

Victorian Skills Commission

annual report 2007-2008



This annual report covers the Victorian Skills Commission as an individual entity.

The former Victorian Learning and Employment Skills Commission was a Statutory Authority under the Vocational Education and Training Act 1990 and as amended by the Victorian Qualifications Authority Act 2001. Under the Education and Training Reform Act 2006, the Commission was renamed the Victorian Skills Commission, with effect from 1 July 2007. The Commission reports separately to Parliament through the Minister for Skills and Workplace Participation.

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October 2008

Annual Report 2007-08

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October 2008

Jacinta Allan, MP
Minister for Skills and Workforce Participation
2 Treasury Place
East Melbourne Victoria 3002

Dear Minister,

On behalf of the Victorian Skills Commission (VSC) I am pleased to submit the annual report for the year 2007–08 in accordance with the requirements of the *Financial Management Act 1994*.

In pursuit of the Government's goals and targets for post-compulsory education and training, 2007–08 has seen major achievements in relation to post-compulsory education in the vocational education and training, adult education and school sectors.

In 2007, TAFE, adult community education and private providers delivered vocational education and training to approximately 509,600 students. A total of 98,319 people were enrolled in government-funded apprenticeship/traineeship places. There were significant shifts of the training delivery profile to high-need, high-priority industries and occupations, based on the VSC Priorities Framework.

In 2007, the education, training and employment outcomes of 38,000 young people were influenced by Local Learning and Employment Networks.

This year the VSC farewelled the department Secretary, Mr Warren Hodgson, and Deputy Secretary Skills Victoria, Ms Patricia Neden. I thank them for their valuable contributions to the work of the VSC. I also welcome Mr John Sharkey and Mr Peter Coyne as new members of the Commission.

Much of the VSC's work is performed by officers in the Department of Innovation, Industry and Regional Development, and I thank these people for their work and express the Commission's appreciation of the efforts of all those individuals and organisations who collaborate with the VSC towards improving the education and training outcomes of Victorians.

I wish to record my appreciation of the contribution to VSC strategies and operations from fellow Commissioners and the considerable goodwill they have willingly provided.

The previous Chair, Peter Thomas, retired in August 2008 after four years service. I would like to thank Peter for his significant contribution to the work of the Commission. I have greatly appreciated his leadership and wisdom.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rowena Allen', written over a white background.

Rowena Allen
Acting Chairperson

2007–08 in brief

- The future directions for vocational education and training, outlined in the 2006 Ministerial Statement *Maintaining the Advantage*, continued to drive reform in the Victorian Vocational Education and Training (VET) sector in 2007–08. In the context of an ageing demographic and tight labour market, implementation of the reform agenda included:
 - continued shifts of the training delivery profile to high-need, high-priority industries and occupations, based on the Victorian Skills Commission (VSC) Priorities Framework
 - twelve Skills Stores now operate, providing access points to the vocational education and training system
 - the thirteenth, and final, Skills Store opens in July 2008 in central Melbourne.
- In 2007, TAFE institutions, Adult and Community Education (ACE) and private providers delivered 125.9 million student-contact-hours of training and further education (excluding non-VET activity) to approximately 509,600 students. More than 84.2 million of these training hours were government-funded.
- In 2007, just under 72,000 young people aged 15–19 years undertook government-funded vocational education and training with TAFE institutions, ACE and private providers.
- At 30 June 2008, 98,319 people held government-funded apprenticeship or traineeship places.
- In 2007, the Local Learning and Employment Networks (LLENs) brokered 112 new partnerships and initiatives to improve the education, training and employment outcomes of 38,000 young people.
- The VSC published the report from a major research project on the skill needs of mature age workers in two industries: Community Services and Health, and Transport and Storage. Two follow-up projects were initiated: a scan of Victorian initiatives aimed at improving the participation of older workers in training, and an action research project on mentoring and training older workers.

Summary of financial results

The table below shows information on the Commission's financial results and financial position for 2007–08 and comparisons with the preceding four years.

The operating result for the 2007–08 financial year was a surplus of \$31.4 million, which contrasts with last year's surplus of \$5.7 million (see note 4).

The VSC is not aware of any event subsequent to balance date that could have a material effect on the operations of the VSC in subsequent years.

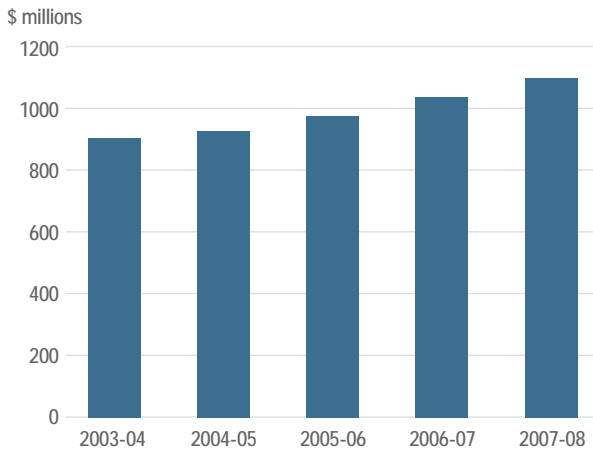
Summary financial information

	Notes	2007-08 \$m	2006-07 \$m	2005-06 \$m	2004-05 \$m	2003-04 \$m
Operating revenue						
Revenue from State Government	1	758.9	710.6	668.2	620.5	591.7
Other revenue	2	334.6	318.8	310.9	301.4	314.7
Total operating revenue		1,093.5	1,029.4	979.1	921.9	906.4
Operating expenses	3	1,062.1	1,023.7	1,000.0	918.1	913.1
Operating surplus/(deficit)	4	31.4	5.7	-20.9	3.8	-6.7
Total assets	5	152.5	88.8	83.6	103.7	103.6
Total liabilities	6	24.8	4.4	4.9	4.1	7.8
Retained funds	7	127.7	84.4	78.7	99.6	95.8
Net cash inflow/(outflow)	8	37.3	5.6	-20.5	2.3	-11.4

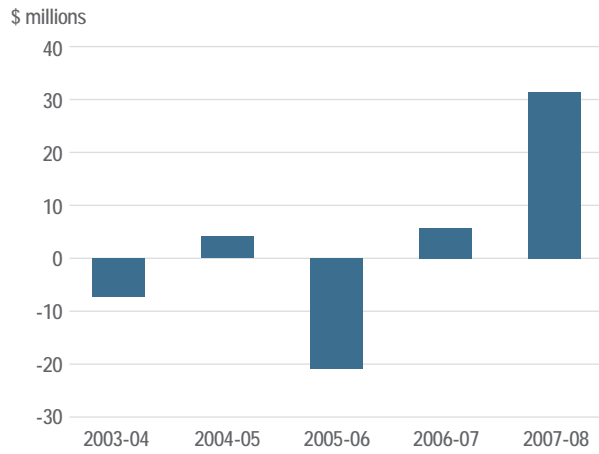
Notes (refer to 2007–08 figures only)

- Revenue from State Government increased from \$710.6 million in 2006–07 to \$758.9 million in 2007–08, an increase of \$48.3 million (6.8%), comprising a \$41.2 million (6.1%) increase in current grants and \$7 million (20.3%) increase in capital grants.
- Other revenue increased from \$318.8 million in 2006–07 to \$334.6 million in 2007–08, an increase of \$15.8 million (5%). This is due to increase in Commonwealth grants, Commonwealth revenue for indexation and an increase in interest revenue received during the period under review.
- Total operating expenses increased from \$1,023.7 million in 2006–07 to \$1,062.1 million in 2007–08, an increase of \$38.4 million (3.8%). Increased expenditure in recurrent and capital grants and recording a decrement in building valuation caused this increase in expenditure.
- An operating surplus of \$31.4 million (2006–07 \$5.7 million) has been recorded for 2007–08. This increase was due to growth in income from the sale of surplus assets and investment earnings combined with lower expenditure in some program areas which have been deferred to the following year.
- Total assets increased from \$88.8 million in 2006–07 to \$152.5 million in 2007–08. This \$63.7 million (71.7%) increase is due to VSC receiving additional contributed capital, revaluation increment in the value of land, and surplus for the period.
- Total liabilities increased from \$4.4 million in 2006–07 to \$24.8 million in 2007–08.
- The equity as at 30 June 2008 is \$127.7 million. The equity funds represent Commonwealth funds held in Trust Accounts for various projects. A large proportion of these funds represent unspent Commonwealth funds committed for Priority Education & Training Program and Apprenticeship Traineeship Training Program.
- A \$36.8 million net increase in cash was recorded, reflecting the surplus for the period under review and other items listed in 4 above.

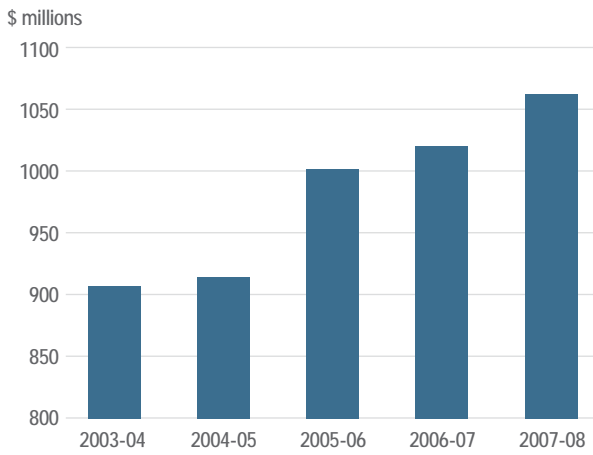
Revenue



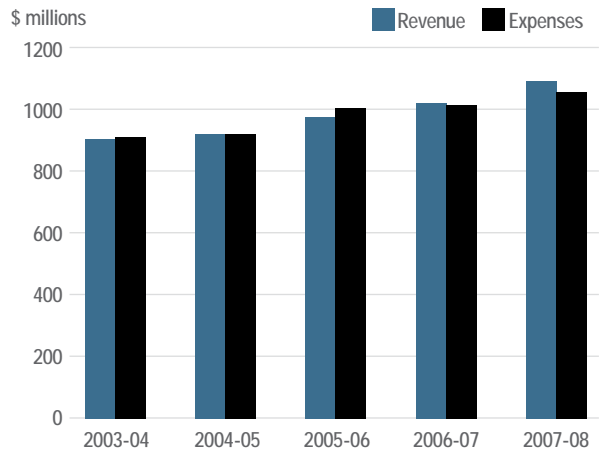
Operating Result



Expenses



Revenue and Expenses Comparison



About the Victorian Skills Commission

Context

The national VET system operates as a joint partnership between the Commonwealth, States and Territories. The Victorian Skills Commission (VSC – formerly the Victorian Learning and Employment Skills Commission) is responsible for addressing Victoria's government, industry and community training needs in accordance with the 2005–2008 Commonwealth-State Training Funding Agreement and the 2006–2008 Bilateral Agreement between the Commonwealth and Victoria.

The VSC is the State training agency for Victoria under the Commonwealth Government's *Skilling Australia's Workforce Act 2005*.

The VSC allocates funding for vocational education and training, and regulates the Victorian apprenticeship and traineeship system.

Overview of the State Training System

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

- 18 TAFE institutions (including four TAFE divisions within universities)
- 1,345 registered providers of vocational education and training (registered training organisations), including 119 schools involved with VET programs
- 16 industry training advisory bodies.

The education and skills training provided through these organisations includes:

- 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.

Post-compulsory education and training

In Victoria, the post-compulsory education and training system comprises four sectors: schooling, vocational education and training (the State Training System), adult and community education, and universities and other providers of higher education.

The higher education sector has, at 30 June 2008, nine public universities and 59 approved providers of higher education.

In the schooling sector, the post-compulsory or later years of schooling (Years 10–12) provide young people with effective and varied pathways and support to secure their first formal qualification and make a successful transition to further education, training, employment or a combination of these. Students choose from three senior secondary certificates: the VCE, the VCAL and the International Baccalaureate (Diploma).

The Government has set a target that, by 2010, 90 per cent of young people will complete Year 12 or its equivalent. Most young people complete Year 12 in the school setting.

VSC Role

The VSC:

- allocates funding for vocational education and training
- is the Victorian State training agency, and executes responsibility for the State Training System
- provides funding for, and regulates, apprenticeships and traineeships
- has an advisory role to Government on post-compulsory education and training, and employment
- monitors the outcomes of post-compulsory education and training
- supports the Local Learning and Employment Networks (LLENs).

The VSC contributes to the achievement of the Victorian Government's goals and targets set for education and training in *Growing Victoria Together: A Vision for Victoria to 2010 and Beyond*.

These include:

- increasing the percentage of young people who successfully complete Year 12 or its equivalent
- making near-universal participation in post-compulsory school education and training the norm in our society, not only for the young but for *all* the community.

The VSC provides policy advice and direction to the Victorian Minister for Skills and Workforce Participation on matters relating to post-compulsory education and training. Its functions are outlined in Part 3.1 of the *Education and Training Reform Act 2006*.

VSC Relationships

To achieve these outcomes, the VSC:

- contracts TAFE institutions to provide training
- contracts registered training organisations (RTOs) to provide training for apprentices and trainees through the Apprenticeship/Traineeship Training program
- contracts private RTOs to provide training through the Priority Education and Training program
- supports the statewide network of 31 Local Learning and Employment Networks (LLENs) to improve education, training and employment outcomes of 15–19-year-olds
- through Skills Victoria, maintains a close working relationship with the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR)
- works with Victorian industry training advisory bodies to identify the skills requirements of Victorian industry
- works with the Victorian Registration and Qualifications Authority, the Victorian Curriculum and Assessment Authority, the Department of Education and Early Childhood Development, the Department of Planning and Community Development, and the Department of Innovation, Industry and Regional Development to improve Victoria's education and training system and achieve the Government's goals and targets
- supports and works with the Adult, Community and Further Education Board to ensure that the VSC's actions are consistent with arrangements for the provision of adult, community and further education in Victoria.

Members of the VSC

The VSC consists of eleven members. Its membership reflects its responsibility to ensure effective linkages with community stakeholders and industry and key government advisory bodies, including the Victorian Registration and Qualifications Authority and the Adult, Community and Further Education Board.



Chair:
Mr Peter Thomas AM
From: July 2007

In July 2000, Peter Thomas retired from his 41-year career with GM Holden, where his senior roles included Managing Director of Holden's Engine Company, and Executive Director of Planning and External Affairs. Mr Thomas was Deputy Chancellor of RMIT University, and past Chair of the Victorian Manufacturing Industry Consultative Council and the Melbourne Port Corporation.

Currently Mr Thomas is an Australian Industry Group Emeritus National Councillor, a Director of GUD Holdings Ltd and of Australian Super.



Ms Rowena Allen
From: July 2007

Rowena Allen has held positions in the area of community development and community services with rural and metropolitan local governments, and is the former Chair of the Youth Affairs Council of Victoria and Goulburn Regional Youth Affairs Network. She is also the Chair of the Victorian Government Ministerial Advisory Committee on Gay and Lesbian Health and Wellbeing.

Ms Allen remains the Chief Executive Officer of UnitingCare – Cutting Edge, an agency she established in the Goulburn Valley to work with disadvantaged and rurally isolated young people, their families and the broader community



Mr Stuart Hamilton AO
From: July 2007

Stuart Hamilton worked in the Commonwealth public service for many years including as Deputy Secretary for the Department of Prime Minister and Cabinet; Secretary for the Department of Health, Housing and Community Services; and Secretary for the Department of Environment, Sport and Territories. He was Secretary of the Victorian Department of Education, Employment and Training (2001–2002) and then Director of the Innovation Economy Advisory Board. He was Executive Director of the (then) Australian Vice-Chancellors' Committee (now Universities Australia) for five years.

Mr Hamilton holds a Bachelor of Arts and Bachelor of Economics, and was awarded a Rhodes scholarship to Oxford.

Mr Hamilton is currently Chair of the Victorian Registration and Qualifications Authority. He is also Chief Executive Officer of Open Universities Australia and Secretary of the Council for the Humanities, Arts and Social Sciences.



Mr Peter Coyne
From: June 2008

Peter Coyne is Executive General Manager of Human Resources for Crown Melbourne. He is responsible for the people strategy for Australia's largest hospitality employer. Mr Coyne's 14 year career with Crown Casino started as a contractor preparing long-term unemployed people to transition to work in hospitality. He then focused on leadership development and Human Resource management.

Prior to working for Crown Melbourne, Mr Coyne was a secondary school teacher in a variety of country and metropolitan schools for 19 years. He established his own curriculum and resource development business that focused on school-to-work transition.



Mr Howard Ronaldson
From: May 2008

Howard Ronaldson was the Secretary of the (former) Department of Infrastructure, a position he held from December 2002. Mr Ronaldson has also held executive positions in the Department of Premier and Cabinet, and was previously the Director of Gaming, the Director of Crown Lands and the Director of Housing in Victoria. He also worked in Canberra as the Chief Executive and Under Treasurer of the Department of Treasury, Australian Capital Territory.

Mr Ronaldson replaces Mr Warren Hodgson, previous Acting Secretary, DIIRD, who was a member of the VSC from 1 July 2007 to 13 May 2008



Ms Megan Lilly
From: July 2007

Megan Lilly was the Chief Executive Officer of Business Services Training Australia – the national industry advisory board for the business services and related industry sectors. Before joining the national board, Ms Lilly held several senior management positions in various Victorian TAFE institutions.

Ms Lilly is currently Associate Director – Education & Training for the Australian Industry Group, Chair of Manufacturing Skills Australia, member of the National Quality Council and chair of the Training Package Standing Committee. Ms Lilly is also a member of the newly formed Australian Qualifications Framework Council and a member of the Australian College of Education. Ms Lilly has a Masters in Educational Policy & Administration.



Ms Gillian Robertson
From: July 2007

Gillian Robertson has been a teacher in the VET sector for 14 years, an Education Manager at Gordon Institute of TAFE and a union sub-branch president.

Currently, Ms Robertson is the Vice President, TAFE and Adult Provision Sector, Australian Education Union Victoria. Ms Robertson is also a member of the Community Services and Health Industry Training Board.



Mr Julius Roe
From: July 2007

Julius Roe spent 11 years as a bus driver and rank and file trade union activist before becoming a union official in 1987. Since that time, Mr Roe has been a leader in the development of classification career paths and competency-based training opportunities for workers.

Mr Roe was a member of the National Training Board and its successor the National Training Quality Council from 1990 until 2004, and was a member of the Australian National Training Authority (ANTA). He is also a member of the executive of the International Metalworkers Federation.

Mr Roe is currently the National President of the Australian Manufacturing Workers' Union (AMWU) and was recently appointed to the Australian Qualification Framework Council.



Ms Lynne Wannan AM
From: July 2007

Lynne Wannan is a social policy analyst who has worked in senior management positions in local government in Victoria, in the private sector and in state government.

Ms Wannan has been an advisor to government at the national, state and local levels over 25 years and has worked in the broad community and health services industry for the past 20 years. Ms Wannan was a founding member of the Western Institute, the inaugural Deputy Chancellor of Victoria University of Technology, convener of the Victorian Women's Consultative Council and is Chair of the Adult, Community and Further Education (ACFE) Board.

Ms Wannan also chairs the Victorian Children's Council and the Community Support Fund Advisory Committee for the Department of Victorian Communities. Ms Wannan was appointed Director of the Office for the Community Sector in the Victorian Government in June 2008.



Mr John Sharkey AM
From: December 2007

John Sharkey is the senior partner of Deacons, where he practises as a construction lawyer. He is a former chair of the Law Council of Australia's Construction and Infrastructure Law Committee and is a Senior Fellow of the University of Melbourne. His published works include the co-authorship of *'Building and Construction Contracts in Australia'* and *'Commercial Arbitration'*.

Mr Sharkey has been a member of the Council, now Board, of Holmesglen Institute of TAFE since 1982 and is presently Chairman of the Board.

Audit and Risk Committee

The Audit and Risk Committee consists of four members: an independent Chair, the Chair of the VSC and two other members. It operates within the guidelines of the *Financial Management Act 1994*. The members of the Audit and Risk Committee are:

Ms Merran Kelsall (Chair, and independent member)

Mr Peter Thomas (VSC Chair)

Ms Gillian Robertson (VSC member)

Mr Robert Maughan (independent member)

Executive support

The VSC is directly supported by a Secretariat which operates within Skills Victoria within the Department of Innovation, Industry and Regional Development (DIIRD). Officers within the Department are delegated work related to the VSC's functions as the Victorian State training agency and the broader post-compulsory education and training system.

Departmental Restructure

In 2007–08, DIIRD was reconfigured around key economic levers, better enabling it to respond to changing industry needs, environmental conditions and government priorities.

The departmental reorganisation consolidated 2006 and 2007 machinery-of-government changes incorporating, among others, the transfer of the (then) Office of Training and Tertiary Education into DIIRD. The division is now known as Skills Victoria.

Skills reform program

National policy changes

At its 20 December 2007 meeting, the Council of Australian Governments (COAG) agreed to change the nature of Commonwealth-State funding arrangements. Members agreed to focus more on outputs and outcomes, underpinned by a commitment from the Commonwealth Government to provide incentive payments to drive the new reforms.

On 26 March 2008, COAG further endorsed a policy framework for education, skills and workforce development as well as implementation plans for several key Commonwealth election commitments.

Victoria continues to take the lead in setting the National Reform Agenda in the vocational education and training system.

Victorian developments

Throughout the 2007–08 financial year, the 2006 Ministerial Statement *Maintaining the Advantage: Skilled Victorians* – a four-year, \$241 million investment in skills – continued to be implemented. Through the Statement, a range of policy reforms and investments are targeted at increasing productivity and workforce participation in Victoria's labour force.

In April 2008, the *Securing our Future Economic Prosperity* discussion paper was released, signalling the Victorian Government's proposed directions for reforming the skills system in Victoria.

The reforms outlined in the document seek to:

- increase the number of individuals and businesses accessing training
- develop a VET system that engages more effectively with individuals and businesses and is easier to navigate
- ensure that the system is more responsive and flexible to the changing skills needs of businesses and individuals
- create a stronger culture of lifelong learning.



PACCAR Australia, which designs and builds Kenworth trucks, won the 2007 Victorian Employer of the Year Award for outstanding provision of employee training.

Wodonga Institute of TAFE's Julie Fry won the 2007 Victorian VET Client Service/Support Excellence Award for her work supporting disadvantaged students.





VSC 2008-2010 strategic plan

thirteen

Victorian Skills Commission Annual Report 07-08

Context

Victoria is undergoing a transition to an innovation economy and is confronting economic and social challenges, not least from an ageing population, global pressures and the impact of climate change.

To respond to these challenges it is vital to increase workforce participation and productivity. The skills development system has a central role to play in this. But the skills development system is only part of the broader workforce development system. All parts of that system – at a whole-of-State level, at a regional level and within individual enterprises – need to work in synergy. Skills policy is a vital part of innovation, industry and regional policies.

The VSC is building on its relationships with training providers to create a strong skill-development system which encompasses all skill-formation processes.

In January 2008, the VSC published its *2008–2010 Strategic Plan: Skills for the Innovation Economy*, available on the VSC website www.vsc.vic.gov.au

The VSC 2008–2010 Strategic Plan is developed around the following objectives:

- a Victorian workforce with the mix and level of skills and knowledge required to meet the current and emerging needs of employers, industry and the community
- increased workforce participation through enhanced access to skilling opportunities, especially for groups with currently low-participation rates (unemployed and under-employed)
- equitable access to skills development opportunities for all individuals to develop the full range of their potential skills and employability
- provision of systemic opportunities for existing workers to build towards higher qualifications.

The VSC has **two core strategies** and **three enabling strategies** to optimise the contribution of the skills development system to the State's workforce development:

Core strategies:

- **Productivity:** increase productivity by identifying and providing the right mix and level of skills and qualifications required to meet the current and emerging needs of employers, industry and the community in the new Victorian economy.
- **Participation:** increase workforce participation by providing the right skilling opportunities for new entrants, existing workers facing industry change, and those who are unattached or marginally attached to the workforce.

Enabling strategies:

- **Capacity and Capability:** ensure system and provider capability to meet productivity and participation needs.
- **Investment:** increase investment in skills development in a fair and effective way.
- **Governance:** ensure effective and accountable governance for the skills development system and its effective links to other components of the broader workforce development system.

The VSC is the State Training Agency for Victoria, and the following sections reflect outcomes under the Commission's 2008–2010 strategic plan.



TFIA Business Services won the 2007 Victorian Training Initiative of the Year Award for significantly improving training across the flooring industry.

Northern Melbourne Institute of TAFE student Nicole Waddel – 2007 Victorian Koorie Student of the Year.



Strategy 1 – Productivity

Increase productivity by identifying and providing the right mix and level of skills and qualifications required to meet the current and emerging needs of employers, industry and the community in the new Victorian economy.

Establishing priorities for vocational education and training

In 2005, all Victorian TAFE institutions agreed to targets to re-align training from industries with a lower need for government-funded training to those with a higher need. Analysis of 2007 government-funded delivery revealed that re-alignment in accordance with VSC priorities was achieved in 2007.

A project to calculate completion rates for apprenticeships and traineeships by tracking commencing cohorts over time has standardised the way in which variables are addressed to produce more reliable and informative completion rates. Using this methodology, the average completion rate for apprentices in Victoria is 65.2 per cent, and for trainees is 54.9 per cent.

Statistical analysis undertaken by Curtin University has identified differences in apprenticeship and traineeship completion rates between industries and occupational groups as well as the factors contributing to an individual's likelihood to complete or not complete an apprenticeship or traineeship.

The Centre for Post Compulsory Education and Lifelong Learning at the University of Melbourne consulted with key stakeholders – apprentices, trainees, employers and training providers – to further explore and analyse reasons for differences in completion rates between industries and occupational groups.

Industry training boards

The industry training advisory system provides advice on vocational education and training policy and industry priorities. Key elements of the advisory system include the 16 industry training advisory bodies, industry representatives, the Department of Innovation, Industry and Regional Development (DIIRD), national industry advisory bodies, whole-of-Victorian Government working groups and other stakeholders in the training system.

In 2007–08, DIIRD:

- strengthened the links between DIIRD's industry development staff and industry advisory bodies – to promote mutual understanding of their respective activities and to improve the quality of advice on industry skills needs that is provided to the Victorian Skills Commission (VSC)
- reviewed the 2005–08 operation of performance and funding agreements between the VSC and industry advisory bodies, and recommended the terms of new agreements which address the VSC's strategic objectives for 2008–11
- encouraged greater cooperation between bodies at the state and national levels by requiring the Victorian industry advisory bodies to work collaboratively with their respective national Industry Skills Councils in developing advice on industry skills needs, training products and curriculum issues
- revised the governance arrangements for industry advisory bodies to ensure they operate in line with the current expectations of government for the governance of publicly-funded organisations.



◀ Whittlesea Secondary College won the 2007 Victorian VET in Schools Excellence Award for outstanding VET delivery to school students.

Gordon Institute of TAFE's Jane Trewin – winner of the 2007 Victorian Teacher/Trainer of the Year Award. ▶



Strategy 2 – Participation

Increase workforce participation by providing the right skilling opportunities for new entrants, existing workers facing industry change, and those who are unattached or marginally attached to the workforce.

Delivered training

TAFE and Adult and Community Education (ACE)

In 2007, TAFE institutions, ACE and private providers delivered 125.9 million student contact hours of training and further education (excluding non-VET activity) to approximately 509,600 students.

Government-funded delivery accounted for over 84.2 million or 66.9% of the reported contact hours. In 2007, TAFE institutions delivered 65.7 million or 78.1% of government-funded student contact hours, with the remainder delivered by ACE (13.4%) and private registered training organisations (8.6%).

Of the 84.2 million government-funded student contact hours delivered in 2007, 23.7 million or 28.2% of the hours were delivered to apprentices and trainees. Between 2006 and 2007, the level of delivery to apprentices and trainees increased by over 330,000 student contact hours or 1.4%. TAFE institutions delivered 13.7 million SCH or 58% of the total government-funded delivery to apprentices and trainees, with the remainder delivered by ACE (4%) and private (38%) registered training organisations.

In 2007, there were 201,911 government-funded mature-age enrolments (persons aged 25–64 years) in vocational education and training in Victoria. Victoria's adult participation rate in vocational education and training (as a percentage of the population) continues at a higher rate than any other state.

Of those enrolments, 127,912 attended TAFE institutions, 51,085 undertook vocational education and training through ACE providers, while private registered training organisations accounted for 22,914 government-funded students.

In 2007, there were 85,208 enrolments in higher level VET qualifications (Certificates V and VI) in Victoria. Of these enrolments, 66,193 were at the Diploma level, while Advanced Diploma enrolments amounted to 19,015. TAFE institutions accounted for the vast majority of enrolments with 82,546 (almost 97 per cent). In 2007, 3.1 per cent of enrolments in higher level qualifications were with private registered training organisations and with ACE providers.

Apprenticeships and traineeships

At 30 June 2008, the overall number of apprentices and trainees was 122,243. Of these, 98,319 held a government-funded training place.

During 2007–08, 73,132 apprentices and trainees commenced training. Of these, 59,500 received a government-funded training place. There were 42,726 completions, of which 31,493 were for apprentices and trainees who had been in receipt of a government-funded training place.

The **Apprenticeship/Traineeship Completion Bonus Scheme** provides an incentive for employers to encourage apprentices and trainees to complete their training.

During the 2007–08 financial year, employers of 16,060 apprentices and trainees qualified for Completion Bonus payments under the scheme. Employers of a further 1,069 apprentices and trainees of not-for-profit group training organisations were eligible for the bonus under the Group Training Employment Support Scheme.

The **Apprentice Trade Bonus program** was introduced in 2005–06, whereby a payment of \$250 is made to apprentices who reach the six-month point of their apprenticeship, and a further \$250 at the 12-month point. These payments are timed to reduce the high number of apprenticeship cancellations which occur between the end of the probationary period (three months) and the 12-month point of an apprenticeship.

During 2007–08, 14,385 apprentices were eligible for payments at the six-month point, and 12,214 apprentices became eligible for the 12-month payment.

The **Apprenticeship/Traineeship Training program** provides funding for private registered training organisations to train apprentices and trainees. The program gives people the opportunity to engage in employment while receiving formal training towards a nationally recognised qualification.

In 2008, 214 private registered training organisations were selected to commence the provision of training to over 22,000 apprentices/trainees, including Jobs for Young People placements in local government administered by DIIRD. A further 1000 places are reserved for integrated school-based apprentices and trainees.

Priority Education and Training program

In 2007, under the **Priority Education and Training program**, more than 2 million student contact-hours of training were delivered by 98 private registered training organisations. Recipients (not apprentices or trainees) receive training which complements local public provision in industries and regions that have been identified as government priorities.

In 2008, the number of private registered training organisations contracted to participate in the program increased to 104.

Vocational pathways within schools

Education in Victoria is compulsory until the age of 16. Research shows that young people who are engaged with schooling until Year 12 have better long-term employment, economic and social outcomes. For this reason, the Government has committed to a target of 90 per cent of young people completing the Victorian Certificate of Education (VCE) or its equivalent by 2010.

In 2007, 153,040 students were enrolled in at least one unit of the VCE across all 637 providers, including 345 Government, 87 Catholic and 147 Independent schools, 50 adult VCE providers, five other providers and three single-Languages Other Than English (LOTE) providers.

VSC Strategy 2 includes a focus on young people. One aspect of this is to continue to increase young people's Year 12 or equivalent completion rates, thereby improving their transition to training. To encourage young people to stay in school and to enable them to complete a senior secondary certificate, post-compulsory pathways have been expanded and include a strong focus on vocational curriculum options.

VET in Schools programs (including school-based apprenticeships and traineeships) comprise nationally recognised VET certificates which can be undertaken by senior secondary students as part of either the VCE or the Victorian Certificate of Applied Learning (VCAL).

VET in Schools programs are designed to expand opportunities and pathways for senior secondary students and improve post-compulsory educational outcomes in line with the Government's goals and targets for education. They also contribute to addressing industry skill needs.

VET in Schools programs are typically delivered through partnerships between schools, industry and training providers, and increasingly provide opportunities for students to participate in workplace learning.

In 2007, the number of students undertaking VET in Schools, in both government and non-government schools, has increased by 11.7 per cent to 40,764 (from 36,504 in 2006).

The **Victorian Certificate of Applied Learning** is a hands-on option for Years 11–12 students, offering practical work-related experience and learning. It is available in both government and non-government schools and also through TAFE and ACE providers. In 2007, there were 14,093 VCAL enrolments with 418 providers.

School-based apprenticeships and traineeships continued to expand in 2007. At the end of the 2007 calendar year, there were 6,940 senior school students in apprenticeships or traineeships. These were undertaken as part of a program of studies combining the VCE or the VCAL with a nationally accredited training certificate and employment.

Vocational pathways post-school

The needs of **early school-leavers** are also addressed within VSC Strategy 2's focus on young people. Those young people who have left education and training without a qualification are provided an opportunity to re-engage, either through education, training or employment.

Students have the opportunity to undertake their senior secondary qualification through either a TAFE institution or an ACE organisation. In 2007, there were 2000 students aged 15–19 years undertaking the VCE and 2937 undertaking a VCAL certificate.

In 2007, just under 72,000 young people aged 15–19 years undertook vocational education and training in government-funded programs in TAFE institutions, ACE organisations and private registered training organisations.

The 2007–08 year was the first of the four-year, \$28.22 million Guaranteed Place in TAFE or other Public Providers program for young people (the **Youth Guarantee** program) which guarantees an enrolment at a public training provider for any student under 20 seeking completion of Year 12 or equivalent. Other programs that support early school leavers to continue in education and improve their career and employment options include additional funding for pre-apprenticeship places and the establishment of Technical Education Centres.

Four **Technical Education Centres (TECs)** based in TAFE institutions are being constructed at the cost of \$32 million. The centres will help create effective pathways to employment or future training for 16–20-year-olds who have not completed Year 12 or equivalent.

The TECs will provide access to industry standard facilities through simulated work environments and strong links with local industry. TEC enrolments and program delivery have commenced in temporary facilities in Ballarat, Berwick and Wangaratta, and program delivery commences at Heidelberg in 2009.

Following Council Of Australian Government (COAG) reforms, DIIRD is working with the Commonwealth to incorporate the three, non-government, school-based **Australian Technical Colleges (ATCs)** into Victoria's education and training system, while the Department of Education and Early Childhood Development is working to incorporate the three government school-based ATCs.

Local Learning and Employment Networks (LLENs)

The Commission has a legislative role to support local learning and employment networks. The core role of LLENs is to create and further develop sustainable relationships and partnerships between local education providers, industry and the community, to develop initiatives that improve the education, training and employment outcomes of young people. A particular focus is placed on those students considered most at risk of leaving school early.

The LLEN initiative supports cooperation between different providers and agencies, and acts to strengthen the capacity of stakeholders to support young people's transition through school to further education, training or full-time employment.

Over the course of 2007, the statewide network of 31 LLENs brokered 112 partnerships that involved 2138 organisational stakeholders, comprising schools, TAFE, ACE providers, industry and community organisations.

LLENs report positive contributions to the outcomes of over 38,000 young people, including 5089 young people who were re-engaged with education or training. At the end of 2007, the Minister for Education announced that LLENs would be re-funded at the end of their current contracts for a further three-year period, 2009–2011.

The Department of Education and Early Childhood Development (DEECD) manages the LLEN initiative. The initiative has a crucial role to play in continuing progress towards the Government's Year 12 or equivalent completion target.

Further information on the following initiatives is available in the DEECD annual report:

- Youth Transition Support initiative
- Regional Youth Commitments
- Local Learning and Employment Networks.



◀ Louise and Chris Fitzgibbon, co-directors of the Warrnambool-based Australian Vocational Training and Employment Services (AVTES) – 2007 Victorian Small Training Providers of the Year.

Department of Innovation, Industry and Regional Development trainee Jackie Clingan – 2007 Victorian Trainee of the Year. ▶



Strategy 3 – Capacity & capability

Ensure system and provider capability to meet productivity and participation needs.

Transforming the TAFE workforce

Since 2005, the TAFE Development Centre has been responsible for raising the professional standing and promoting the development of staff in TAFE institutions across Victoria.

In 2007–08, \$2.8 million of Government funding supported the Centre to provide a variety of professional development programs for the staff of TAFE institutions.

Programs delivered in 2007–08 include an industry skills scheme; teaching fellowships; a professional learning series; a teaching and learning excellence program; a leadership scheme for all categories of staff; a human resource initiatives program; a coaching and mentoring scheme; a project for engaging trade teachers in professional development; specialist scholarships for non-teaching staff; a workforce capability innovation and research program; and a program to build capability in the teaching workforce by supporting the growth of best practice.

In 2007–08, the Centre was also responsible for project-managing various one-off grants to support staff professional development. These included the Staff Development Grant to TAFE institutions, activities to support the Skills Stores initiative and to deliver improved recognition of prior learning outcomes, and training in competency-based assessment.

During 2007–08, the Centre was approved for a further \$9.28 million over three years to continue its activities. The Centre's focus is broadening to include providers of vocational education and training in the Adult Community and Further Education sector, and private vocational education and training providers on a fee-for-service basis.

Innovation Fund

The Innovation Fund was established to enable TAFE institutions to trial new initiatives in innovation and flexible delivery. Thirty-seven initiatives funded for a total of \$4.3 million were incorporated into 2007 TAFE Performance Agreements, including projects to develop workforce training for existing workers. A further 28 initiatives for a total of \$4.54 million were included in 2008 TAFE Performance Agreements.

Skills Stores

Skills Stores provide an access point to the vocational education and training system. Skills Stores provide free advice to individuals about their current skills and a personal referral to a registered training organisation for skills recognition against a national qualification. They assist employers to develop their business by identifying workforce training options, and can also provide school careers advisers with training information.

Since mid 2007, Skills Stores have been operating in community locations across metropolitan and regional Victoria. Seven new Stores opened six months earlier than planned to bring services to rural communities affected by drought. The thirteenth, and final, Skills Store opens in July 2008 in central Melbourne.

Skill Up program

In the first six months of 2008, the Skill Up program assisted 2374 retrenched workers of all ages, in metropolitan Melbourne and regional Victoria, to retrain and improve their employment prospects. Skill Up is a rapid-response program delivered by public and private providers, and provides training and support to workers made redundant because of a major industry downturn or workplace closure.

Specialist Centres

Throughout 2007–08, 21 Specialist Centres were engaging industry to develop and deliver specialist training to priority industries, thereby enhancing the technological capabilities needed to drive effective competition in the innovation economy. Centres work closely with individual enterprises and sectors to identify and deliver targeted training.

During the year, additional funds were provided for the Furniture Industry Design and Innovation Centre (formerly known as the CNC Design Centre) to enable the appointment of a 'designer-in-residence'. The additional funds also provide for a scholarship for a design graduate to work at the Centre, and for the training of Centre staff and teachers from other TAFE institutions in the use of specialised equipment and 3D modelling software.

Specialist Provider Networks

In 2007–08, specialist provider networks were also operating in a number of key VET areas – including biotechnology, competitive manufacturing, energy, transport, distribution and logistics, food and meat processing, and fibre and textiles – delivering enterprise-based training to companies.

Industry Skills Advisers

Maintaining the Advantage: Skilled Victorians also promotes the delivery of training, particularly higher-level skills, in small to medium enterprises (SMEs). It provides for \$2 million over two years for Industry Skills Advisers within priority industries for Victoria. Industry Skills Advisers work with SMEs in specific sectors to identify training needs and stimulate demand for workplace training programs to address skill gaps and the needs of existing workers.

Hundreds of Victorian businesses have already benefited from the program, which has engaged over 1500 employees in training since it began.

Industry Skills Advisers have now been appointed in Advanced Manufacturing, Competitive Manufacturing, Logistics and Supply Chain Management, Packaging Technologies, Scientific and Medical Equipment Instrumentation, and Environmental Industries.

Apprenticeship Field Officers

During 2007–08, Apprenticeship Field Officers (AFOs) and a supporting telephone advisory service continued to deliver high-quality services focusing on customer service and improved outcomes for employers, apprentices and trainees.

Within the reporting period, all 33 AFOs completed a Certificate IV in Government (Investigations). The training enabled existing processes and procedures to be updated with revised AFO operational guidelines which came into effect in June 2008.

Improving learner access

Providers across the State Training System continue to develop accessible practices and provide Vocational Education and Training to equity groups within the community in order to build individual skills and quality employment outcomes.

New and Emerging Skills Research

The impetus for the New and Emerging Skills Research is to work with TAFE institutions to research emerging skill areas and identify training solutions.

The *Skills for Victoria's Emerging Bioeconomy* study analysed the key vocational-level skill sets needs of individual enterprises particularly engaged in biotechnology-related manufacturing and bio-production in Victoria. This project supports the aims of improving commercialisation of biotechnology in Victoria as outlined in the 2007 Victorian Biotechnology Strategic Development Plan.

The *Skills for Victoria's Defence Industry Military Systems and Electronics (MSE) Sector* study investigated the important and fast-evolving MSE sector. This project supports building Victoria's capacity and capability to meet current market demands and emerging business opportunities in the Defence Industry under the strategic framework, 'A Roadmap for Victoria's Defence Industries.' The study identified the key vocational-level skill needs of individual enterprises particularly engaged in Victoria's Defence Industry MSE Sector.



Training is outstanding at Kangan Batman TAFE – winner of the 2007 Victorian Large Training Provider of the Year.

Ballarat construction apprentice Dean Dallinger – Victoria's 2007 Apprentice of the Year.



Strategy 4 – Investment

Increase investment in skills development in a fair and effective way.

Financing skill development

To ensure the State's skills system is able to respond quickly and effectively to the constantly evolving needs of industry and the competitive demands of the global economy, the Victorian Government is initiating a suite of ambitious reforms that will equip the VET system for the 21st Century.

The reforms aim to increase the capacity of our VET system to train thousands more students and to deliver the higher-level skills that our industries need.

Preliminary work has commenced on possible changes to funding arrangements that may arise from the proposed reforms of the VET system. These reforms are detailed in the discussion paper, *Securing our Future Economic Prosperity*. Some of the possible changes could include introducing contestability for higher-level qualifications and changing the fee structure for TAFE institutions.

Fee-for-service activity

In addition to their government-funded delivery, TAFE institutions and ACE organisations delivered 35.5 million and 3 million student contact hours respectively of fee-for-service vocational and further education in 2007.

Private registered training organisations (RTOs) in receipt of government funding, report their fee-for-service activity to Skills Victoria. In 2007, private RTOs reported nearly 3.2 million student contact hours delivered in fee-for-service activity.

Of the total reported fee-for-service activity in 2007, 9.5 million student contact hours were delivered to full fee-paying overseas students living in Victoria, and another 8.2 million student contact hours were delivered in overseas locations.

In addition to VET activity, 2.1 million student contact hours were delivered in personal enrichment programs (classified as non-VET activity) accounting for 113,000 course enrolments in 2007.

Strategy 5 – Governance

Ensure effective and accountable governance for the skills development system, and its effective links to other components of the broader workforce development system.

Research, evaluation and monitoring

The VSC's research, evaluation and monitoring activities continued. Projects included post-implementation reviews of Specialist Centres, and a report on outcomes from the 'VET/TAFE Way to go' campaign. Reports were delivered on 2007 Outcomes Monitoring, and mature age participation in VET and higher level qualifications.

The VSC published the report of a major research project, *Skilling Victoria's Mature Workforce*, on the skill needs of mature age workers in two industries: Community Services and Health; and Transport and Storage. It also initiated follow-up projects on a strategic scan of action projects and initiatives in Victoria aimed at improving the participation of older workers in training and skill development, and action research to develop and test approaches to mentoring and training for older workers.

Governance & stakeholder engagement

The VSC strengthened governance arrangements by:

- overseeing major governance changes following the proclamation of the *Education and Training Reform Act 2006*, which renamed the Victorian Learning and Employment Skills Commission as the Victorian Skills Commission
- reviewing the VSC's risk management and internal audit plans, Audit and Risk Committee charter and performance, delegations system, Board governance and Board self-assessment; and establishing a risk attestation process as required by the Department of Treasury and Finance
- strengthening stakeholder engagement through meetings with the Minister for Skills and Workforce Participation, a joint Board paper with the ACFE Board, and holding Commission meetings at TAFE institutions
- developing its 2008–10 strategic plan, around which this annual report is structured, and a 2008 work plan.

A person wearing a dark long-sleeved shirt and white gloves is working on a large, complex industrial engine. The person is using a tool to adjust a component of the engine. The engine is made of metal and has many parts, including a large flywheel on the left and various pipes and valves. The background is a plain, light-colored wall.

financial report

twentytwo

Victorian Skills Commission

Financial Report for Year ended 30 June 2008

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This financial report covers the Victorian Skills Commission as an individual entity.

The Victorian Skills Commission is a Statutory Authority under the *Education and Training Reform Act 2006*. The Victorian Skills Commission reports separately to Parliament through the Minister for Skills and Workforce Participation.

Its principal address is:

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

Operating statement

for the financial year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Income			
Grant income	2a(i)	1,061,793	1,001,628
Specific purpose income	2a(ii)	23,651	22,878
Other income	2b	8,072	4,925
		1,093,516	1,029,431
Expenses			
Administrative expenses		10,240	9,743
Grants To TAFE Institutions		852,562	826,473
Grants to private/public providers		116,874	111,181
Specific purpose & trust payments		67,590	73,209
Depreciation	1(f) & 3	333	191
Other expenses		11,468	2,896
Asset revaluation decrement		3,028	–
Loss in assets disposed		–	2
		1,062,095	1,023,695
Net result from continuing operations		31,421	5,736
Net result for the period	7(b)	31,421	5,736

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

Balance sheet

as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Current assets			
Cash and cash equivalents	15(b)	121,279	84,505
Receivables	4	20,587	4,197
Other assets		1,463	-
Total current assets		143,329	88,702
Non-current assets			
Property, plant and equipment	5	9,194	134
Total non-current assets		9,194	134
Total assets		152,523	88,836
Current liabilities			
Payables	6	24,809	4,408
Total current liabilities		24,809	4,408
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		24,809	4,408
Net assets		127,714	84,428
Equity			
Contributed Capital	7(a)	23,059	14,350
Revaluation Reserve	7(b)	3,156	-
Accumulated Surplus	7(c)	101,499	70,078
Total equity		127,714	84,428

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 2008

	Notes	2008 \$'000	2007 \$'000
Total equity at beginning of financial year		84,428	78,692
Gain/(loss) on property revaluation		3,156	-
Net income recognised directly in equity		-	-
Net result for the period		31,421	5,736
Total recognised income and expense for the period		31,421	5,736
Transactions within the State in its capacity as owner		8,709	-
Total equity at end of financial year		127,714	84,428

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

Cash flow statement

for the financial year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Receipts from Government		1,047,015	1,001,628
Receipts from other entities		24,121	24,865
GST recovered from the ATO		13,347	10,904
GST paid to the ATO		(1,611)	(1,069)
Interest received		7,601	4,196
Payments to suppliers and others		(14,055)	(13,595)
Payments to service providers		(1,039,088)	(1,021,307)
Net cash flow from/(used in) operating activities	15(a)	37,330	5,622
Cash flows from investing activities			
Payment for property plant and equipment		(556)	-
Net cash flow from/(used in) investing activities		(556)	-
Net increase/(decrease) in cash and cash equivalents		36,774	5,622
Cash and cash equivalents at the beginning of the financial year		84,505	78,883
Cash and cash equivalents at the end of the financial year	15(b)	121,279	84,505

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

(A) Statement of compliance

This general purpose financial report has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS), interpretations and other mandatory professional requirements.

The financial report also complies with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) by the Minister for Finance.

(B) Basis of preparation

The financial report has been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. 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.

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.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented in the financial report for the year ended 30 June 2007.

(C) Reporting entity

The Victorian Learning and Employment Skills Commission was renamed as Victorian Skills Commission as of 1 July 2007 pursuant to the *Education and Training Reform Act 2006*.

The Victorian Skills Commission is a Statutory Authority under the *Education and Training Reform Act 2006*. The Victorian Skills Commission reports separately to Parliament through the Minister for Skills and Workforce Participation.

The financial statements include all activities of the Victorian Skills Commission for the year ended 30 June 2008.

(D) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, or in some instances, to the nearest dollar.

(E) Revenue recognition

State and Commonwealth Governments' grants over which the Commission gains control during a reporting period are recognised as revenue of that reporting period consistent with Australian Accounting Standard AASB 118 "Revenue" 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.

Interest revenue includes interest received on bank term deposits and interest from investment with Victorian Treasury Corporation. Interest is recognised on a time proportionate basis and takes into account the effective yield on the financial asset.

Rental income is recognised on a time proportionate basis and is brought to account when the Commission's right to receive the rental is established.

(F) Grants payments

The Commission and each TAFE Institution sign an individual performance agreement annually to determine training outcomes and capital expenditure requirements. Based on this agreement, twice-monthly payments are made to TAFE Institutions. The Commission has sophisticated reporting mechanisms in place to monitor training delivery, and there are agreed policies to ensure that the State and Commonwealth grants are used to achieve the two levels of Governments' objectives.

(G) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, deposits at call and highly liquid investments with an original maturity of 3 months or less, 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 current interest bearing liabilities on the balance sheet.

(H) Acquisitions of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(I) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to its estimated residual value. Estimates of remaining useful lives are reviewed at least annually. The expected useful lives are as follows:

	2008	2007
Computers and peripheral equipment	3 years	3 years
Furniture, fittings and office equipment	5–10 years	5–10 years
Buildings	40 years	N/A

(J) Receivables

Receivables consist predominantly of debts in relation to goods and services, accrued investment income and GST input tax credits receivable.

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

A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

(K) Leased non-current assets

At reporting date:

- No assets subject to a finance lease were held;
- No incentives had been received on entering into operating leases; and
- No surplus leased space existed under non-cancellable operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the period of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

(L) Non-current assets constructed by the Commission

There were no assets being constructed by the Commission at the reporting date.

(M) Payables

Payables consist predominantly of creditors and other sundry liabilities.

These amounts represent liabilities for goods and services provided to the Commission prior to the end of the financial year. The liabilities are unsecured and are usually paid within 30 days of recognition.

(N) 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.

(O) Employee benefits

All employees of the Commission are deemed to be employees of the Department of Innovation, Industry and Regional Development 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 operating statement.

(P) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of an 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 included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(Q) Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments in unlisted securities are recognised at cost, and dividend income is recognised as revenue when receivable. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(R) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2008, a number of standards and interpretations applicable to the Commission had been issued but were not mandatory for financial years ending 30 June 2008. The Commission has not and does not intend to adopt these standards early. Please see Note 16 for details of these standards and interpretations.

(S) Valuation of non current assets

Non current physical assets measured at fair value are revalued in accordance with the Financial Reporting Direction FRD 103C on non current physical assets.

The revaluation process normally occurs every five years, based upon the assets' Government Purpose Classification. Revaluation increments or decrements arise from differences between carrying value and fair value.

Land and buildings were revalued by Landlink Valuation and Advisory Services at fair value as of 30 June 2008. This resulted in an increment of \$3,156,000 in the fair value of land and a decrement of \$3,087,685 in the fair value of buildings.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of assets previously recognised as an expense in the net result, the increment is recognised as income in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, where a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are off set against one another within that class, but are not off set in respect of assets in a different class.

Note 2: Revenue

(a) Revenue from operating activities

	2008 \$'000	2007 \$'000
(i) Grants revenue		
State Government grants		
Recurrent grants	717,347	676,112
Capital grants	41,554	34,492
	758,901	710,604
Commonwealth Government grants		
Recurrent grants	259,497	248,035
Capital grants	43,395	42,989
	302,892	291,024
Total grants revenue	1,061,793	1,001,628
(ii) Specific purpose revenue		
Revenue from projects that require specific outcomes		
Commonwealth projects	15,565	14,422
State Government projects	8,086	8,456
Total specific purpose revenue	23,651	22,878
Total revenue from operating activities	1,085,444	1,024,506
(b) Other income		
Interest	7,601	4,196
Rent	365	–
Other	106	729
Total other income	8,072	4,925
Total revenue from ordinary activities	1,093,516	1,029,431

Mr. Warren Hodgson and later Mr. Howard Ronaldson, as Secretary of the Department of Innovation, Industry and Regional Development, had responsibility for the disbursement of grants to the Commission. The total amount of grants made by the Department in 2007–08 was \$758,900,461 (2006–07:\$710,603,626).

Note 3: Expenses

Net expenses

Result from continuing operations includes the following net expenses:

Depreciation

	2008 \$'000	2007 \$'000
Buildings	62	–
Furniture, fittings and office equipment	4	6
Computers and peripherals	267	187
Total depreciation	333	193
Rental expense relating to operating leases		
Minimum lease payments	57	75
Total rental expense relating to operating leases	57	75

Note 4: Receivables

	2008 \$'000	2007 \$'000
Trade receivables	16,538	4,142
GST receivable from ATO	4,049	55
	20,587	4,197

The receivables were determined to be current and not impaired.

Note 5: Property, plant & equipment

	2008 \$'000	2007 \$'000
Land at fair value	7,800	–
	7,800	–
Buildings		
At fair value	977	–
At cost	32	–
Less: Accumulated depreciation	(2)	–
	1,007	–
Computers and peripheral equipment		
At cost	953	1,562
Less: Accumulated depreciation	(566)	(1,432)
	387	130
Office equipment and furniture		
At cost	64	64
Less: Accumulated depreciation	(64)	(60)
	(0)	4
Total property, plant and equipment	9,194	134

Reconciliations

	Land and Buildings	Computers	Office equipment & furniture	Total
2008	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	–	130	4	134
Additions	8,741	524	–	9,265
Disposals	–	–	–	–
Net revaluation increments/(decrements)	68	–	–	68
Depreciation and amortisation	(2)	(267)	(4)	(273)
Carrying amount at end of year	8,807	387	–	9,194
2007				
Carrying amount at start of year	–	320	7	327
Additions	–	–	–	–
Disposals	–	(2)	–	(2)
Net revaluation increments/(decrements)	–	–	–	–
Depreciation and amortisation	–	(188)	(3)	(191)
Carrying amount at end of year	–	130	4	134

Note 6: Payables

	2008 \$'000	2007 \$'000
Trade creditors and accruals	24,809	4,408
Total trade creditors	24,809	4,408

Note 7: Equity and movements in equity

	2008 \$'000	2007 \$'000
(a) Contributed Capital		
Balance at the beginning of the reporting period	14,350	14,350
Transactions within the State in its capacity as owner	8,709	–
Balance at the end of the reporting period	23,059	14,350
(b) Revaluation Reserve		
Reserve arising due to land revaluation	3,156	–
Balance at the end of the reporting period	3,156	–
(b) Accumulated Surplus		
Balance at the beginning of the reporting period	70,078	64,342
Net surplus/(deficit) for the reporting period	31,421	5,736
Balance at the end of the reporting period	101,499	70,078
Total equity at the end of the reporting period	127,714	84,428

Note 8: Financial instruments

8 (a) Terms, Conditions and Accounting Policies

The Commission's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at reporting date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Financial Assets			
• Cash and cash equivalents – cash at bank and on hand	15(b)	Cash at bank is carried at the nominal amount.	Cash is invested as funds permit at varying interest rates between 5.67% and 7.1%.
• Cash and cash equivalents – deposits at call	15(b)	Deposits at call are carried at their nominal amounts. Interest revenue is recognised in the operating statement when it is earned.	Deposits at call have an average maturity of 41 days and effective interest rates of 5.67% to 7.1% (2006 – 5.56% to 6.37%).
• Receivables	4	Trade debtors are carried at nominal amounts due, less any allowance for doubtful debts. An allowance for doubtful debts is maintained to recognise that collection of the full nominal amount is no longer probable.	
• Receivables – Other debtors	4	Other debtors are carried at the nominal amounts.	Credit sales are on 30-days term.
Financial Liabilities			
• Payables – Creditors and Accruals	6	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Commission.	Trade liabilities are settled as required.

8 (b) Financial Risk Management

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

Risk Exposures

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

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 detailed in note 8(d), see page 36.

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.

8 (c) Interest Rate Exposures

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

2008	Floating interest	Fixed interest maturing in:			Current Non-interest bearing	Total
		1 year or less	1-5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	27,350	93,929	–	–	0	121,279
Receivables	–	–	–	–	20,587	20,587
	27,350	93,929	0	0	20,587	141,866
Weighted average interest rate	7.1%	7.09%				
Financial liabilities						
Creditors and accruals	0	0	0	0	24,809	24,809
	0	0	0	0	24,809	24,809
Net financial assets (liabilities)	27,350	93,929	0	0	(4,222)	117,057
Weighted average interest rate	7.1%	7.09%				

2007	Floating interest	Fixed interest maturing in:			Current Non-interest bearing	Total
		1 year or less	1-5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	20,000	33,000	–	–	31,505	84,505
Receivables	–	–	–	–	4,197	4,197
	20,000	33,000	0	0	35,702	88,702
Weighted average interest rate	6.43%	6.21%				
Financial liabilities						
Creditors and accruals	0	0	0	0	4,408	4,408
	0	0	0	0	4,408	4,408
Net financial assets (liabilities)	20,000	33,000	0	0	31,294	84,294
Weighted average interest rate	6.43%	6.21%				

8 (d) Market Risk Sensitivity Analysis

The sensitivity analysis 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 movement of 1% in interest rates is reasonable over the next 12 months.

	Carrying Amount		Interest Rate Risk			
			-1%		+1%	
	Current rate (%)	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2008						
Financial Assets						
Cash and cash equivalents	7.1	21,997	-220	-220	220	220
Cash assets – Deposits at call	7.1	5,353	-53	-53	53	53
Term Deposits	7.09	93,929	-910	-910	910	910
Total Increase/(Decrease)			-1,183	-1,183	1,183	1,183

	Carrying Amount		Interest Rate Risk			
			-1%		+1%	
	Current rate (%)	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2007						
Financial Assets						
Cash and cash equivalents	6.43	30,217	-302	-302	302	302
Cash assets – Deposits at call	6.43	1,288	-13	-13	13	13
Term Deposits	6.21	53,000	-530	-530	530	530
Total Increase/(Decrease)			-845	-845	845	845

8 (e) 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.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

8 (f) Credit Risk

The Commission minimises concentrations of credit risk in relation to trade accounts receivable, by undertaking transactions with a large number of customers. The majority of customers are concentrated in Australia, and the debts relate to the provision of Vocational Education and Training services to industry and the community. The Commission continues to provide training facilitation to TAFE Institutions 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.

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

- payment terms are 30 days from date of invoice.
- 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.

The Commission has no material receivables which are past due or impaired.

8 (g) Liquidity Risk

Liquidity Risk is the risk 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.

Note 9: 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. Jacinta Allan, MP 1 July 2007 to 30 June 2008

Commission Members

Mr. Peter Thomas AM (Chair)	1 July 2007 to 30 June 2008
Ms Gillian Robertson	1 July 2007 to 30 June 2008
Ms Rowena Allen	1 July 2007 to 30 June 2008
Mr Stuart Hamilton AO	1 July 2007 to 30 June 2008
Ms Lynne Wannan	1 July 2007 to 30 June 2008
Ms Megan Lilly	1 July 2007 to 30 June 2008
Mr. Julius Roe	1 July 2007 to 30 June 2008
Mr John Sharkey AM	18 December 2007 to 30 June 2008
Mr Peter Coyne	10 June 2008 to 30 June 2008
Mr. Warren Hodgson	1 July 2007 to 13 May 2008
Mr. Howard Ronaldson	14 May 2008 to 30 June 2008

Accountable Officer

Mr. Warren Hodgson	1 July 2007 to 13 May 2008
Mr. Howard Ronaldson	14 May to 30 June 2008

Accountable Officer's remuneration

The accountable officer's remuneration was paid by the Department of Innovation, Industry and Regional Development and is included in their respective Annual Financial Report for 2007–08.

Amounts relating to the Minister are included in the financial report of the Department of Premier and Cabinet.

The Commission Members' remuneration

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

2008	2007
\$128,760	\$134,881

The Department of Innovation, Industry and Regional Development 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	2008	2007
\$0–\$9,999	2	1
\$10,000–\$19,999	6	7
\$20,000–\$29,999	0	0
\$30,000–\$39,999	1	1
Total	9	9

Note 10: Remuneration of Executives

There were nine Executive Officers whose remuneration exceeded \$100,000 during the reporting period, which is disclosed in the Annual Financial Reports (2007–08) of the Department of Innovation, Industry and Regional Development.

Note 11: Remuneration of auditors

Paid or Payable at 30 June – Victorian Auditor-General's Office

2008 \$'000	2007 \$'000
43,500	40,300

Note 12: Contingent liabilities and contingent assets

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

Note 13 Commitments for expenditure

(a) Operating lease commitments

	2008 \$'000	2007 \$'000
Payable within one year	15	15
Payable later than one year but not later than 5 years	0	0
	15	15

These commitments refer to leases the Commission has entered into for photocopiers.

(b) Capital expenditure commitments

	2008 \$'000	2007 \$'000
Payable within one year	64,815	53,908
Payable later than one year but not later than 5 years	20,549	1,763
	85,364	55,671

(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:

	2008 \$'000	2007 \$'000
Payable within one year	68,860	64,956
Payable later than one year but not later than 5 years	27,131	17,800
	95,991	82,756

Note 14: 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 15: Cash flow reconciliation

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

	2008 \$'000	2007 \$'000
Results from ordinary activities	31,421	5,736
Depreciation and amortisation	333	191
Non cash items affecting operating statement	3,028	–
Loss on disposal of property plant and equipment	–	2
(Increase)/decrease in other assets	(1,463)	–
Increase/(decrease) in payables	20,401	(496)
(Increase)/decrease in receivables	(16,390)	189
Net cash inflow/(out flow) from operating activities	37,330	5,622

(b) Reconciliation of cash and cash equivalents

	2008 \$' 000	2007 \$' 000
Cash at bank	21,997	30,217
Term deposits	99,282	54,288
Total cash balance	121,279	84,505

Note 16: New accounting standards and interpretation

The Commission has not, and does not intend to adopt the following standards as at 30 June 2008 or earlier than the mandatory starting date:

Standard / Interpretation	Summary	Applicable for annual Reporting periods beginning or ending on	Impact on Commission's Financial Statements
Revised AASB 1004: Contributions	AASB decided to relocate requirements on contributions from AAS 27, AAS 29 and AAS 31, substantively unamended, into AASB 1004 as part of its short-term review of AAS 27, AAS 29 and AAS 31.	Beginning 1 Jul 2008	Impact expected to be insignificant.
AASB 1052: Disaggregated Disclosures	AASB decided to relocate requirements relating to reporting of disaggregated information from AAS 27 and AAS 29 into AASB 1052, a new topic-based standard, as part of its short-term review of AAS 27, AAS 29 and AAS 31.	Beginning 1 July 2008	Impact expected to be insignificant.
AASB 2007-09: Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31	An accompanying amendment standard to amend existing accounting standards as part of its short-term review of AAS 27, AAS 29 and AAS 31 in December 2007.	Beginning 1 July 2008	Impact expected to be insignificant.
Revised Interpretation 1038: Contributions by Owners made to Wholly-Owned Public Sector Entities	Editorial amendments to Interpretation 1038 due to changes to AASB 1004.	Beginning 1 July 2008	Impact expected to be insignificant.
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101	Editorial amendments to Australian Accounting Standards to align with IFRS terminology.	Beginning 1 Jan 2009	Impact expected to be insignificant.

Prospective accounting changes

GAAP-GFS Convergence

The AASB has recently approved AASB 1049: Whole of Government and General Government Sector Financial Reporting, which will apply to future financial reports of the Victorian general government sector. In October 2007, the AASB extended AASB 1049 to also apply to financial reports of the Whole of Government economic entity. The standard, which will be applicable for annual reporting periods beginning on or after 1 July 2008, converges Australian Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) reporting. It also includes additional disclosure requirements. The effect of any changes to recognition or measurement requirements as a result of this new standard is being evaluated.



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Annual Report 2007–08

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 operating statement, balance sheet, statement of changes in equity, cash flows statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2008 and financial position of the Victorian Skills Commission as at 30 June 2008.

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

We authorize the attached financial report for issue on 2 September 2008.

A handwritten signature in black ink, appearing to read 'Rowena Allen'.

Rowena Allen
Commission Member
Victorian Skills Commission
Date 19 September 2008

A handwritten signature in black ink, appearing to read 'Howard Ronaldson'.

for
Howard Ronaldson
Accountable Officer
Victorian Skills Commission
Date 19 September 2008

INDEPENDENT AUDITOR'S REPORT

To the members of the Victorian Skills Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Victorian Skills Commission which comprises an operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's declaration has been audited.

The Members Responsibility for the Financial Report

The Members of the Victorian Skills Commission are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of the Victorian Skills Commission for the year ended 30 June 2008. The Members of the Victorian Skills Commission are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Victorian Skills Commission web site.

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.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Skills Commission as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
22 September 2008



D D R Pearson
Auditor-General

Appendices

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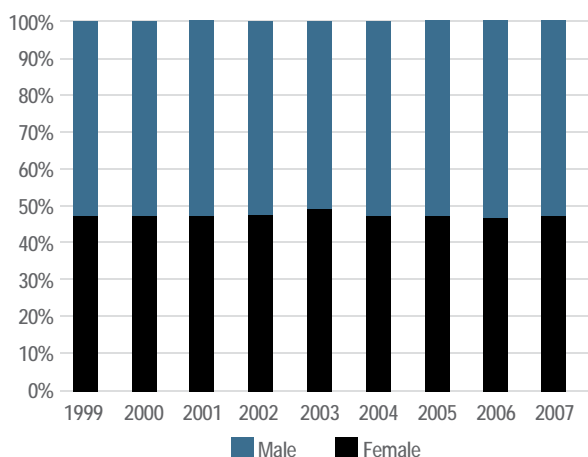
Appendix 1:

The State Training System

As at June 2008, the State Training System, with the VSC as the State training agency, included 18 TAFE institutions (including four TAFE divisions within universities), 1345 registered training organisations (including 119 schools), close to 380 ACE organisations and 16 Industry Training Advisory Bodies. In 2007, students at 594 schools were enrolled in Vocational Education and Training in Schools programs.

The proportion of women participating in VET programs in the Victorian State Training System and the proportion of delivery of training delivered to women are indicated in the graph below.

Proportion of Women in VET in Victoria – 1999 to 2007
(Based on student numbers)



TAFE institutions

At 30 June 2008, the Victorian TAFE institution network comprised 14 TAFE Institutions and four TAFE divisions in universities. All institutions are funded by the Government to provide training and further education.

TAFE Institutions and multi-sector TAFE providers at 30 June 2008 were:

- Bendigo Regional Institute of TAFE
- Box Hill Institute of TAFE
- Central Gippsland Institute of TAFE
- Chisholm Institute of TAFE
- 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
- Royal Melbourne Institute of Technology (TAFE Division)
- South West Institute of TAFE
- Sunraysia Institute of TAFE
- Swinburne University of Technology (TAFE Division)
- University of Ballarat (TAFE Division)
- Victoria University of Technology (TAFE Division)
- William Angliss Institute of TAFE
- Wodonga Institute of TAFE

TAFE institutions provide skills training in the following areas:

- operative/clerical
- trades
- professional/paraprofessional.

The education and skills training provided through these organisations includes:

- 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.

Courses are accredited under the Australian Qualifications Framework. 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. Such arrangements are consistent with the major role of TAFE institutions in providing part-time award courses, stand-alone modules and short, non-award courses.

Seven TAFE institutions act as Curriculum Maintenance Managers, providing advice on national training packages and state VET products. These institutions play an important role in reviewing training packages, updating and reviewing curriculum, and providing advice on curriculum for their industry sectors.

TAFE Governance

Under the *Education and Training Reform Act 2006*, TAFE institutions are self-governing. Each of Victoria's TAFE institutions has distinct characteristics that reflect its local community and industry base, its size, region and the nature of the courses it offers.

Each year, TAFE institutions enter into Performance Agreements with the VSC. These agreements commit the institutions to deliver specific programs, achieve certain targets and comply with system-wide policies.

The Department of Innovation, Industry and Regional Development coordinates the preparation and tabling of each TAFE institution's annual report in the Victorian Parliament. The annual reports for 2007 reflect a sector in good financial health with a funded surplus of \$87.5 million (2006: \$92.4 million). A full report on the activities of each TAFE institution is contained in its own annual report.

The 2005 TAFE Governance Review identified as a level-one priority that a state-wide training program be established for members of TAFE institution boards. Building on work in 2005–06 and 2006–07, in 2007 a Good Governance Victoria workshop was delivered on Risk Management to all TAFE institution boards.

Sources of TAFE institution funding

TAFE institutions, in keeping with their client focus, complement their government-funded provision with services purchased by industry. Such training is designed to meet the needs of individuals, enterprises and industry and the requirements of lifelong learning in the workplace. TAFE institutions are increasingly customising their products and services, including flexible delivery to meet the needs of their clients.

Regulation

During the period, the VSC had responsibility for the allocation of funding for vocational education and training and regulation of the Victorian apprenticeship and traineeship system. The regulation of TAFE institutions and registered training organisations was managed by the Victorian Registration and Qualifications Authority (VRQA). The VRQA is an independent statutory authority and reports separately to Parliament.

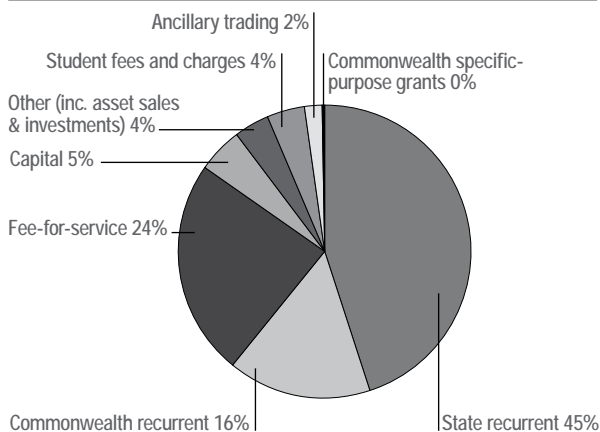
Appendix 2: Risk Attestation

I, Rowena Allen, Acting Chair of the VSC, 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 Board verifies this assurance and that the risk profile of the VSC has been critically reviewed within the last 12 months.



Rowena Allen
Acting Chairperson

Sources of VET funding – Victoria 2007
(% share)



Data Source: NCVET 2007 Financial Reports

Appendix 3: TAFE Capital Resources

Asset management

The TAFE asset portfolio is made up of over 1055 buildings worth approximately \$2.1 billion. The age of the asset portfolio ranges from new to over 100 years old. The average age of the building stock is approximately 23 years.

The Minister's statewide property portfolio responds to the requirements of the various TAFE institutions and Government. The ongoing property management program deals with asset disposals declared surplus by TAFE institutions and property acquisitions where Government determines that a need exists to expand the TAFE system.

Asset investment

In 2007–08, major capital developments commenced at:

- Bendigo Regional Institute of TAFE
- Central Gippsland Institute of TAFE
- Goulburn Ovens Institute of TAFE
- Northern Melbourne Institute of TAFE
- South West Institute of TAFE
- William Angliss Institute of TAFE.

Major works were completed at:

- Chisholm Institute of TAFE
- Kangan Batman Institute of TAFE
- Victoria University (TAFE Division)
- Wodonga Institute of TAFE.

State capital infrastructure funding, which included the replacement of teaching equipment, enabled TAFE institutions to keep pace with new and emerging technology. Teaching equipment is aligned to industry standards, which ensures that students are well prepared for the workplace.

Asset disposal

The former TAFE campus in Queensberry Street, North Melbourne was disposed of.

TAFE capital works projects: Completed

Victorian Government funded

In 2007–08, the following Victorian Government-funded projects were completed:

- the construction of the National Centre for Sustainability, Environmental Design and Land Management at Swinburne University's Wantirna campus.

Australian Government funded

The following projects funded by the Australian Government through the Department of Education, Employment and Workplace Relations were completed in 2007–08:

- the Centre for integrated Engineering and Science at the Dandenong campus of Chisholm Institute of TAFE
- the upgrade of the Television Studio at the Collingwood campus of Northern Melbourne Institute of TAFE
- consolidation of Engineering and IT Studies at the Footscray and Sunshine campuses of Victoria University (TAFE Division)
- relocation and consolidation of fashion programs at the Richmond campus of Kangan Batman Institute of TAFE
- Tourism and Hospitality redevelopment – Wodonga campus, Wodonga Institute of TAFE.

TAFE capital works projects: For Construction

Victorian Government funded

The following projects were funded by the Victorian Government in 2007–08:

- Stage 2 of the Kangan Batman Institute of TAFE Automobile Centre of Excellence at Docklands
- redevelopment of the Charleston Road campus of the Bendigo Regional Institute of TAFE
- redevelopment of the Epping campus of Northern Melbourne Institute of TAFE
- development of the Nursing Skills Centre of Excellence for Box Hill Institute of TAFE
- redevelopment of Building H, Gordon Institute of TAFE East Geelong Campus to accommodate the relocation of all programs and administrative functions from Deakin University at Waurn Ponds.

Australian Government funded

The following projects were funded by the Australian Government through the Department of Education, Employment and Workplace Relations and were being undertaken in 2007–08:

- Stage 3 development of the Warrnambool campus of South West Institute of TAFE
- new link building at the William Angliss Institute of TAFE
- redevelopment of Building Q at the Fairfield campus of Northern Melbourne Institute of TAFE
- development of a new Primary Industries Centre at Wangaratta for Goulburn Ovens Institute of TAFE
- a new campus at Leongatha for Central Gippsland Institute of TAFE
- upgrade of Building W on the Dandenong campus of Chisholm Institute of TAFE.

Appendix 4: Freedom Of Information

The Freedom of Information Service under the *Freedom of Information Act 1982 (Fol Act)* is maintained by the Department of Innovation, Industry and Regional Development (DIIRD) on behalf of the VSC.

Requests for documents under the Fol Act commonly relate to policy matters, programs, projects, proposals, consultancies and contracts.

In 2007–08, the VSC received no requests for information under the Fol Act.

Making a Request

The *Fol Act* gives members of the public the right to apply for access to information in documentary form held by the Department and portfolio ministers.

Contact Details

Department's Principal Officer is Howard Ronaldson, Secretary

Department of Innovation, Industry and Regional Development

Level 31,
121 Exhibition Street,
Melbourne VIC 3000.

The Fol Officers' contact details are below:

Dermuid McCabe

Manager, Freedom of Information & Privacy Business Advisory Services, Corporate Services and Development

Department of Innovation, Industry and Regional Development

GPO Box 4509, Melbourne VIC 3001.

Telephone 9651 9749 or 9651 9554

Facsimile 9651 9129

Email foi@diird.vic.gov.au

Further information or assistance on how to lodge a request under the Fol Act can be obtained from Fol Online at www.foi.vic.gov.au

Appendix 5: Whistleblower

The VSC has nominated the Department of Innovation, Industry and Regional Development (DIIRD) as its agent to accept and investigate any disclosures made under the *Whistleblowers Protection Act 2001* (the Act) concerning VSC Members and Secretariat staff. Department procedures for managing disclosures made under the Act are detailed below.

The Department did not receive any 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 Department for investigation during 2007–08.

The Act encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Department does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment. The Department will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

Reporting procedures

Disclosures of improper conduct or detrimental action by VSC Members or Secretariat staff may be made to the following persons within the Department of Innovation, Industry and Regional Development:

The Department's Protected Disclosure Coordinator is:

Vivienne Stanford

Director, Corporate Governance and Administration

Department of Innovation, Industry and Regional Development

Level 31, 121 Exhibition Street
Melbourne Vic 3000

Tel: 9651 9862

Email: vivienne.stanford@diird.vic.gov.au

The Department's Protected Disclosure Officers are:

Lee Watts

Level 3, 2 Treasury Place
East Melbourne Vic 3002

Tel: 9637 2261

Email: lee.watts@diird.vic.gov.au

David Latina

Level 34, 121 Exhibition Street
Melbourne Vic 3000

Tel: 9651 9768

Email: david.latina@diird.vic.gov.au

You can also make your complaint or provide information directly to the Ombudsman.

The Ombudsman, Mr George Brouwer

Level 22, 459 Collins Street
Melbourne Vic 3000 (DX 210174)

Tel: 9613 6202

Toll Free: 1800 806 314

Email: ombudvic@ombudsman.vic.gov.au

Internet: www.ombudsman.vic.gov.au

Disclosures can be made in writing or made orally. You may also provide information anonymously.

Disclosures made under the Whistleblowers Protection Act 2001

Disclosures made to DIIRD during the 2007–08 financial year	0
Disclosures referred during the year by DIIRD to the Ombudsman for determination as to whether they are public interest disclosures	0
Disclosed matters referred to DIIRD during the year by the Ombudsman	0
Disclosed matters referred during the year by DIIRD to the Ombudsman to investigate	0
Investigations of disclosed matters taken over by the Ombudsman from DIIRD during the year	0
Requests made under section 74 during the year to the Ombudsman to investigate disclosed matters	0
Disclosed matters that DIIRD has declined to investigate during the year	0
Disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	0
Any recommendations of the Ombudsman under this Act that relate to DIIRD	0

Appendix 6: Other Statutory Reporting Requirements

Disclosure of major contracts and consultancies

During the year ended 30 June 2008, 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 2007–08 were as follows:

- *consultancies in excess of \$100,000*: There were no consultancies where expenditure incurred by the VSC during 2007–08 was greater than \$100,000
- *consultancies less than \$100,000*: Three consultancies, for each of which the total expenditure incurred during the year was less than \$100,000, were engaged, at a total cost for the year of \$137,986.05 including GST.

Compliance with Building Act

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.

Skills Victoria has responsibility for over 1055 buildings in the TAFE asset portfolio. Land, buildings and service infrastructure are vested in the name of individual TAFE Institutions for their day-to-day management and maintenance. 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 Victorian Skills Commission are deemed to be employees of the Department of Innovation, Industry and Regional Development (DIIRD). The 2007–08 DIIRD 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 on www.diird.vic.gov.au

Human Rights and Responsibilities Charter

Since 1 January 2008, The Charter of Human Rights and Responsibilities has been fully operational at the Victorian Skills Commission.

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 Victorian Skills Commission (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) a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VSC
- (b) details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary;
- (c) details of publications produced by the VSC about the activities of the VSC and where they can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the VSC for its services, including services that are administered
- (e) details of any major external reviews carried out in respect of the operation of the VSC
- (f) 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 which contains the financial report and Report of Operations
- (g) details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- (h) details of major promotional, public relations and marketing activities undertaken by the VSC to develop community awareness of the services provided by the VSC
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations
- (j) 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
- (k) 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, Tel: 9637 3784.

Appendix 7: Disclosure Index

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

Ministerial directions

Legislation Requirement Page reference

Report of Operations

Charter and purpose

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Management and structure

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FRD 22B	Statement on National Competition Policy	49
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	48
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FRD 25	Victorian Industry Participation Policy disclosures	n/a
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Financial Report

Financial statements required under Part 7 of the FMA

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SD4.2(b)	Operating Statement	24
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SD4.2(b)	Cash flow Statement	26

Other requirements under Standing Directions 4.2

SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	28
SD4.2(c)	Compliance with Ministerial Directions	n/a
SD4.2(d)	Rounding of amounts	28
SD4.2(c)	Accountable officer's declaration	41
SD4.2(f)	Compliance with Model Financial Report	28

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	37

Legislation

<i>Freedom of Information Act 1982</i>	48
<i>Building Act 1983</i>	49
<i>Whistleblowers Protection Act 2001</i>	48-49
<i>Victorian Industry Participation Policy Act 2003</i>	n/a
<i>Financial Management Act 1994</i>	28, 37, 41, 42, 49
<i>Multicultural Victoria Act 2004</i>	49

Note: material not available in this report is included in the Department of Innovation, Industry and Regional Development Annual Report 2006–07



Victorian Skills Commission
L3/ 2 Treasury Place East Melbourne
PO Box 266 Melbourne Victoria 3001

Contact VSC Secretariat
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Facsimile: (03) 9637 3641
Email: vsc@diird.vic.gov.au