medium textile and fibre enterprises using lean manufacturing principles to increase productivity
- completion of Skilling the Valley phase one in July 2012, including researching and publishing the State of the Valley report, appointing Industry Link Officers and commencing the Strong Foundations for Gippsland demonstration projects
- continuation of Skilling the Bay program that supports transitioning workers in the Geelong region, and commencement of planning for Strong Foundations for Geelong and a baseline labour market report for the city of Greater Geelong.

The VSC, based on work by its Green Skills Taskforce, advised government on an audit of skills for carbon abatement, to support Victoria's transition to a lower-carbon economy through appropriate skills development.

Industry Training Advisory Bodies

The Victorian Government's statement, *Refocusing Vocational Training in Victoria*, announced the policy decision that from 30 June 2012 Industry Training Advisory Bodies (ITAB) would no longer receive government funding to support their activities, and that DEECD would work with each industry to identify preferred consultation arrangements. Twelve ITABs have advised that they will continue to represent industry as part of industry-funded and preferred consultative arrangements.

The statement also indicated that later in 2012 parliament would consider changes to the *Education and Training Reform Act 2006* to remove references to ITABs.

Apprenticeships and traineeships support

The VSC regulates Victoria's apprenticeship and traineeship system. On delegation from the VSC, DEECD approved training schemes and employers, determined the length of training contracts, oversaw compliance, enforcement and dispute resolution in relation to responsibilities of parties under the *Education and Training Reform Act 2006*, and maintained a register of apprentices and trainees. It also oversaw the provision of support services, including advice and coaching for apprentices and trainees, and payment of relevant bonuses and allowances.

The VSC Apprenticeship Taskforce advised the VSC on improving the regulation of apprenticeships and traineeships. Improved arrangements were initiated during 2011–12.

In June 2012, the *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012* amended the *Education and Training Reform Act 2006* to transfer apprenticeship regulation functions from the VSC to the Victorian Registration and Qualifications Authority from 1 October 2012; and to transfer to the Minister for Higher Education and Skills (from 1 August 2012) powers relating to TAFE institutes.

Apprenticeship field and support officers

As part of its regulation of the Victorian apprenticeship system, the VSC funds a network of Apprenticeship Field Officers (AFO) to assist apprentices, trainees and their employers to meet their respective obligations under a training contract. In 2011–12, the network of AFOs responded to complaints and, in their role as authorised officers under the *Education and Training Reform Act 2006*, conducted enquiries and prepared 130 written reports to resolve the complaints.

The Apprenticeship Support Officer program was established in January 2011 under the National Partnership Agreement on Youth Attainment and Transitions, a joint initiative of the Australian and State and Territory Governments, to provide pastoral care to young first-year apprentices. In the first full year of operation, the program reported improved retention rates for apprentices six months after commencing their apprenticeship in comparison to the previous five years. Apprenticeship Support Officers conducted over 11,000 visits, providing increased levels of support to those assessed as being at an increased risk of not continuing in their apprenticeship.

Apprenticeship/Traineeship Completion Bonus Scheme

The Apprenticeship/Traineeship Completion Bonus Scheme offers employer incentives to encourage apprentices and trainees to complete training. During the 2011–12 financial year, employers of over 20,000 apprentices and trainees qualified for completion bonus payments.

An early completion bonus was paid to the employers of over 2000 apprentices who completed their training more than six months early.

Apprentice Trade Bonus

The Apprentice Trade Bonus program financially assists apprentices to complete training, with payments timed to reduce the high number of cancellations between the end of the three-month probationary period and the 12-month point.

During the 2011–12 financial year, approximately 13,000 apprentices were eligible for \$250 payments at the six-month point and approximately 12,000 apprentices were eligible for the 12-month \$250 payment.

Financial report for the year ended 30 June 2012

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This financial report covers the VSC as an individual entity.

The VSC is a Statutory Authority under the *Education and Training Reform Act 2006*. The VSC reports separately to Parliament through the Minister for Higher Education and Skills.

Its principal address is:

Victorian Skills Commission
Level 3, 2 Treasury Place
East Melbourne VIC 3002

Comprehensive operating statement for the financial year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Income from transactions			
Grant income		1,748,303	1,517,265
Specific purpose and trust income	2(a)	12,328	23,196
Interest income		6,950	4,113
Other income	2(b)	716	554
Total income from transactions		1,768,297	1,545,128
Expenses from transactions			
Administrative expenses		19,804	18,694
Payments to training providers	1(f)	1,591,583	1,317,787
Capital grants to TAFE Institutes		64,504	119,991
Specific purpose and trust payments		77,712	60,174
Depreciation/Amortisation	3	149	82
Other operating expenses		41,982	34,258
Total expenses from transactions		1,795,734	1,550,986
Net result from transactions (net operating balance)		(27,437)	(5,858)
Other economic flows included in net result			
Net gain/(loss) on disposal of non financial assets		(26)	–
Total other economic flows included in net results		(26)	–
Net result		(27,463)	(5,858)
Comprehensive result		(27,463)	(5,858)

The above comprehensive operating statement should be read in conjunction with the accompanying notes

Balance sheet as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Assets			
Financial Assets			
Cash and cash deposits	16(b)	20,282	94,498
Receivables	4	162,918	203,105
Assets held for resale		21,889	–
Total financial assets		205,089	297,603
Non-financial assets			
Property, plant and equipment	5	667	476
Intangible assets	1(i), 6	63,629	38,841
Other non-financial assets	7	3,650	200
Total non-financial assets		67,946	39,517
Total assets		273,035	337,120
Liabilities			
Payables	8	171,048	226,949
Finance lease		529	465
Unearned revenue		–	674
Total liabilities		171,577	228,088
Net assets		101,458	109,032
Equity			
Contributed capital		34,205	14,316
Accumulated surplus/(deficit)		67,253	94,716
Net worth		101,458	109,032
Commitments for expenditure	14		
Contingent liabilities and contingent assets	13		

The above balance sheet should be read in conjunction with the accompanying notes

Statement of changes in equity for the financial year ended 30 June 2012

	Accumulated Surplus \$'000	Contributions by Owner \$'000	Total \$'000
Balance at 1 July 2010	100,574	14,316	114,890
Net result for the year	(5,858)	–	(5,858)
Balance at 30 June 2011	94,716	14,316	109,032
Net result for the year	(27,463)	–	(27,463)
Addition to net assets base	–	19,889	19,889
Balance at 30 June 2012	67,253	34,205	101,458

The statement of changes in equity should be read in conjunction with the accompanying notes

Cash flow statement for the financial year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from Government		1,794,282	1,362,350
Other receipts		716	525
Interest received		6,950	4,114
GST recovered from the ATO		121,258	98,797
Total receipts		1,923,206	1,465,786
Payments to suppliers and others		(61,786)	(83,693)
Payments for training and grants		(1,903,036)	(1,398,933)
GST paid to the ATO		(2,059)	(15)
Total payments		(1,966,881)	(1,482,641)
Net cash flows from/(used in) operating activities	16(a)	(43,675)	(16,855)
Cash flows from investing activities			
Payment for non financial assets		(26,891)	(21,873)
Advances		(3,650)	–
Net cash flow from/(used in) investing activities		(30,541)	(21,873)
Net increase/(decrease) in cash and cash equivalents		(74,216)	(38,728)
Cash and cash equivalents at the beginning of the financial year		94,498	133,226
Cash and cash equivalents at the end of the financial year	16(b)	20,282	94,498

The above cash flow statement should be read in conjunction with the accompanying notes

Notes to the Financial Statements

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Note 1 Summary of accounting policies

The annual Financial Statements represent the audited general purpose Financial Statements for the Victorian Skills Commission (the Commission) for the period ended 30 June 2012.

(A) Statement of compliance

These general purpose Financial Statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of the AAS applicable to not-for-profit entities have been applied.

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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 18.

The annual Financial Statements were authorised for issue by the Accountable Officer on 29 August 2012.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of 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.

Judgments, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of AAS that have significant effects on the Financial Statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the Financial Statements.

Note 1 Summary of accounting policies

(continued)

These Financial Statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for: non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value; productive trees in commercial native forests which are recognised at their fair value less costs to sell; derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss).

The accounting policies set out below have been applied in preparing the Financial Statements for the year ended 30 June 2012 and the comparative information presented for the year ended 30 June 2011.

(C) Reporting entity

The Financial Statements cover the Victorian Skills Commission as an individual reporting entity. The Victorian Skills Commission is a statutory authority established under the *Education and Training Reform Act 2006*. The Victorian Skills Commission reports separately to Parliament through the Minister for Higher Education and Skills. Its principal address is:

Victorian Skills Commission
Level 3, 2 Treasury Place
East Melbourne, 3002
Victoria

The Financial Statements include all controlled activities of the Victorian Skills Commission for the year ended 30 June 2012.

(D) Scope and presentation of Financial Statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under *AASB 101 Presentation of Financial Statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005* Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AAS.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under *AASB 107 Statement of cash flows*. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' related to 'Transactions with owner in its capacity as owner'.

(E) Income from transactions

Grants income

State and Commonwealth Governments' grants over which the Commission gains control during a reporting period are recognised as income of that reporting period consistent with *Australian Accounting Standard AASB 1004 'Contributions'* and other relevant accounting concepts, pronouncements and views. 'Control' arises on the earlier event of receipt or notification of eligibility for grants by relevant authorities. Revenue also includes minor amounts for services provided and recognised as they are earned.

Specific purpose and grant income

Specific purpose and grant income is a grant against which specific outcome is required when recognised.

Interest income

Interest includes interest received on deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Note 1 Summary of accounting policies

(continued)

Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Commission obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government commission or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer is recognised at its carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

Other Income

Income from sale of goods

Income from the sale of goods is recognised when:

- the Commission no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the Commission no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Commission; and
- sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

(F) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Administrative expenses

All employees of the Commission are deemed to be employees of DEECD and the Commission reimburses the Department for all employee entitlements including superannuation, long service and annual leave costs (including on-costs). The costs are classified as administrative expenses in the comprehensive operating statement.

Payments to training providers

Each training provider signs a contract with the Commission, and based on the training delivered, payments are made in arrears each month. The Commission has necessary reporting mechanisms in place to monitor training delivery, and there are agreed policies to ensure the State and Commonwealth grants are used to achieve the objectives of the two levels of government.

The Commission and each TAFE institute sign individual agreements annually to determine capital expenditure and associated contract requirements, and payments for these are made accordingly.

Specific purpose and grant payments

The Commission also makes payments from funds received for specific purposes which require specific outcomes along with acquittal of those funds in terms specified.

Depreciation of property, plant and equipment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis to write off the net cost or re-valued amount of each item of property, plant and equipment (excluding land) over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The estimated useful lives are as follows:

	2012	2011
Computers and peripheral equipment	3 years	3 years
Furniture, fittings and office equipment	5–10 years	5–10 years
Buildings	40 years	40 years

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

(G) Other economic flows included in the net result

Impairment of financial assets

At the end of each reporting period, the Commission assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with "AASB 136 Provisions, contingent liabilities and contingent assets".

Impairment of Non-Financial Assets

Non-financial assets with finite useful lives are assessed annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs).

Note 1 Summary of accounting policies

(continued)

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount is increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(H) Financial Assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities on the balance sheet.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

At the end of each reporting period, the Commission assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

(I) Non-Financial Assets

Revaluation of non-current physical assets

Non-current physical assets measured at fair value are re-valued in accordance with FRD 103D issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increase or decrease arises from differences between an asset's carrying value and fair value. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of revaluation) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of that class of property, plant and equipment, previously recognised as an expense (other economic flows) in the net result, the increase is recognised as income (other economic flows) in determining the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Note 1 Summary of accounting policies

(continued)

Work in progress

A Student Management System (SMS) is in the process of being developed and is included in intangible assets.

Intangible assets represent identifiable non-monetary assets without physical substance and are initially recognised at cost. Costs incurred subsequent to initial recognition are capitalised when it is expected that additional future benefits will flow to the Commission.

All costs associated in designing, developing and installing the SMS have been capitalised. This includes expenditure on employees, consultants and contractors fees, other services and supplies where these are directly attributable to the development of the SMS (see Note 6). No amortisation expense relating to tangible work in progress assets has been incurred as at 30 June 2012 as these assets are yet to be commissioned.

Assets held for sale

Kangan Institute had identified land and building assets located at Coburg, Moreland and Richmond campuses to be surplus to its requirements. These properties are to be sold as per the State Government disposal processes and the proceeds will be credited to the Consolidated Fund to offset the cost of construction of the ACE Docklands building. As part of this process the assets are transferred from Kangan Institute and held as "assets held for sale" by Victorian Skills Commission. Net value of assets transferred is treated as an increase in contributed capital that amounts to \$19,888,767.

(J) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Commission prior to the end of the financial year that are unpaid, and arise when the Commission becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payable.

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.

(K) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructuring are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

(L) Accounting for goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The net GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(M) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. Commitments are disclosed at their nominal value (refer to Note 14) and are inclusive of the goods and services tax payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

(N) Rounding of amounts

Amounts in the financial report including the notes have been rounded to the nearest thousand dollars, or in some instances, to the nearest dollar. Figures in the financial statement may not equate due to rounding.

(O) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Commission and other entities of their applicability and early adoption where applicable.

As at 30 June 2012 a number of standards and interpretations applicable to the Commission had been issued but were not mandatory for financial year ending 30 June 2012. The Commission has not, and does not intend to adopt these standards early. Please see Note 18 for details of these standards and interpretations.

Note 2 Income from transactions

	2012 \$'000	2011 \$'000
Specific purpose revenue		
Commonwealth projects	4,828	15,440
State Government projects	7,500	7,756
Total specific purpose revenue	12,328	23,196
(b) Other income		
Rent	–	29
Other	716	525
Total other income	716	554

Note 3 Depreciation and amortisation expenses

	2012 \$'000	2011 \$'000
Buildings	–	4
Motor vehicle lease amortisation	149	74
Computers and peripherals, machinery	–	4
Total depreciation and amortisation	149	82

Note 4 Receivables

	2012 \$'000	2011 \$'000
Current		
Contractual receivables		
Sale of goods and services	29,058	4,556
Accrued income	141,860	181,072
Statutory receivable		
GST receivable from the ATO	–	17,477
Provision for doubtful debts	(8,000)	–
Total	162,918	203,105

The average credit period is 30 days. No interest is charged on other receivables.

The receivables were determined to be current and not impaired.

Refer to Note 9(e) for an ageing analysis of contractual receivables.

Note 5 Property, plant and equipment

	2012 \$'000	2011 \$'000
Buildings		
At cost	–	32
Less accumulated depreciation	–	(18)
	–	14
Motor Vehicles		
At cost	1,054	712
Less accumulated depreciation	(387)	(254)
	667	458
Computers and peripheral equipment		
At cost	–	8
Less accumulated depreciation	–	(4)
	–	4
Total property, plant, equipment	667	476

Reconciliations	Buildings \$'000	Computers \$'000	Vehicles \$'000	Total
2012				
Carrying amount at start of year	14	4	458	476
Additions	–	–	366	366
Disposals	(14)	(4)	(8)	(26)
Depreciation and amortisation	–	–	(149)	(149)
Carrying amount at end of financial year	–	–	667	667
2011				
Carrying amount at start of year	18	–	–	18
Additions	–	8	532	540
Disposals	–	–	–	–
Depreciation and amortisation	(4)	(4)	(74)	(82)
Carrying amount at end of the financial year	14	4	458	476

Note 6 Intangible assets

	2012 \$'000	2011 \$'000
Gross carrying amount		
Opening balance	38,841	17,043
Additions	24,788	21,798
Closing balance	63,629	38,841

Note 7 Other non-financial assets

	2012 \$'000	2011 \$'000
Current other non-financial assets		
Advances	3,650	200
Total other non-financial assets	3,650	200

Note 8 Payables

	2012 \$'000	2011 \$'000
Current payables		
Contractual payables (trade and other)	170,968	226,949
Statutory payables (Taxes including GST)	80	–
Total current other non-financial assets	171,048	226,949
Total other non-financial assets	171,048	226,949

The average credit period is 30 days. No interest is charged on late/non payment of debts. These payables are current and the due dates for payments are less than 30 days. Refer to Note 9(f) for an ageing analysis of contractual payables.

Note 9 Financial instruments

9 (a) Financial risk management objectives and policies

The main purpose in holding financial instruments is to prudentially manage the Commission's financial risks within the government policy parameters.

The Commission's activities expose it primarily to the financial risks of changes relating to changes in interest rates. The Commission does not enter into derivative financial instruments to manage its exposure to interest rate risk nor trade financial instruments, including derivative financial instruments, for speculative purposes.

The Commission's principal financial instruments comprise:

- (a) Cash assets and cash equivalents;
- (b) Term deposits;
- (c) Receivables excluding statutory receivables; and
- (d) Payables excluding statutory payables.

The Commission's Members have the overall responsibility for the establishment and oversight of the Commission's risk management framework. The Commission's overall risk management program focuses on the interest movement of short term/ long term money market.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the Financial Statements.

The Commission's main financial risks include credit risk, liquidity risk and interest rate risk.

Net holding gain/(loss) on financial instruments by category	2012 \$'000	2011 \$'000
Financial Assets		
Cash and deposits	20,282	4,113
Financial liabilities		
At amortised cost	-	-
	20,282	4,113

The net holding gains or losses disclosed above are determined as follows:

For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;

Note 9 Financial instruments

(continued)

Categorisation of financial instruments

	Contractual financial assets – loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2012			
Contractual financial assets			
Cash and deposits	20,282	–	20,282
Receivables #	162,918	–	162,918
Total contractual financial assets	183,200	–	183,200
Contractual financial liabilities			
Payables #	–	170,968	170,968
Total contractual financial liabilities	–	170,968	170,968
2011			
Contractual financial assets			
Cash and deposits	94,498	–	94,498
Receivables #	185,628	–	185,628
Total contractual financial assets	280,126	–	280,126
Contractual financial liabilities			
Payables #	–	228,088	228,088
Total contractual financial liabilities	–	228,088	228,088

Receivables and payables disclosed above exclude statutory receivables and statutory payables

Market Risk

Market risk is the risk that will affect the fair value or future cash flows of the Commission's financial instruments due to changes in market prices. Market risk comprises interest rate risk, foreign exchange risk and other price risk. The Commission is only exposed to interest rate risk. Objectives, policies and processes used to minimise this risk are given below.

Interest Rate Risk

Interest rate risk arises from the potential for a change in net interest earnings in the current reporting period and in future years. The objective is to manage the rate risk to achieve stable and sustainable net interest earnings in the long term. This is managed predominately through a mixture of short term and longer term investments. Interest rate movements have not been sufficiently significant during the year to have an impact on the Commission's year end result.

9 (b) Interest rate exposure of financial instruments

The Commission's exposure to interest rate risk and the effective weighted average interest rate is set out in the table below:

	Interest rate exposure				
	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest rate
	%	\$'000	\$'000	\$'000	\$'000
2012					
Financial assets					
Cash and cash equivalents	4.44	282	–	–	282
Cash assets – deposits	4.58	20,000	–	20,000	–
Receivables #	–	162,918	–	–	162,918
Total financial assets	–	183,200		20,000	163,200
Financial liabilities					
Payables #	–	170,968	–	–	170,968
Total financial liabilities	–	170,968	–	–	170,968
2011					
Financial assets					
Cash and cash equivalents	4.58	74,498	–	74,498	–
Cash assets – deposits	4.70	20,000	–	20,000	–
Receivables #	–	185,628	–	–	185,628
Total financial assets	–	280,126	–	94,498	185,628
Financial liabilities					
Payables #	–	228,088	–	–	228,088
Total financial liabilities	–	228,088	–	–	228,088

Receivables and payables disclosed above exclude statutory receivables and statutory payables.

Note 9 Financial instruments

(continued)

9 (c) Market Risk Sensitivity Analyses

The sensitivity analysis disclosed below has taken into consideration past performance, future expectations, economic forecasts and management knowledge and experience of the financial markets. The Commission believes that a 1% movement in interest rates is reasonable over the next 12 months.

	Carrying amount \$'000	Interest rate exposure			
		-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012					
Financial assets					
Cash and cash equivalents	282	(3)	–	3	–
Term Deposits	20,000	(200)	–	200	–
Receivables	162,918	–	–	–	–
Financial liabilities					
Payables	170,968	–	–	–	–
Total increase/(decrease)	–	(203)	–	203	–
2011					
Financial assets					
Cash and cash equivalents	70,496	(705)	–	705	–
Deposits at call	4,002	(40)	–	40	–
Term Deposits	20,000	(200)	–	200	–
Receivables	185,628	–	–	–	–
Financial liabilities					
Payables	228,088	–	–	–	–
Total increase/(decrease)	–	(945)	–	945	–

9 (d) The carrying amounts and net fair values of financial assets and liabilities at reporting date were:

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Commission approximates their carrying amounts.

9 (e) Credit risk

Credit risk arises from the contractual financial assets of the Commission, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets. The Commission's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Commission's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Commission's policy to only deal with entities with high credit ratings of a minimum Triple-A rating and to obtain sufficient collateral or credit enhancements, where appropriate.

The Commission minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with customers. Payments are made in arrears for provision of training by private providers thus minimising the credit risk. The Commission continues to provide training facilitation to TAFE Institutes and other service providers who adhere to industry trade terms. The risk is further minimised because large amount of the debts are due from Governments.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Commission will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days from date of invoice; and
- debtors with accounts in excess of 30 days are sent a statement of account, indicating terms of 30 days to make payment.

There has been no significant change in the Commission's exposure, or its objectives, policies and processes for managing funding risk or the methods used to measure this risk from the previous reporting period.

Financial assets that are either past due or impaired

Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

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.

Note 9 Financial instruments

(continued)

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions AAA credit rating \$'000	Government agencies AAA credit rating \$'000	Closely monitored customers \$'000	Total \$'000
2012				
Cash and cash equivalent	282	–	–	282
Deposits	–	20,000	–	20,000
Receivables #	–	157,930	4,988	162,918
Total contractual financial assets	282	177,930	4,988	183,200
2011				
Cash and cash equivalent	4,002	70,496	–	74,498
Deposits	–	20,000	–	20,000
Receivables #	–	181,072	4,556	185,628
Total contractual financial assets	4,002	271,568	4,556	280,126

The total amounts disclosed here exclude statutory receivables (e.g. amounts owing from Victorian Government and GST input tax credit recoverable or GST payable).

Ageing analysis of contractual financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			
			Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
2012						
Financial assets						
Trade & other receivables	4,988	4,988	1,556	199	3,233	–
Total	4,988	4,988	1,556	199	3,233	–
2011						
Financial assets						
Trade & other receivables	4,556	4,556	4,556	–	–	–
Total	4,556	4,556	4,556	–	–	–

The carrying amounts disclosed here exclude statutory amounts (example amounts owing from the Victorian Government and GST input tax credit recoverable).

9 (f) Liquidity risk

Liquidity risk is associated with the Commission's ability to pay its dues as and when they fall due. The Commission's policy is to settle its financial obligations within 30 days and in the event of dispute settling within 30 days from the date of resolution.

The Commission manages liquidity risk by maintaining adequate reserves and continuously monitoring forecasts and actual cash flows and liquidity and working capital ratios.

The Commission's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in the face of the balance sheet.

The following table discloses the contractual maturity analysis of the Commission's financial liabilities:

Maturity analysis of financial liabilities

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates			
			Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
2012						
Liabilities						
Payables	171,578	171,578	168,674	–	2,904	–
Total	171,578	171,578	168,674	–	2,904	–
2011						
Liabilities						
Payables	228,088	228,088	226,495	1,376	30	187
Total	228,088	228,088	226,495	1,376	30	187

Note 10 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period:

Responsible Minister	The Hon. Peter Hall MLC	1 July 2011 – 30 June 2012	
VSC Members	Ms Yvonne von Hartel AM (Chair)	1 July 2011 – 30 June 2012	
	Ms Rowena Allen	1 July 2011 – 30 June 2012	
	Mr Richard Bolt	29 August 2011 – 30 June 2012	
	Mr Jeff Rosewarne	1 July 2011 – 28 August 2011	
	Mr Stuart Hamilton AO	1 July 2011 – 30 June 2012	
	Ms Megan Lilly	1 July – 31 December 2011	7 February – 6 June 2012*
	Mr Peter Coyne	1 July – 31 December 2011	7 February – 30 June 2012*
	Mr Roger Leeming	1 July – 31 December 2011	7 February – 30 June 2012 *
	Ms Robyn Archer	1 July – 31 December 2011	7 February – 30 June 2012 *
	Ms Jeannette Lang	1 July – 31 December 2011	7 February – 30 June 2012 *
	Ms Julie Warren	1 July – 31 December 2011	7 February – 30 June 2012 *

* The break in membership was due to administrative error

Commission Members' remuneration

The remuneration/emolument received or receivable by members of the VSC as members of the VSC during the reporting period totalled:

2012	2011
\$174,625	\$174,410

The Department of Innovation, Industry and Regional Development and DEECD paid the Commission Members' remuneration for the respective period.

The number of members of the Commission, excluding the accountable officer, with remuneration/emolument that fell within the following bands was:

Band	2012	2011
\$0–\$9,999	–	1
\$10,000–\$19,999	8	7
\$20,000–\$29,999	–	2
\$30,000–\$39,999	–	–
\$40,000–\$49,999	1	–
Total	9	10

Related party disclosure

The following Commission members are members or employees of organisations that have received grants from the Commission under terms applicable to all other recipients.

VSC member	Interest	\$'000	
		2012	2011
Ms Robyn Archer	Board Member Transport and Distribution Training Victoria	208	256
Ms Jane Calvert	Director, Forest Works Limited	–	272
Mr Peter Coyne	Employee, Crown Melbourne, Registered Training Organisation	1,246	482
Ms Julie Warren	Board Member, MESAB – Victorian ITAB	428	464
Mr Roger Leeming	Board Member, Holmesglen Institute of TAFE	95,809	–
Ms Megan Lilly	Chair, Manufacturing Skills, Victoria	7	–

Accountable Officer

Mr Jeff Rosewarne 1 July 2011 – 28 August 2011

Mr Richard Bolt 29 August 2011 – 30 June 2012

Accountable Officer's remuneration

The accountable officer's remuneration was paid by DEECD and is included in the Department's annual financial statements.

Amounts relating to the Minister are included in the annual Financial Statements of the Department of Premier and Cabinet.

Note 11 Remuneration of executives

The remuneration of executives during the reporting period is disclosed in the annual Financial Statements (2011–12) of DEECD.

Note 12 Remuneration of auditors

Band	2012 \$	2011 \$
Paid or Payable at 30 June – Victorian Auditor-General's Office for Financial Statements' audit	54,204	52,728

Note 13 Contingent assets and contingent liabilities

The Commission has no known contingent assets or contingent liabilities at the reporting date.

Note 14 Commitments for expenditure

(a) Operating lease commitments

	2012 \$'000	2011 \$'000
Payable within one year	27	72
Payable later than one year but not later than 5 years	–	50
	27	122

These commitments refer to leases entered into for photocopiers.

(b) Capital expenditure commitments

	2012 \$'000	2011 \$'000
Payable within one year	61,203	12,840
Payable later than one year but not later than 5 years	18,100	6,420
	79,303	19,260

(c) Outsourcing commitments

The Commission has training contracts, under the Priority Education and Training Program and the Apprenticeship/Traineeship Training Program, with a number of registered training organisations. These contracts cover training over a number of years and payments are due as long as the contractual obligations are fulfilled by the registered training organisations. These commitments have not been recognised as liabilities, but quantified as at 30 June were:

	2012 \$'000	2011 \$'000
Payable within one year	2,292	7,587
Payable later than one year but not later than 5 years	500	4,987
	2,792	12,574

Note 15 Events occurring after reporting date

The Commission is not aware of any event subsequent to reporting date that will have a material effect on its operations over subsequent years.

Note 16 Cash flow information

(a) Reconciliation of net result for the period to net cash flows from operating activities

	2012 \$'000	2011 \$'000
Net result for the period	(27,462)	(5,858)
Depreciation and amortisation	149	82
(Gain)/loss on sale or disposal of non-current assets	26	–
Provision for doubtful debts	8,000	–
(Increase)/decrease in other assets	–	200
Increase/(decrease) in payables	(56,654)	166,876
(Increase)/decrease in receivables	32,266	(178,155)
Net cash flow from operating activities	(43,675)	(16,855)

(b) Reconciliation of cash and deposits

	2012 \$'000	2011 \$'000
Cash at bank	282	74,498
Deposits	20,000	20,000
Total cash and deposits	20,282	94,498

Note 17 New accounting standards and interpretation

As at 30 June 2012, the following standards and interpretations (applicable to VSC) had been issued but were not mandatory for the financial year ending 30 June 2012. The Commission has not early adopted these standards.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity Financial Statements
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2013	Detail of impact is still being assessed.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard establishes principles for the presentation and preparation of consolidated Financial Statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and Interpretation 112 <i>Consolidation – Special Purpose Entities</i> .	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 10 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASBs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity Financial Statements
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	This Standard aims to improve the AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 <i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements</i> [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i> .	1 July 2013	As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 Application of Tiers of Australian Accounting Standards), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.

Note 18 Glossary of terms

a. Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

b. Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources.

c. Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

d. Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

e. Financial Statements

Depending on the context of the sentence where the term 'Financial Statements' is used, it may include only the main Financial Statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2008), which means it may include the main Financial Statements and the notes.

f. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

g. Interest revenue

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

h. Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

i. Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

j. Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

k. Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Note 18 Glossary of terms

(continued)

I. Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

m. Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

n. Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

o. Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

p. Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

q. Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Commission.

r. Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Accountable Officer's Declaration

We certify that the accompanying Financial Statements for the Victorian Skills Commission have been prepared in accordance with Standing Direction 4.2 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards 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 notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of the Victorian Skills Commission at 30 June 2012.

We are not aware of any circumstance that would render any particulars included in the Financial Statements to be misleading or inaccurate.

We authorise the attached financial report for issue on 29 August 2012.



Rowena Allen
Commission Member
Victorian Skills Commission

Date: 29 / 8 / 2012



Richard Bolt
Accountable Officer
Victorian Skills Commission

Date 29 / 8 / 2012



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INDEPENDENT AUDITOR'S REPORT

To the Members, Victorian Skills Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Victorian Skills Commission which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's has been audited.

The Members' Responsibility for the Financial Report

The Members of the Victorian Skills Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report.

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Skills Commission as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Skills Commission for the year ended 30 June 2012 included both in the Victorian Skills Commission's annual report and on the website. The Members of the Victorian Skills Commission are responsible for the integrity of the Victorian Skills Commission's website. I have not been engaged to report on the integrity of the Victorian Skills Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
30/08/2012



for D D R Pearson
Auditor-General

Appendices

Appendix 1 The State Training System

The Victorian Government provides funding through the VSC for training delivery by TAFE institutes, private RTOs, *Learn Local* providers and schools.

As at June 2011, the State Training System, with the VSC as the state training agency, comprised 18 TAFE institutes (including four TAFE divisions within universities), 1157 RTOs (including 320 *Learn Local* organisations) and 16 ITABs.

Skills training is provided at operative/clerical, trades and professional/paraprofessional levels.

Courses are accredited under the Australian Qualifications Framework, and a qualification is granted to a student who completes the relevant award course. Students who partially complete a course or who complete a short course receive a Statement of Results or Statement of Attainment as their record of achievement.

Proportion of women in VET

In 2011, women accounted for 47 per cent of reported VET students in Victoria. This percentage has fluctuated between 46 and 49 per cent over the last decade.

TAFE institutes

As at 30 June 2012, the Victorian TAFE network comprised 14 TAFE institutes and TAFE provided by four universities as follows:

- Bendigo Regional Institute of TAFE
- Box Hill Institute of TAFE
- Central Gippsland Institute of TAFE
- Chisholm Institute of TAFE
- Advance TAFE (former East Gippsland Institute of TAFE)
- Gordon Institute of TAFE
- Goulburn Ovens Institute of TAFE
- Holmesglen Institute of TAFE
- Kangan Batman Institute of TAFE
- Northern Melbourne Institute of TAFE
- RMIT
- South West Institute of TAFE
- Sunraysia Institute of TAFE

- Swinburne University of Technology
- University of Ballarat
- Victoria University
- William Angliss Institute of TAFE
- Wodonga Institute of TAFE.

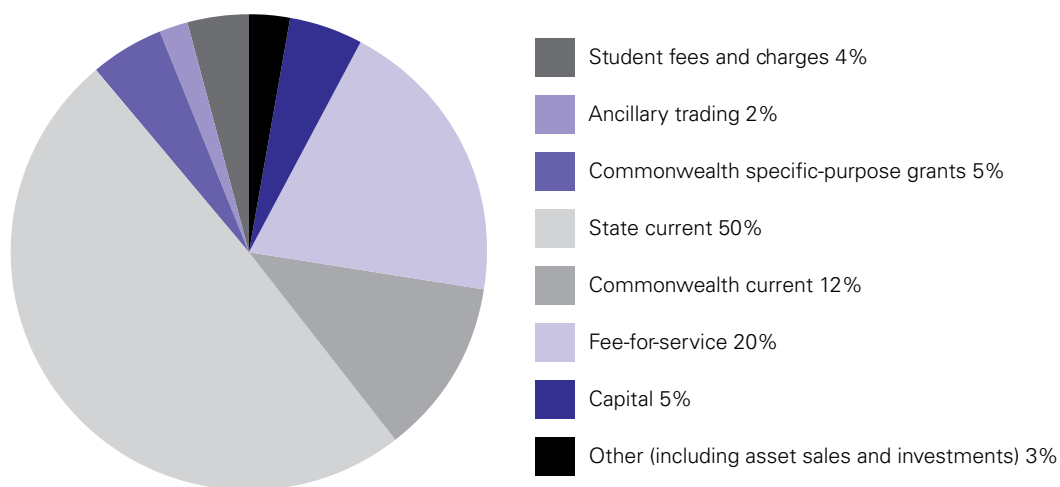
Seven TAFE institutes act as curriculum maintenance managers, providing advice on national training packages and state VET products.

Sources of TAFE institute funding in Victoria

In 2011, approximately 20 per cent of total TAFE funding came from fee-for-service operations, including international activities.

TAFE institutes received 72 per cent of funding from government following an increase in commonwealth specific-purpose grants and state recurrent funding. Capital funding fell significantly (88 per cent) from the previous year. Funding from other sources, including donations, grants, ancillary trading and income from investments, constituted 8 per cent of total funding.

Sources of VET funding in Victoria (% shares)



Appendix 2 Risk attestation

I, Yvonne von Hartel, certify that the Victorian Skills Commission has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The VSC verifies this assurance and that the risk profile of the VSC has been critically reviewed within the last 12 months.



Yvonne von Hartel AM

Chairperson

30 June 2012

Appendix 3 TAFE capital resources

The Victorian Government and the Commonwealth Government provide funding through the VSC for capital works in TAFE institutes. DEECD supports the planning, policy and resource allocation roles of the VSC.

Asset investment

TAFE capital works projects completed in 2011–12

The following projects were funded by the Victorian Government:

- redevelopment of the Epping campus, stage 1, Northern Melbourne Institute of TAFE
- construction of the Automotive Centre of Excellence, stage 2, Kangan Batman Institute of TAFE.

The following projects were funded by the Commonwealth Government:

- development of the Traralgon Campus, Central Gippsland Institute of TAFE
- development of the Dandenong Automotive and Logistics Trade Training Centre, Chisholm Institute of TAFE.

The following project was funded from institute reserves:

- construction of the International Centre and Teaching Facility, Chadstone campus, Holmesglen Institute of TAFE.

TAFE capital works projects in progress in 2011–12:

The following projects were funded by the Victorian Government:

- design and construction of the Technical Education Centre, University of Ballarat
- construction of the Driver Skills Training Centre, Wodonga Institute of TAFE
- construction of Teaching and Learning Centre, Preston campus, Northern Melbourne Institute of TAFE.

The following projects were funded by the Commonwealth Government:

- design and construction of the Manufacturing Technology Training Centre, University of Ballarat
- redevelopment of the Chadstone campus, Central Gippsland Institute of TAFE
- development of the Bairnsdale Learning Common, Advance TAFE
- construction of the Integrated Technical Skills Centre, stage 1, Box Hill Institute of TAFE
- construction of the G-TEC Building, East Geelong campus, Gordon Institute of TAFE
- design and construction of the Technical Trades Centre, Sunshine campus, Victoria University.

TAFE capital works projects started in 2011–12:

The following projects were funded by the Victorian Government:

- design and construction of the Berwick Trade Training Centre, Chisholm Institute of TAFE
- design of the Port of Sale Education Precinct, stage 1, Advance TAFE
- design of the Centre for Biotechnology, Sustainability and Living Well, Gordon Institute of TAFE
- upgrade of services at the Greener Government Buildings Project, South West Institute of TAFE
- upgrade of services at the Greener Government Buildings Project, Kangan Batman Institute of TAFE.

Appendix 4 Freedom of Information

The Freedom of Information service under the *Freedom of Information Act 1982* (FOI Act) is maintained by the DEECD on behalf of the VSC. The FOI Act allows the public a right of access to documents held by the VSC. For the 12 months ending 30 June 2012, the VSC received no applications.

Freedom of Information arrangements

Forms of request for access

Applicants are required by the FOI Act to submit requests for access to documents in writing.

There is no specific application form. A letter or email clearly describing the document(s) sought is sufficient. The letter or email should specify that the application is a request made under the FOI Act and should not form part of a letter or email on another subject. The applicant should provide the following additional information:

- name
- address
- telephone number (business hours)
- details of document(s) requested
- form of access required – copies of documents, inspection of file or other (specify).

Where the request is for access to documents about the applicant, personal identification will also be required.

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

Mr Neil Morrow
Freedom of Information Authorised Officer
Victorian Skills Commission
PO Box 266
Melbourne 3001
(03) 9637 2670
foi@edumail.vic.gov.au

Fees and charges

An application fee is required unless evidence of hardship is provided. Applicants are advised that other charges may be made in accordance with the Freedom of Information (Access Charges) Regulations 2004. Details of the fee and access charges can be found at www.foi.vic.gov.au.

Further information about Freedom of Information can be found on the DEECD website www.education.vic.gov.au.

Appendix 5 Statement of support to whistleblowers

The VSC has nominated DEECD as its agent to accept and investigate any disclosures made under the *Whistleblowers Protection Act 2001* (the Act) concerning VSC members and secretariat staff. Contact officers for making a disclosure under the Act are detailed below.

The VSC does not tolerate improper conduct by its employees or officers nor the taking of reprisals against those who come forward to disclose such conduct under the Act.

The VSC recognises the value of transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or a substantial risk to public health and safety or the environment. The alleged conduct must be serious enough to constitute, if proven, a criminal offence or reasonable grounds for dismissal to satisfy the Act.

DEECD received no disclosures made under the Act in relation to VSC members or secretariat staff, nor did the Ombudsman refer any disclosures made under the Act to the VSC for investigation during 2011–12.

Corrupt conduct

Corrupt conduct means:

- conduct that adversely affects the honest performance of functions
- the dishonest performance of functions or performance with inappropriate partiality
- conduct that amounts to a breach of public trust
- conduct that amounts to the misuse of information or material acquired in the course of one's duties
- a conspiracy or attempt to engage in the above conduct.

The reporting system

Contact persons within DEECD

Disclosures of improper conduct or detrimental action by VSC members or secretariat staff may be made directly to the following officers:

Protected Disclosure Coordinator

Mr Colin Twisse
General Manager
Executive and Ministerial Services
(03) 9637 3535

Protected Disclosure Officers

Mr Bryan Sketchley
Privacy Officer
Telephone (03) 9637 3601
Mr Neil Morrow
Manager FOI and Privacy
(03) 9637 2670

All correspondence, telephone calls and emails from internal or external whistleblowers will be referred to the Protected Disclosure Coordinator. Where a person is contemplating making a disclosure and is concerned about confidentiality, he or she can call the Protected Disclosure Coordinator and request a meeting in a discreet location away from the workplace.

Employees can also obtain information about whistleblower policy and procedures from DEECD's regional offices.

Alternative contact persons

A disclosure about improper conduct or detrimental action by VSC members or secretariat staff may also be made directly to the Ombudsman.

The Ombudsman Victoria
459 Collins Street
Melbourne Victoria 3000 (DX 210174)
www.ombudsman.vic.gov.au
ombudvic@ombudsman.vic.gov.au
(03) 9613 6222

Appendix 6 Other statutory reporting requirements

Disclosure of major contracts and consultancies

During the year ended 30 June 2012, the VSC did not enter into any contracts greater than \$10 million in value. Details of major contracts are disclosed in accordance with the principles of the *Freedom of Information Act 1982* and/or government guidelines, and can be viewed online at www.contracts.vic.gov.au

Details of consultants engaged by the VSC in 2011–12 were as follows:

- there were no consultancies for which expenditure incurred by the VSC was greater than \$10,000
- there were no consultancies for which expenditure incurred by the VSC was less than \$10,000.

Compliance with the *Building Act 1993*

All government departments and funded agencies are required to comply with the requirements of the *Building Act 1993*, the Building Code of Australia and statutory obligations set by government. The *Building Act 1993* applies to construction, demolition, removal and refurbishment of capital projects and the Building Code of Australia relates to standards set for building regulations. The TAFE asset portfolio is made up of over 1000 buildings worth approximately \$2.8 billion (fair value) with a replacement cost of \$4.5 billion. The age of the asset portfolio ranges from new to over 100 years old. The average age of the building stock is greater than 25 years.

The statewide property portfolio of the Minister for Higher Education and Skills responds to the requirements of the various TAFE institutes and government. The ongoing property management program deals with asset disposals declared surplus by TAFE institutes and property acquisitions where government determines that a need exists to expand the TAFE system. See Appendix 3 for further information.

Progress in implementing National Competition Policy

The VSC continues to comply with the requirements of the National Competition Policy.

Human resources

All employees of the VSC are deemed to be employees of DEECD. The 2011–12 DEECD Annual Report covers matters relating to staffing, diversity, employment and conduct principles, workforce data disclosures, office-based environmental impacts and occupational health and safety, and can be found at www.deecd.vic.gov.au.

Summary of additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the VSC and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable):

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VSC
- details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary

- details of publications produced by the VSC about the activities of the VSC and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the VSC for its services, including services that are administered
- details of any major external reviews carried out in respect of the operation of the VSC
- details of any other research and development activities undertaken by the VSC that are not otherwise covered either in the report of operations or in a document that contains the financial report and report of operations
- 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 the VSC to develop community awareness of the services provided by the VSC
- details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations
- a general statement on industrial relations within the VSC and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations
- a list of major committees sponsored by the VSC, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from the VSC Secretariat (03 9637 2642).

Appendix 7 Disclosure index

The Annual Report of the VSC is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the VSC's compliance with statutory disclosure requirements.

Ministerial Directions

Report of operations

Legislation	Requirement	Page
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Ministers	17
FRD 22C	Objectives, functions, powers and duties	2
FRD 22C	Nature and range of services provided	2
Management and structure		
FRD 22C	Organisational structure	3–6
Financial and other information		
FRD 8A	Budget portfolio outcomes	n/a
FRD 10	Disclosure index	64
FRD 12A	Disclosure of major contracts	62
FRD 15B	Executive officer disclosures	43
FRD 22C	Operational and budgetary objectives and performance against objectives	9–13
FRD 22C	Employment and conduct principles	62
FRD 22C	Occupational health and safety policy	62
FRD 22C	Summary of the financial results for the year	7–8
FRD 22C	Significant changes in financial position during the year	7–8
FRD 22C	Major changes or factors affecting performance	18–50
FRD 22C	Subsequent events	45
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	59
FRD 22C	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	62
FRD 22C	Statement on National Competition Policy	62
FRD 22C	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	60–61
FRD 22C	Details of consultancies over \$10,000	62
FRD 22C	Details of consultancies under \$10,000	62
FRD 22C	Statement of availability of other information	62–63
FRD 24B	Reporting of office-based environmental impacts	62
FRD 25A	Victorian Industry Participation Policy disclosures	n/a
FRD 29	Workforce data disclosures	62

Financial report

Legislation	Requirement	Page
Financial Statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	20
SD4.2(b)	Operating statement	18
SD4.2(b)	Balance sheet	19
SD4.2(b)	Cash flow statement	21
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	23–31
SD4.2(c)	Compliance with Ministerial Directions	n/a
SD4.2(d)	Rounding of amounts	31
SD4.2(c)	Accountable officer's declaration	51
SD4.2(f)	Compliance with Model Financial Report	23
Other disclosures as required by FRDs in notes to the Financial Statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	n/a
FRD 11	Disclosure of ex-gratia payments	n/a
FRD 13	Disclosure of parliamentary appropriations	n/a
FRD 21A	Responsible person and executive officer disclosures	42–43

Legislation

<i>Education and Training Reform Act 2006</i>	14, 15, 17, 24
<i>Freedom of Information Act 1982</i>	59, 62
<i>Building Act 1983</i>	62
<i>Whistleblowers Protection Act 2001</i>	60
<i>Victorian Industry Participation Policy Act 2003</i>	n/a
<i>Financial Management Act 1994</i>	6, 23, 42, 51, 52, 53
<i>Public Administration Act 2004</i>	n/a

Acronyms and abbreviations

AAS	Australian Accounting Standard
ANZSIC	Australian and New Zealand Standard Industrial Classification
ACFE	Adult, Community and Further Education
AFO	Apprenticeship Field Officer
ASQA	Australian Skills Quality Authority
COAG	Council of Australian Governments
DEECD	Department of Education and Early Childhood Development
FOI	Freedom of Information
GST	Goods and Services Tax
ITABs	Industry Training Advisory Bodies
NQC	National Quality Council
NCVER	National Centre for Vocational Education Research
RTO	Registered Training Organisation
SMS	Student Management System
TAFE	Technical and Further Education
VCAL	Victorian Certificate of Applied Learning
VCE	Victorian Certificate of Education
VET	Vocational education and training
VETiS	Vocational education and training in schools
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission
VTG	Victorian Training Guarantee

