October 2006

Lynne Kosky, MP
Minister for Education and Training
2 Treasury Place
East Melbourne Victoria 3002

Dear Minister

On behalf of the Victorian Learning and Employment Skills Commission (VLESC) I am pleased to submit the annual report for the year 2005–06 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, 2005–06 has seen major achievements in relation to post-compulsory education in the school and vocational education and training (VET) sectors.

In 2005, TAFE, adult community education (ACE) and private providers delivered vocational education and training to approximately 484,000 students. A total of 100,144 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 VLESC Priorities Framework.

In 2005, the education, training and employment outcomes of 24,300 young people were influenced by Local Learning and Employment Networks (LLENs). The VLESC implemented recommendations for the continuation and future development of the LLEN initiative, including a new funding model and strategies for the ongoing management of the LLENs.

This year the VLESC said farewell to Ms Pat Forward. I wish to thank her for her valuable contribution to the work of the VLESC. The VLESC welcomed Ms Gillian Robertson as a new member.

Much of the VLESC's work is delegated to Department of Education & Training officers who report regularly to the VLESC. I would like to thank them for their work, and express our appreciation of the efforts of all the organisations and individuals that work with the VLESC to improve the education and training outcomes of Victorians.

Yours sincerely

Peter Thomas AM
CHAIR
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### Acronyms and abbreviations

### Contents
At a glance

• The VLESC plays a critical role in delivering vocational education and training in Victoria and providing advice on post-compulsory education and training in pursuit of the Government’s goals and targets for post-compulsory education and training.
• In 2005, TAFE, ACE and private providers delivered approximately 484,000 students with 79.9 million government-funded student contact hours of vocational education and training.
• Close to 72,000 students aged 15–19 undertook government-funded vocational education and training in TAFE institutes, and in ACE and private registered training organisations.
• In 2005, 100,144 people were enrolled in government-funded apprenticeship or traineeship places.
• The future directions for vocational education and training as outlined in Knowledge & Skills for the Innovation Economy continued to drive reform in the Victorian VET sector in 2005–06. In the context of an ageing demographic and tight labour market, implementation of the Ministerial Statement agenda included:
  – significant shifts of the training delivery profile to high-need, high-priority industries and occupations, based on the VLESC Priorities Framework
  – closer working relationships with firms, including small-to-medium enterprises as realised through a realignment of a selection of Victoria’s Industry Training Advisory Bodies and the operation of the Industry Liaison Agents.
• The VLESC’s post-compulsory policy framework was strengthened through improved understanding of young people’s pathways and better connections between school and VET. It was supported by research into the resourcing, provision and quality of VET in Schools.
• The VLESC entered into new performance and funding agreements with the 31 LLENs for the period 2006 to 2008. In 2005, the LLENs brokered partnerships and initiatives to improve the education, training and employment outcomes of 24,300 young people. In partnership with the LLENs, the VLESC has embarked on a range of LLEN improvement strategies including sharing of good practice and improved stakeholder feedback.
• The Managed Individual Pathways (MIPs) program in government secondary schools has been reviewed, resulting in an improved funding model, enhanced accountability arrangements, the promulgation of a good practice framework and the conduct of a professional development program.
• During 2005–06, the VLESC commissioned research projects to guide improvements in training delivery to young people in TAFE and ACE in relation to the provision of appropriate training places, provision of supportive environments to maximise successful outcomes and improved teaching for the post-compulsory cohort. The recommendations of these projects will be implemented in the coming year.
• During 2005–06 the VLESC strengthened the governance context in which it discharged its functions through improved risk management, improving its outcomes monitoring responsibility, strategic partnerships and stakeholder engagement, and instigating a Board assessment process.
Summary of financial results

The table below shows information on the Commission’s financial results and financial position for 2005–06 and comparisons with the preceding four years.

Summary financial information

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<tr>
<td>Revenue from State Government</td>
<td>1 668.2</td>
<td>620.5</td>
<td>591.7</td>
<td>596.1</td>
<td>569.3</td>
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<td>Other revenue</td>
<td>2 310.9</td>
<td>301.4</td>
<td>314.7</td>
<td>293.4</td>
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<td>Total operating revenue</td>
<td>3 979.1</td>
<td>921.9</td>
<td>906.4</td>
<td>889.5</td>
<td>840.3</td>
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<td>Operating expenses</td>
<td>4 (-20.9)</td>
<td>3.8</td>
<td>(-6.7)</td>
<td>4.9</td>
<td>(-21.2)</td>
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<tr>
<td>Total assets</td>
<td>5 83.6</td>
<td>103.7</td>
<td>103.6</td>
<td>112.9</td>
<td>114.3</td>
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<tr>
<td>Total liabilities</td>
<td>6 4.9</td>
<td>4.1</td>
<td>7.8</td>
<td>10.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Retained funds</td>
<td>7 78.7</td>
<td>99.6</td>
<td>95.8</td>
<td>102.6</td>
<td>108.9</td>
</tr>
<tr>
<td>Net cash inflow/(outflow)</td>
<td>8 (-20.5)</td>
<td>2.3</td>
<td>(-11.4)</td>
<td>11.6</td>
<td>(-7.6)</td>
</tr>
</tbody>
</table>

Source: Department of Education & Training

Notes refer to 2005–06 figures only

1 Revenue from State Government increased from $620.5 million in 2004–05 to $668.2 million in 2005–06, an increase of $47.7 million (7.7 per cent), comprising a $23.7 million (4.0 per cent) increase in current grants and $24.0 million (77.5 per cent) increase in capital grants.

2 Other revenue increased from $301.4 million in 2004–05 to $310.9 million in 2005–06, an increase of $9.5 million (3.2 per cent). This is due to an increase in Commonwealth grants revenue.

3 Total operating expenses increased from $918.1 million in 2004–05 to $1,000.0 million in 2005–06, an increase of $81.9 million (8.9 per cent). This is mainly due to increased payment of grants and specific purpose funds to TAFE institutes.

4 A deficit of $20.9 million has been recorded for 2005–06. This is mainly due to increased specific purpose and trust payments to TAFE institutes.

5 Total assets decreased from $103.7 million in 2004–05 to $83.6 million in 2005–06.

6 Total liabilities increased from $4.1 million in 2004–05 to $4.9 million in 2005–06.

7 The retained funds as at 30 June 2006 totalled $78.7 million, which largely related to funds held in trust accounts for specific purposes. The retained funds are either committed or in process of being committed to projects.

8 A $20.5 million net decrease in cash was recorded due to the deficit recorded for the period under review.
Governance arrangements

At a glance
About the Victorian Learning and Employment Skills Commission

Government goals and targets for education and training

The VLESC contributes to the achievement of the goals and targets set for education and training by the Government 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 just for the young but for all the community.

Functions

The VLESC provides policy advice and direction to the Minister for Education and Training on matters relating to post-compulsory education and training. Its functions are outlined in section 9 of the *Vocational Education and Training Act 1990*, amended in May 2001.

In summary, the VLESC:

- 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 LLENs.

Functions of the VLESC in relation to the 2005–2008 Commonwealth–State Training Funding Agreement

The VLESC is the state training agency for Victoria under the *Skilling Australia’s Workforce Act 2005*.

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

Goals

The VLESC has developed the following vision and mission statements to guide its work.

Vision

A high-quality Victorian post-compulsory education and training system that builds the knowledge and skills of Victorians, provides a dynamic and skilled workforce and underpins a strong and innovative economy and prosperous and sustainable society.

Mission

The VLESC will drive strategic change to improve the quality of post-compulsory education and training provided to individual Victorians and Victorian industry so that it:

- is more client-focused
- better balances competing priorities
- is more responsive
- is more innovative
- is more accessible.
Strategic Plan

The VLESC’s 2005–07 Strategic Plan identifies the following priorities:

• identify industry, community and individual needs for post-compulsory education and training, and employment
• advise on and influence resourcing for post-compulsory education and training
• determine and direct priorities for public investment in post-compulsory education and training
• enable the post-compulsory education and training system to deliver innovative, responsive learning opportunities
• improve information and knowledge regarding post-compulsory education and training
• develop strategic partnerships.

Key relationships

The VLESC:

• contracts TAFE institutes to provide training
• contracts private registered training organisations to provide training through the Priority Education and Training program
• contracts registered training organisations to provide training for apprentices and trainees through the Apprenticeship/Traineeship Training program
• supports the statewide network of 31 LLENs to improve education, training and employment outcomes of 15–19-year-olds
• maintains a close working relationship with the Commonwealth Department of Education, Science and Training
• works with Victorian industry training advisory bodies to identify the skills requirements of Victorian industry
• works with the Victorian Qualifications Authority, the Victorian Curriculum and Assessment Authority and the Department of Education & Training to improve the 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 VLESC’s actions are consistent with arrangements for the provision of adult, community and further education in Victoria.

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.

As part of the post-compulsory education and training system, the Victorian Certificate of Education (VCE) was offered at 318 government, 89 Catholic and 128 independent schools, 30 adult ACE and TAFE providers and five offshore providers. Three hundred and eighty providers offered the Victorian Certificate of Applied Learning (VCAL). The State Training System is detailed below.

The State Training System

As at June 2006, the State Training System, with the VLESC as the state training agency, included 14 TAFE institutes, four TAFE divisions within universities, 1191 registered training organisations, close to 400 ACE organisations and 16 industry training advisory bodies. In 2005, 557 government and non-government secondary schools also delivered vocational education and training through the VET in Schools program. The State Training System provides vocational education and training that leads to qualifications ranging from Certificate I to higher education degrees.

National arrangements for vocational education and training

The national VET system operates as a joint partnership between the Commonwealth, States and Territories. The VLESC is responsible for addressing Victoria’s government, industry and

See pages 43–46 for more information about the State Training System and pages 15–21 for more information about national arrangements for vocational education and training.

Members of the VLESC

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

Mr Peter Thomas AM
CHAIR
Mr Peter Thomas AM is Chair of the Victorian Learning and Employment Skills Commission. Mr Thomas is an Australian Industry Group Emeritus National Councillor and a Director of GUD Holdings Limited, Pacifica Group Limited and the Australian Retirement Fund. He was until recently Deputy Chancellor of RMIT University, and is past Chair of the Victorian Manufacturing Industry Consultative Council and the Melbourne Port Corporation. He retired in July 2000 after 41 years with Holden Limited. His senior appointments included Managing Director of Holden’s Engine Company and Executive Director of Planning and External Affairs.

MS ROWENA ALLEN
Appointment ended 1 December 2005
Re-appointed 28 March 2006
Ms Rowena Allen is the Chief Executive Officer of Cutting Edge – UnitingCare, an agency she established in the Goulburn Valley to work with disadvantaged and rurally isolated young people, their families and the broader community. Ms 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. Ms Allen is also a member of a Victorian Government Ministerial Advisory Committee on Gay and Lesbian Health.

Professor Gerald Burke
Professor Gerald Burke is Chair of the Victorian Qualifications Authority. Professor Burke is Executive Director of the Monash University – ACER Centre for the Economics of Education and Training and a member of the Faculty of Education at Monash University. He has undertaken research over a long period on the finance of education and training and on education and employment. He is a member of the Education and Training Statistics Advisory Committee of the Australian Bureau of Statistics and has consulted for a range of mainly government organisations in Australia and overseas.
Mr Neil Coulson
Mr Neil Coulson was appointed Chief Executive Officer of the Victorian Employers’ Chamber of Commerce and Industry (VECCI) in August 2001 – an employer group servicing over 25,000 Victorian businesses annually. In over a decade at VECCI, Mr Coulson has been Group General Manager of Policy and Strategy and General Manager of Business Services. His extensive experience in business management consulting has focused on human resource management and industrial relations and he has worked in a variety of industries, including heavy engineering construction, transport, local government and not-for-profit organisations.

Ms Patricia Forward
Appointment ended 1 December 2005
Ms Patricia Forward is the Federal Secretary, TAFE, Australian Education Union. Previous positions include working at a variety of Victorian TAFE institutes and La Trobe and Monash universities, and with trade union and community groups in Victoria and Queensland.

Mr Grant Hehir
Mr Grant Hehir was appointed Secretary, Department of Education & Training following a career in public sector budget management and policy development. Mr Hehir joined the Department of Treasury and Finance in 1998 as Deputy Secretary, Budget and Financial Management Division. In this role, he provided advice to the Government on State Budget strategy and management and advised on emerging policy issues. In early 2003, he joined the Department of Premier and Cabinet as Deputy Secretary, Strategic, Economic and Social Policy, advising the Premier on social and economic policy matters. Prior to moving to Melbourne, he worked in Canberra for the Commonwealth, holding senior positions in the Department of Finance and Administration.

Ms Megan Lilly
Ms Megan Lilly is currently the Associate Director – Education & Training for the Australian Industry Group. Prior to this she was the CEO of Business Services Training Australia, the national industry advisory board for the business services and related industry sectors. Before joining the national board she held several senior management positions in various Victorian TAFE institutes. Ms Lilly is currently a Director of Manufacturing Skills Australia, a member of the National Quality Council, a Board Member of Re-engineering Australia and a member of the National Skills Shortage Committee.

Ms Gillian Robertson
Appointed 28 March 2006
Ms Gillian Robertson is the Vice President, TAFE and Adult Provision sector, Australian Education Union Victoria. She has been a teacher in the VET sector for 14 years, a union sub-branch president, an Education Manager at Gordon Institute of TAFE, and is currently a member of the Community Services and Health Industry Training Board.
Mr Julius Roe
Mr Julius Roe is the national President of the Australian Manufacturing Workers Union. He 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. He 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. He is also a member of the executive of the International Metalworkers Federation and an alternate director of the Superannuation Trust Australia.

Audit and Risk Committee
The Audit and Risk Committee consists of an independent Chair, the Chair of the VLESC 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)
Mr Peter Thomas
Ms Patricia Forward
(VLESC member until 1 December 2005)
Ms Gillian Robertson
(VLESC member from 28 March 2006)
Mr Robert Maughan

Executive support
The VLESC is directly supported by a Secretariat that operates within the Department of Education & Training. Officers within the Department are delegated work related to the VLESC’s functions as the Victorian state training agency, the broader post-compulsory education and training system, and learning and teaching issues.

Ms Lynne Wannan
Ms 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. She has been an adviser to government at both the state and national levels and at local government level over 25 years. She has worked in the broad community and health services industry for the past 20 years. She was a founding member of the Western Institute, the inaugural Deputy Chancellor of Victoria University of Technology and convenor of the Victorian Women’s Consultative Council and is the Chair of the Adult, Community and Further Education Board.
Post-compulsory education and training

The VLESC provides advice to the Minister for Education and Training on post-compulsory education and training. In 2005–06, the VLESC’s advice to the Minister on a post-compulsory policy framework for young people aged 15–24 guided the work of the VLESC in further reform of post-compulsory education and training.

Local Learning and Employment Networks

The VLESC supports the statewide network of 31 LLENs. In late 2005, the VLESC entered into performance and funding agreements with the LLENs for the period 2006–08. The contracts include specific targets and performance measures for each LLEN.

LLENs bring together organisations and people who can make a difference to young people’s post-compulsory education, training and employment outcomes. LLENs establish local collaborative partnerships with schools, TAFE institutes, ACE providers, employers, unions, local government and youth support organisations.

In 2005, the LLENs brokered partnerships and initiatives between education and training providers to improve the education, training and employment outcomes of over 24,300 young people.

Following an external review of the LLENs initiative, the VLESC recommended a framework to the Minister for Education and Training for the continued development of the initiative. The framework has been progressively implemented in 2006 and includes a revised funding model and approaches to the systematic sharing of good practice, stakeholder satisfaction surveys and a continuing focus on good governance.

The Chairs of the LLENs Boards of Management gathered at two forums during 2005–06 to consider developmental and policy issues and provide advice to VLESC regarding the effective operation of key policy and program issues.

Managed Individual Pathways

In 2005, the VLESC reviewed the operation of the MIPs program and provided advice to the Minister for Education and Training on the alignment of the program to Victorian Government policy and initiatives, and made recommendations to improve its operational effectiveness.

The MIPs program provides all government school students 15 years and over with an individual pathway plan to develop their capacity to navigate post-compulsory pathways and improve their transition to further education, training or employment. The program provides additional support to students at risk of not completing Year 12 or its equivalent.

VLESC advice was implemented from the start of 2006, resulting in a revised funding model, enhanced accountability arrangements in the Schools Accountability and Improvement Framework, the promulgation of a good practice framework and the conduct of a professional development throughout the first half of 2006.

Additional pathways for young people in school

**VET in Schools**

VET in Schools programs comprise nationally recognised VET certificates undertaken by senior secondary students as part of their VCE or VCAL. They 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.
They also contribute to addressing industry employment needs in Victoria.

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

The number of students undertaking VET in Schools in government and non-government schools has increased from 36,231 in 2004 to 37,179 in 2005 (including School-Based New Apprenticeships). Some of these students undertook more than one VET program. The number of secondary schools, TAFE institutes and ACE providers offering VET in Schools increased from 539 in 2004 to 561 in 2005.

School-based apprenticeships and traineeships
Apprenticeship and traineeship pathways for senior school students continued to expand.
In 2005, there were 4615 certificate enrolments in apprenticeships or traineeships, undertaken as part of a program of studies that combined the VCE or VCAL with a nationally accredited training certificate and employment.

Victorian Certificate of Applied Learning
The VCAL is a new senior school certificate that was implemented statewide in 2003. It is a hands-on option for Years 11 and 12 students.
The VCAL gives students practical work-related skills and experience, as well as literacy and numeracy skills and the opportunity to build personal skills that are important for life, learning and work.

VCAL enrolments continued to grow. In 2005, 10,675 students enrolled in the VCAL with 380 providers compared to 8125 students and 322 providers in 2004. Additional information on the VCAL is available in the 2005–06 Victorian Curriculum and Assessment Authority annual report.

On Track
Each year the On Track survey tracks the destination of Year 12 completers and early school leavers from government and non-government schools six months after they leave school.

On Track data publication contributes to better understanding by parents, students and schools of the destinations of young people after their final school year and celebrates the broad range of outcomes that all schools create for students. At the time of survey, assistance and advice is offered to those students not in education, training or full-time employment.
The 2006 On Track survey found that for young people who completed Year 12 at government and non-government schools in 2005, 75.7 per cent of students were in education or training (down from 76.5 per cent last year). More Year 12 completers made the transition to the labour market (24.3 per cent, up from 23.5 per cent last year). Of those not in education or training, 13.0 per cent were employed full or part-time and 3.3 per cent were looking for work (down from 3.8 per cent last year).
A key finding was the increase in the percentage of Year 12 or equivalent completers who were university-enrolled at the time of the survey (37.6 per cent compared with 34.4 per cent in 2005) and the high proportion (37 per cent) of VCAL students who have continued on to apprenticeships or traineeships.

Additional pathways for young people post school
In 2005, close to 72,000 young people aged 15–19 undertook government-funded vocational education and training in TAFE institutes, ACE and private registered training organisations.

Youth Pathways program
The Youth Pathways program is a transition program designed to re-engage early school leavers in the learning process. The program supports the delivery of basic educational qualifications to unemployed young people aged between 15 and 19 years who have not completed Year 12. It provides a pathway to further learning and/or employment.
Each young person has a MIPs plan developed on commencement.
In 2005, over 3000 young people who had been disengaged from education, training and employment, participated in a Youth Pathways program at a TAFE institute or ACE organisation.

Tracking surveys demonstrate that participants from TAFE institutes and ACE organisations achieve very positive outcomes, with over half of the students continuing with studies or training, and almost one third securing employment at the end of their program.

**VCE and VCAL in TAFE and ACE**

TAFE institutes and ACE organisations deliver the VCE and the VCAL to post-compulsory learners. In 2005, there were 2921 students aged 15–19 years studying a senior secondary certificate with an ACE or TAFE provider. One thousand, five hundred and ninety-one were studying VCE and a further 1330 students participated in a VCAL program.

In 2005–06, the VLESC commissioned projects to improve the planning and provision of training to young people in TAFE and ACE. An enhanced planning model for the delivery of TAFE places targeting particular cohorts of interest, including young people at risk of not completing Year 12 or equivalent, is being trialed as a result of this work. The model draws on regionally specific information about training and industry requirements provided by local stakeholders including the Local Learning and Employment Networks.

These projects have also resulted in a ‘good practice’ framework for the effective delivery of training to the 15–24-year-old cohort in TAFE and ACE and advice and recommendations on systemic changes required to ensure the broader take-up of this good practice, including accountability arrangements and professional development. These recommendations will be implemented in 2006–07.

**Research and evaluation**

Working papers were produced on a range of topics to support policy advice, including delivery models for young people and mature age workers.

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**Vocational education and training**

**Participation**

In 2005, TAFE, ACE and private registered training organisations provided approximately 484,000 students with 111.3 million student contact hours of vocational training and further education (excluding non-VET activity). Of this total delivery, government-funded training accounted for close to 80 million student contact hours.

In 2005, TAFE institutes delivered 62.8 million government-funded student contact hours, with the remainder delivered by ACE and private providers.

Over 78.3 million student contact hours were within the scope of activity in the 2005–2008 Commonwealth–State Training Funding Agreement. Training delivery remained in excess of that required by the Victorian system under the Agreement.

For further details refer to Appendix 1.

**Apprenticeships and traineeships**

As at 30 June 2006, the overall number of apprentices and trainees was 132,785. Of these, 100,114 received a government-funded training place. Training places are not funded for existing worker trainees and were not funded for existing worker apprentices during 2005–06.

Eighty thousand, nine hundred and seventeen apprentices and trainees commenced during 2005–06. Of these, 60,200 received a government-funded training place (an increase of 2.3 per cent compared with 2004–05).

There were 45,411 completions of which 30,405 were for apprentices and trainees who had been in receipt of a government-funded training place.
Fee-for-service activity
In addition to their government-funded delivery, in 2005 TAFE institutes and ACE organisations delivered 18.82 million and 1.75 million student contact hours respectively of fee-for-service vocational and further education. TAFE institutes and ACE organisations delivered a further 6.87 million student contact hours to full fee-paying overseas students. Over 1.7 million student contact hours in personal enrichment programs were delivered to 74,128 students.

Establishing priorities for vocational education and training
In 2005, in accordance with VLESC-endorsed priorities for publicly funded vocational education and training, all Victorian TAFE institutes agreed to targets to realign training from low-priority industry areas to high-priority industry areas. The targets have been included in the 2006–08 TAFE Performance Agreements.

In December 2005, the VLESC approved the development of the Targeted Cohorts Model to augment the Planning Framework in order to address the needs of priority groups in accordance with the Ministerial Statement. The model identifies the proportion of the population that may potentially benefit from undertaking a further education course as a pathway into vocational education, training and employment. The VLESC noted the final model in June 2006 and an implementation plan has been developed for 2006–07.

Knowledge & Skills for the Innovation Economy
In June 2002, the Minister for Education and Training released the Ministerial Statement Knowledge & Skills for the Innovation Economy, a comprehensive plan addressing Victoria’s future skills requirements. In 2005, implementation of the initiatives contained in the Statement continued. The VLESC was responsible for providing advice on a number of these initiatives.

A new approach to financing skills development
A key objective outlined in the Ministerial Statement is the improvement of the long-term financial sustainability of the VET system, within the context of increased demand for VET programs.

In response to this objective, in 2005 the Department trialed a new approach to funding training and further education to ensure that funding reflected each institute’s share of the cost of training delivery.

In 2006, the VLESC entered new three-year Performance Agreements with TAFE institutes. A new Weighted Program Model formed the basis for funding the institutes.

In 2006, changes were also made to payments to private registered training organisations based on the new model. As a consequence, there has been an increase in the average price of training delivery being paid to these organisations.

Fees and charges for VET students
Following an extensive review process in 2004, a new VET fees and charges policy was introduced on 1 January 2005. The policy is designed to increase equity of access for students, improve administration and enhance the flexibility of the VET system. In January 2006, the Office of Training and Tertiary Education commenced a review of the implementation of the policy to assess the impact of the policy’s rollout and to ensure that it meets its stated objectives. This review will inform the development of any future policy refinements.

Industry advice on training
The industry training advisory system provides advice to the VLESC on vocational education and training policy and industry priorities. Key elements of the advisory system include the 16 Industry Training Advisory Bodies, the Department of Education & Training, industry representatives, national industry advisory bodies, whole-of-Victorian Government working groups, and other stakeholders in the training system.
In 2005–06, the Department of Education & Training enhanced the advisory system by:

- engaging a wider range of key stakeholders to inform Victoria’s vocational education and training policy and resource allocation processes
- increasing cooperative relationships, particularly between and across government and industry, allowing for strategic and streamlined industry advice to be provided to the VLESC
- brokering new performance and funding agreements between the VLESC and industry advisory bodies – in 2005–06, the VLESC offered new agreements to organisations representing the food and building and construction industries
- continuing to implement recommendations from the 2002 Review of Industry Advice on Training – in 2005–06, the Process Manufacturing and Engineering Industry Training Advisory Bodies merged to become the Manufacturing and Engineering Skills Advisory Body
- continuing to develop greater synergies between state and national industry skills development.

Reinvigorating TAFE

Specialist Centres

Nineteen Specialist Centres have been established to deliver specialist training in priority industries. The centres work closely with individual enterprises and sectors to identify and deliver specific training that addresses the current and emerging technological and business development requirements needed to drive effective competition in the innovation economy. Four of these centres were established in 2004–05 in the areas of biotechnology, heritage trades, textiles, and e-business. In 2005–06, all centres operated effectively through a range of activities including engaging industry in specialised training programs and developing online information in each sector.

Transforming the TAFE workforce

In July 2005, the Minister for Education and Training launched the TAFE Development Centre. The centre is responsible for raising the professional standing and promoting the development of staff in TAFE institutes across Victoria. The centre has been registered as a public company and has undertaken a funding agreement with the Department of Education & Training. In 2005–06, the centre provided funding to TAFE institutes to support the following programs:

- TAFE Industry Skills Scheme $540,000
- TAFE Teaching and Learning Excellence program $378,000
- TAFE Leadership Scheme $144,000
- TAFE Teaching Fellowships $216,000

In March 2006, Dr Wanda Korndorffer was appointed Chief Executive Officer of the TAFE Development Centre.

The Department of Education & Training continues to invest in the capability development of the VET sector workforce to ensure the design and delivery of programs in identified areas of new and emerging skills needs. Staff development funds, e-learning grants and innovation funds provide opportunities for TAFE providers to target development areas of specific local need.

Industry Liaison Agents

Industry Liaison Agents are independent brokers that facilitate relationships between small-to-medium manufacturing enterprises and training providers. In 2003, six Industry Liaison Agents were funded for two years.

The six Industry Liaison Agents are:

- Australian Manufacturing Technology Institute Limited (Precision Engineering)
- Australian Industry Group (Biotechnology)
- Victorian Employers’ Chamber of Commerce and Industry (General Manufacturing)
- Swinburne University of Technology (TAFE Division) (Automotive)
- Kangan Batman Institute of TAFE (Chemicals and Plastics)
- The City of Greater Bendigo (Food).
Industry Liaison Agents have established successful partnerships with relevant Specialist Centres, and have developed detailed knowledge of their manufacturing sector. They are now strategically placed to continue facilitating relationships between manufacturing enterprises and TAFE institutes and private providers.

VET in the innovation economy

Degrees in TAFE
A key initiative of the Ministerial Statement was the decision to allow TAFE institutes to apply to the Higher Education Advisory Committee (on behalf of the Minister) to deliver degree qualifications and expand the access of students to higher education qualifications. As at June 2006, four TAFE institutes offered a range of higher education degrees in Associate Degree and Bachelor programs.

Innovation Fund
The Innovation Fund was established to enable TAFE institutes to trial new initiatives in innovation and flexible delivery. In 2005, 43 initiatives to a value of $6 million were endorsed for implementation across 14 TAFE institutes. A further 42 initiatives to a value of $3.7 million have been incorporated into TAFE Performance Agreements for 2006, and include projects to shift training delivery from low- to high-priority areas and develop workforce training for existing workers.

Improving learner access
Providers across the State Training System continue to develop practices to provide training and employment opportunities for disadvantaged groups and people living in rural and remote areas.

Indigenous students
Implementation of the Wurreker strategy continued during 2005. Wurreker is strengthened by an equal partnership between the Victorian Aboriginal Education Association Incorporated and the Office of Training and Tertiary Education in policy development, design and planning for delivery. The strategy is resulting in increased enrolments and participation of Koories at higher qualification levels.

Approximately 4500 students identifying as Koorie were enrolled in government-funded VET programs in 2005 and almost 60 per cent of Koorie delivery was at Certificate III level and above.

In 2005, a further $0.5 million was available for Koorie training through the Government’s Priority Education and Training program.

Students with disabilities
A disability agenda for the VET sector in Victoria has been developed and implementation commenced in 2005. The disability agenda describes 20 key actions that are designed to:

- increase the effectiveness of existing strategies for people in the VET sector with a disability
- ensure that pathways into and out of vocational education and training are accessible to people with a disability
- support the VET sector in meeting legislative, policy and performance obligations.

To facilitate progression of the goals of the disability agenda, an implementation framework has been developed. The majority of key actions articulated in the framework will have been executed by the end of 2006. Two key actions have already been implemented:

- delivery of Acting Responsibly seminars to TAFE institutes and ACE organisations
- distribution of the Disability Action Plan funding to TAFE institutes.

The Department of Education & Training has continued to support the Centre of Excellence for Students who are Deaf and Hard of Hearing by funding two projects – one to examine models of employing interpreters and another to examine models of delivery of Auslan and Auslan interpreter training to rural and remote areas using information and communication technology.

The Department also funded Wodonga Institute of TAFE to develop the professional development resource In My Shoes. This resource aims to enhance the training and educational experiences of students with a disability by developing staff communication strategies and their knowledge of the Disability Standards for Education 2005.

In 2005, a further $1.06 million was allocated to create further training opportunities for people
with disabilities through the Government’s Priority Education and Training program.

**Women**

Work continued on specific initiatives to improve women’s access to training and further education including:

- ongoing implementation of the Government’s Leading with Victoria’s Women 2004–2007 report
- trialing of MIPs for equity groups to provide individual pathway support into training or employment for students over 45 years and not currently employed, sole parents who have not completed Year 12 or who have been out of the workforce for longer than 12 months, and students from culturally and linguistically diverse backgrounds.

**Parents**

The Parents Returning to Work program provides grants of up to $1000 to parents who have been out of the workforce for two or more years and are caring for children aged 12 years and under. In 2005–06, at least 2475 grants were issued to eligible parents to cover course fees, child-care and material costs while parents undertake training.

**Purchasing arrangements**

**TAFE institute profiles**

TAFE institute Performance Agreements include training profiles which specify the training to be purchased by the Government. Performance Agreements operate for three years to provide institutes with a longer planning timeframe and to allow them to better respond to Government priorities. As 2005 was the last year of a triennial agreement period, new agreements for 2006–2008 were negotiated between the Department of Education & Training and senior executives of TAFE institutes during the latter half of 2005.

Training profiles for 2005 and those negotiated for 2006 include minimum provisions for total training delivery, training in apprenticeships and traineeships, training for Koories, training in correctional settings, and training related to Government policies to address skills shortages and community needs.

Arrangements for 2006 include targets negotiated with individual institutes to:

- increase the retention of students aged 15–19 years
- encourage delivery of programs identified by the VLESC as high priority
- increase the level of delivery to apprentices and trainees under the age of 25 and to mature-age students.

**Apprenticeships and traineeships**

**Priority Education and Training program**

The Priority Education and Training program funds private registered training organisations to provide training which complements local public provision in industries and regions that have been identified as government priorities. This program does not apply to apprentices or trainees.

Through the program, 2.07 million student contact hours of training were delivered in 2005 by 84 private registered training organisations, an increase of 5.5 per cent from 2004. Ninety-one private registered training organisations have been selected to participate in the program in 2006.

**Apprenticeship/Traineeship Training program**

The Apprenticeship/Traineeship Training program provides funding for private registered training organisations to train apprentices and trainees. The program gives predominantly young people the opportunity to engage in employment while receiving formal training towards a nationally recognised qualification. In 2005, 225 private registered training organisations provided over 25,000 apprenticeship and traineeship training places. Two hundred and twenty-three private registered training organisations have been selected to provide over 21,000 places in 2006, including Jobs for Young People placements in local government administered by the Department for Victorian Communities. A further 1000 places are being reserved for integrated school-based new apprentices.
Apprenticeship/Traineeship Completion Bonus Scheme

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

During the 2005–06 financial year, employers of 13,992 apprentices and trainees qualified for Completion Bonus payments under the scheme. Employers of a further 2369 apprentices and trainees of not-for-profit group training organisations were eligible for the bonus under the Group Training Employment Support Scheme.

Fresh Start

The Fresh Start program was established in 1996 as a response to an increase in reported incidences of violence and harassment against apprentices and trainees in their workplaces.

The objectives of the program are to:
• encourage the reporting of workplace violence and harassment
• take action against employers engaging in these practices
• assist apprentices and trainees subjected to abuse to successfully complete their vocational training, usually through placements with group training organisations.

In 2005–06, regulatory action was taken against 11 employers arising from breaches of training contract obligations.

Administration and field services

Apprenticeship Field Officers perform a key role in advising apprentices, trainees and their employers about training issues and resolving issues that arise in the workplace. They also gather information about training delivery by registered training organisations, which is used by delegates of the Victorian Qualifications Authority responsible for monitoring these organisations.

During 2005–06, Apprenticeship Field Officers and a supporting telephone advisory service continued to deliver high-quality services.

In partnership with the Commonwealth Department of Education, Science and Training, the Department of Education & Training continued intensive monitoring of registered training organisations and employers and recorded a high growth in training numbers. Apprenticeship Field Officers had a significant role in the implementation of this monitoring process.

Group training

In Victoria, 32 organisations have been approved as meeting the national standards for group training organisations and included on the National Register of Group Training Organisations. Largely non-profit, group training organisations recruit and employ people in apprenticeships and traineeships. In 2005–06, nine group training organisations were audited against the national standards.

In 2005–06, the State and Commonwealth governments jointly funded 24 not-for-profit group training organisations through the Joint Group Training program. Payments were made for commencement, progression and completion milestones and increased payments were made to organisations catering for disadvantaged groups, vocations experiencing skills shortages and school-based new apprenticeships.

In November 2003, the Australian National Training Authority (ANTA) Ministerial Council determined that, over a three-year period, 15 per cent of funding for group training organisations would be provided under open-market conditions.

In Victoria, this target is being achieved under the Group Training – Innovation Fund program introduced in 2004–05. In 2005–06, the Office of Training and Tertiary Education funded projects undertaken by 11 separate group training organisations to target areas of skills shortages.

Strategic industry audits

Strategic industry audits were introduced to identify compliance and quality issues in specific industry areas or training market sectors to provide a basis for systematic improvements in the quality of training delivery. The selection of industry areas includes those:
• with a recent strong growth in training
• of importance to the Victorian economy
Strategic audits are also conducted in industry areas where concerns have been raised about the quality of training.

In 2005, a national strategic training audit in the hospitality industry was conducted in collaboration with other States and Territories. Three qualifications were audited: THH21802 Certificate II in Hospitality (Operations), THH22002 Certificate II in Hospitality (Kitchen Operations) and THH31502 Certificate III in Hospitality (Commercial Cookery).

Fifteen registered training organisations operating in Victoria were audited. A further six Victorian-registered training organisations operating in New South Wales were audited by the New South Wales Vocational Education and Training Accreditation Board. Of the 15 Victorian audited organisations operating in Victoria, there were ten private providers, three TAFE institutes and two schools.

Of the 15 organisations audited, four were compliant with all of the standards audited, including three TAFE institutes, one secondary school and one private provider. Ten registered training organisations had a small number of minor non-compliances with the Australian Quality Training Framework standards and one registered training organisation had major non-compliances.

The Department of Education & Training has initiated a range of activities to implement the recommendations of the audit.

National arrangements for vocational education and training

2005–2008 Commonwealth–State Training Funding Agreement for Skilling Australia’s Workforce

In October 2004, the Prime Minister announced the abolition of the Australian National Training Authority (ANTA). From 1 July 2005, the responsibilities and functions of ANTA were transferred to the Commonwealth Department of Education, Science and Training.

On 24 August 2005, the new Skilling Australia’s Workforce Act 2005 (the Act) came into effect, authorising payment for the 2005–2008 Commonwealth–State Training Funding Agreement.

The 2005–2008 Commonwealth–State Training Funding Agreement outlines the national priorities for the period of the agreement:

- improving the system’s responsiveness to rapid changes in demand for skills development and addressing skills shortages, especially in traditional trades and in emerging industries
- delivering improved outcomes for employers, individuals and communities
- improving quality
- increasing participation and up-skilling mature-age workers
- encouraging greater re-engagement in training by Australians who are not fully participating in the labour market.

The agreement also provides $1.18 billion for Victoria during the period 1 July 2005–31 December 2008. The Act outlines a number of conditions that Victoria must meet in order to receive Commonwealth funding. A separate bilateral agreement was negotiated between the Commonwealth and the Victorian Government in March 2006 which also stipulates targets that Victoria is required to meet in relation to training places in traditional trades, skills shortage areas, mature age and/or youth, people with a disability and Koorie.

A new Ministerial Council for Vocational Technical Education was established to lead the new national training system. The National Senior Officials’ Committee, the National Quality Council and the National Industry Skills Committee were also established.
## Operating statement for the financial year ended 30 June 2006

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant income</td>
<td>2(a)(i)</td>
<td>952,480</td>
<td>891,336</td>
</tr>
<tr>
<td>Specific purpose income</td>
<td>2(a)(ii)</td>
<td>21,513</td>
<td>24,088</td>
</tr>
<tr>
<td>Other income</td>
<td>2(b)</td>
<td>5,113</td>
<td>6,529</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>1(l)</td>
<td>9,981</td>
<td>9,633</td>
</tr>
<tr>
<td>Grants to TAFE/ACE institutes</td>
<td></td>
<td>791,294</td>
<td>747,840</td>
</tr>
<tr>
<td>Grants to private providers</td>
<td></td>
<td>103,367</td>
<td>107,420</td>
</tr>
<tr>
<td>Specific purpose and trust payments</td>
<td></td>
<td>92,053</td>
<td>48,427</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>1(f) &amp; 3</td>
<td>520</td>
<td>748</td>
</tr>
<tr>
<td>Trust Fund appropriated for reprioritisation</td>
<td></td>
<td>–</td>
<td>545</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>2,757</td>
<td>2,000</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td></td>
<td>72</td>
<td>1,536</td>
</tr>
<tr>
<td><strong>Net result from continuing operations</strong></td>
<td></td>
<td><strong>(20,938)</strong></td>
<td><strong>3,804</strong></td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>6(b)</td>
<td><strong>(20,938)</strong></td>
<td><strong>3,804</strong></td>
</tr>
</tbody>
</table>

The above operating statement should be read in conjunction with the accompanying notes.
Balance sheet as at 30 June 2006

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash assets</td>
<td>78,883</td>
<td>99,404</td>
</tr>
<tr>
<td>Receivables</td>
<td>4,386</td>
<td>3,648</td>
</tr>
<tr>
<td>Total current assets</td>
<td>83,269</td>
<td>103,052</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>327</td>
<td>663</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>327</td>
<td>663</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>83,596</td>
<td>103,715</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>4,904</td>
<td>4,085</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,904</td>
<td>4,085</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,904</td>
<td>4,085</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>78,692</td>
<td>99,630</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed capital</td>
<td>14,350</td>
<td>14,350</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>64,342</td>
<td>85,280</td>
</tr>
<tr>
<td>Total equity</td>
<td>78,692</td>
<td>99,630</td>
</tr>
</tbody>
</table>

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

Statement of recognised income and expense for the financial year ended 30 June 2006

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income recognised directly in equity</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(20,938)</td>
<td>3,804</td>
</tr>
<tr>
<td>Total recognised income and expense for the period</td>
<td>(20,938)</td>
<td>3,804</td>
</tr>
</tbody>
</table>

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.
Cash flow statement
for the financial year ended 30 June 2006

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006 $’000</th>
<th>2005 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from Government</td>
<td>952,480</td>
<td>891,336</td>
</tr>
<tr>
<td>Receipts from other entities</td>
<td>29,977</td>
<td>26,537</td>
</tr>
<tr>
<td>GST recovered from the ATO</td>
<td>10,936</td>
<td>13,222</td>
</tr>
<tr>
<td>GST paid to the ATO</td>
<td>(8,850)</td>
<td>(1,771)</td>
</tr>
<tr>
<td>Interest received</td>
<td>4,760</td>
<td>6,016</td>
</tr>
<tr>
<td>Payments to suppliers and others</td>
<td>(12,190)</td>
<td>(15,897)</td>
</tr>
<tr>
<td>Payments to service providers</td>
<td>(997,375)</td>
<td>(916,863)</td>
</tr>
<tr>
<td>Net cash (used in)/provided by operating activities</td>
<td>14(a)</td>
<td>(20,262)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for property, plant and equipment</td>
<td>(259)</td>
<td>(269)</td>
</tr>
<tr>
<td>Net cash (used in)/provided by investing activities</td>
<td></td>
<td>(259)</td>
</tr>
<tr>
<td>Net decrease/(increase) in cash held</td>
<td></td>
<td>(20,521)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td></td>
<td>99,404</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the financial year</td>
<td>14(b)</td>
<td>78,883</td>
</tr>
</tbody>
</table>

The above cash flow statement should be read in conjunction with the accompanying notes.
Notes to the financial statements

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Summary of significant accounting policies</td>
</tr>
<tr>
<td>2</td>
<td>Revenue</td>
</tr>
<tr>
<td>3</td>
<td>Expenses from ordinary activities</td>
</tr>
<tr>
<td>4</td>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>5</td>
<td>Current liabilities – payables</td>
</tr>
<tr>
<td>6</td>
<td>Equity and movements in equity</td>
</tr>
<tr>
<td>7</td>
<td>Financial instruments</td>
</tr>
<tr>
<td>8</td>
<td>Ministers and accountable officers</td>
</tr>
<tr>
<td>9</td>
<td>Remuneration of executives</td>
</tr>
<tr>
<td>10</td>
<td>Remuneration of auditors</td>
</tr>
<tr>
<td>11</td>
<td>Contingent liabilities and contingent assets</td>
</tr>
<tr>
<td>12</td>
<td>Commitments for expenditure</td>
</tr>
<tr>
<td>13</td>
<td>Events occurring after reporting date</td>
</tr>
<tr>
<td>14</td>
<td>Cash flow reconciliation</td>
</tr>
<tr>
<td>15</td>
<td>Impacts of the adoption of Australian equivalents to International Financial Reporting Standards</td>
</tr>
</tbody>
</table>
NOTE 1 Summary of significant accounting policies

Statement of compliance
This general purpose financial report has been prepared on an accrual basis in accordance with the Financial Management Act 1994, Australian Accounting Standards and Urgent Issues Group Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The financial statements were authorised for issue by Ms Claire Britchford, Chief Finance Officer, on 22 August 2006.

Basis of preparation
The financial report has been prepared on the basis of historical cost, 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 A-IFRS, management is required to make judgements, 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 judgements. 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.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

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 Commission changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Australian Accounting Standard AASB 1 ‘First-time Adoption of Australian Equivalents to International Financial Reporting Standards’, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Commission’s financial position, financial performance and cash flows is discussed in Note 15.

For interim and annual reporting periods ending on or after 30 June 2005, AASB 1047 ‘Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards’ requires disclosure of any known or reliably estimable information about the impacts on the financial report had it been prepared using the A-IFRS or if the impacts are not known or reliably estimable, a statement to that effect. Refer to Note 15 for further information.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004, the Commission’s date of transition, except for the accounting policies in respect of financial instruments. The Commission has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions.
(a) Reporting entity
The VLESC is a statutory authority under the Vocational Education and Training Act 1990 and as amended by the Victorian Qualifications Authority Act 2001. The VLESC's financial report is tabled at the Parliament by the Minister for Education and Training.

The financial statements include all activities of the VLESC for the year ended 30 June 2006.

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding cheques yet to be presented by the Commission's suppliers and creditors (Note 5).

(c) Rounding of amounts
Amounts in the financial report have been rounded to the nearest thousand dollars, or in some instances, to the nearest dollar.

(d) 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.

(e) Revenue recognition
Grants over which the VLESC gains control during a reporting period are recognised as revenues of that reporting period consistent with Australian Accounting Standard AASB 118 'Revenue' and other relevant accounting concepts and 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 is recognised on a time proportionate basis and takes into account the effective yield on the financial asset.

(f) 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:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and peripheral equipment</td>
<td>3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture, fittings and office equipment</td>
<td>5–10 years</td>
<td>5–10 years</td>
</tr>
</tbody>
</table>

(g) Receivables
Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(h) 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 estimated useful life, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

(i) Non-current assets constructed by the VLESC

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

(j) Payables

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

(k) Contributions by owners

Consistent with UIG Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities, appropriations for additions to net assets have been designated as contributions by owners. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

(l) Employee benefits

All employees of the VLESC are deemed to be employees of the Department of Education & Training. The Department of Education & Training is reimbursed for all costs including superannuation, long service and annual leave entitlements. The costs are classified as administrative expenses in the operating statement.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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.

(n) Intangible assets/inventories

The VLESC has no significant intangible assets or inventories at the reporting date.

(o) Impairment of assets

Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount) and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for financial assets.

(p) Comparative information–financial instruments

The Commission has elected not to restate comparative information for financial instruments within the scope of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 7, 7(a), 7(b) and 7(c). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Payables

Payables represent liabilities for goods and services provided to the Commission prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
(b) Interest bearing liabilities

Loans are carried at historical cost. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(c) Other financial assets – investments

Investments in unlisted securities are recognised at cost and dividend income is recognised as revenue when receivable.

(d) Receivables

All debtors are recognised at the amounts receivable as they are due for settlement at no more than 30 days from the date of recognition.

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.
**NOTE 2 Revenue**

**(a) Revenue from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(i) Grants revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Government grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurrent grants</td>
<td>613,055</td>
<td>589,371</td>
</tr>
<tr>
<td>Capital grants</td>
<td>55,156</td>
<td>31,145</td>
</tr>
<tr>
<td></td>
<td>668,211</td>
<td>620,516</td>
</tr>
<tr>
<td>Commonwealth Government grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurrent grants</td>
<td>240,444</td>
<td>227,306</td>
</tr>
<tr>
<td>Capital grants</td>
<td>43,825</td>
<td>43,514</td>
</tr>
<tr>
<td></td>
<td>284,269</td>
<td>270,820</td>
</tr>
<tr>
<td><strong>Total grants revenue</strong></td>
<td>952,480</td>
<td>891,336</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(ii) Specific purpose revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from projects that require specific outcome:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous Education</td>
<td>2,053</td>
<td>419</td>
</tr>
<tr>
<td>Australians Working Together</td>
<td>1,533</td>
<td>3,071</td>
</tr>
<tr>
<td>Group Training</td>
<td>2,608</td>
<td>2,606</td>
</tr>
<tr>
<td>Learnscope</td>
<td>496</td>
<td>709</td>
</tr>
<tr>
<td>Online Learning</td>
<td></td>
<td>438</td>
</tr>
<tr>
<td>Resources for Teaching Learning</td>
<td>4,497</td>
<td>2,640</td>
</tr>
<tr>
<td>Framework Management 2004</td>
<td>1,385</td>
<td>1,134</td>
</tr>
<tr>
<td>Other</td>
<td>81</td>
<td>1,442</td>
</tr>
<tr>
<td></td>
<td>12,653</td>
<td>12,459</td>
</tr>
<tr>
<td>State Government projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing Medication course</td>
<td>1,000</td>
<td>1,160</td>
</tr>
<tr>
<td>Developing Victoria’s Design Capabilities</td>
<td>80</td>
<td>500</td>
</tr>
<tr>
<td>Local Learning and Employment Networks</td>
<td>6,833</td>
<td>7,514</td>
</tr>
<tr>
<td>Community Jobs Program</td>
<td></td>
<td>1,848</td>
</tr>
<tr>
<td>Victorian Training Awards</td>
<td>28</td>
<td>162</td>
</tr>
<tr>
<td>Other</td>
<td>919</td>
<td>445</td>
</tr>
<tr>
<td></td>
<td>8,860</td>
<td>11,629</td>
</tr>
<tr>
<td><strong>Total specific purpose revenue</strong></td>
<td>21,513</td>
<td>24,088</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue from operating activities</strong></td>
<td>973,993</td>
<td>915,424</td>
</tr>
</tbody>
</table>
(b) Revenue from non-operating activities

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>4,760</td>
<td>6,016</td>
</tr>
<tr>
<td>Other</td>
<td>353</td>
<td>513</td>
</tr>
<tr>
<td>Total revenue from non-operating activities</td>
<td>5,113</td>
<td>6,529</td>
</tr>
<tr>
<td>Total revenue from ordinary activities</td>
<td>979,106</td>
<td>921,953</td>
</tr>
</tbody>
</table>

Mr Grant Hehir, as Secretary of the Department of Education & Training, has responsibility for the disbursement of grants to the VLESC. The amount of grants made by the Department of Education & Training in 2005–06 was $668,210,987 (for 2004–05, $620,515,859).

NOTE 3 Expenses from ordinary activities

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result from ordinary activities includes the following net expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, fittings and office equipment</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Computers and peripherals</td>
<td>508</td>
<td>743</td>
</tr>
<tr>
<td>Total depreciation</td>
<td>520</td>
<td>748</td>
</tr>
<tr>
<td>Rental expense relating to operating leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>272</td>
<td>294</td>
</tr>
<tr>
<td>Total rental expense relating to operating leases</td>
<td>272</td>
<td>294</td>
</tr>
</tbody>
</table>

NOTE 4 Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and peripheral equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>1,564</td>
<td>3,403</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(1,244)</td>
<td>(2,784)</td>
</tr>
<tr>
<td></td>
<td>320</td>
<td>619</td>
</tr>
<tr>
<td>Office equipment and furniture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>64</td>
<td>132</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(57)</td>
<td>(88)</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>44</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>327</td>
<td>663</td>
</tr>
</tbody>
</table>
Reconciliations

<table>
<thead>
<tr>
<th></th>
<th>Computers &amp; peripheral equipment</th>
<th>Office equipment &amp; furniture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Carrying amount at start of the year</td>
<td>619</td>
<td>44</td>
<td>663</td>
</tr>
<tr>
<td>Additions</td>
<td>257</td>
<td>2</td>
<td>259</td>
</tr>
<tr>
<td>Disposals</td>
<td>(75)</td>
<td>–</td>
<td>(75)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(481)</td>
<td>(39)</td>
<td>(520)</td>
</tr>
<tr>
<td>Carrying amount at end of the year</td>
<td>320</td>
<td>7</td>
<td>327</td>
</tr>
</tbody>
</table>

NOTE 5 Payables

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>4,904</td>
<td>3,952</td>
</tr>
<tr>
<td>Other creditors</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>4,904</td>
<td>4,085</td>
</tr>
</tbody>
</table>

NOTE 6 Equity and movements in equity

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions by owners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the financial year</td>
<td>14,350</td>
<td>14,350</td>
</tr>
<tr>
<td>Balance at end of the financial year</td>
<td>14,350</td>
<td>14,350</td>
</tr>
</tbody>
</table>

(b) Accumulated surplus

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the financial year</td>
<td>85,280</td>
<td>81,476</td>
</tr>
<tr>
<td>Net result</td>
<td>(20,938)</td>
<td>3,804</td>
</tr>
<tr>
<td>Balance at end of the financial year</td>
<td>64,342</td>
<td>85,280</td>
</tr>
</tbody>
</table>
NOTE 7  Financial instruments

Financial risk management objectives
The Commission does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk, or for speculative purposes. The use of financial derivatives is governed by the Commission’s policies approved by the Commission, which provide written principles on the use of financial derivatives. The policies for managing these risks are discussed in more detail below.

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

Credit risk
The credit risk on financial assets of the Commission, which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount net of any provisions for doubtful debts.

Interest rate risk
The Commission’s exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets bearing variable interest rates as the Commission intends to hold fixed rate assets to maturity.

7(a) Interest rate risk exposure
The VLESC’s exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Floating interest</th>
<th>Fixed interest maturing in:</th>
<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>1 year or less $'000</td>
<td>1-5 years $'000</td>
<td>Over 5 years $'000</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>20,000</td>
<td>55,543</td>
<td></td>
<td>3,340</td>
</tr>
<tr>
<td>Receivables</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,386</td>
</tr>
<tr>
<td></td>
<td>20,000</td>
<td>55,543</td>
<td>0</td>
<td>7,726</td>
</tr>
<tr>
<td>Weighted average interest rate</td>
<td>5.78%</td>
<td>5.51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors and accruals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4,905</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4,905</td>
</tr>
<tr>
<td>Net financial assets (liabilities)</td>
<td>20,000</td>
<td>55,543</td>
<td>0</td>
<td>2,821</td>
</tr>
<tr>
<td>Weighted average interest rate</td>
<td>5.78%</td>
<td>5.51%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7(b) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest-bearing monetary financial assets and financial liabilities of the VLESC 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.

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount $'000</td>
<td>Net fair value $'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-balance sheet financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>78,883</td>
<td>99,404</td>
</tr>
<tr>
<td>Receivables</td>
<td>4,386</td>
<td>3,648</td>
</tr>
<tr>
<td>Non-traded financial assets</td>
<td>83,269</td>
<td>103,052</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>4,905</td>
<td>4,086</td>
</tr>
<tr>
<td>Non-traded financial liabilities</td>
<td>4,905</td>
<td>4,086</td>
</tr>
</tbody>
</table>
NOTE 8 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:

<table>
<thead>
<tr>
<th>Responsible Minister</th>
<th>The Hon Lynne Kosky, MP</th>
<th>1 July 2005 to 30 June 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission Members</td>
<td>Mr Peter Thomas AM (Chair)</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Mr Neil Coulson</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Ms Patricia Forward</td>
<td>1 July 2005 to 1 December 2005</td>
</tr>
<tr>
<td></td>
<td>Ms Rowena Allen</td>
<td>1 July 2005 to 1 December 2005 reappointed 27 March 2006 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Professor Gerald Burke</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Ms Lynne Wannan</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Ms Megan Lilly</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Mr Julius Roe</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td></td>
<td>Mr Grant Hehir</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
<tr>
<td>Accountable Officer</td>
<td>Mr Grant Hehir</td>
<td>1 July 2005 to 30 June 2006</td>
</tr>
</tbody>
</table>

Remuneration

**Accountable Officer’s remuneration**

The Accountable Officer’s remuneration was paid by the Department of Education & Training and included in the Annual Financial Report (2005–06) of the Department of Education & Training.

**VLESC Members’ remuneration***

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>$120,889</td>
<td>$150,512</td>
<td></td>
</tr>
</tbody>
</table>

*The Department of Education & Training pays the Commission Members’ remuneration.
The number of members of the VLESC with remuneration/emolument that fell within the following bands was:

<table>
<thead>
<tr>
<th>Band</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$9,999</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>$10,000–$19,999</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>$20,000–$29,999</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$30,000–$39,999</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

**NOTE 9 Remuneration of executives**

The number of executive officers whose remuneration exceeded $100,000 during the reporting period is reported in the Annual Financial Report (2005–06) of the Department of Education & Training.

**NOTE 10 Remuneration of auditors**

Payable at 30 June – Victorian Auditor-General’s Office

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>39,100</td>
<td>38,000</td>
</tr>
</tbody>
</table>

**NOTE 11 Contingent liabilities and contingent assets**

The VLESC has no known contingent liabilities or contingent assets at the reporting date.
NOTE 12 Commitments for expenditure

(a) Operating lease commitments as at 30 June

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within one year</td>
<td>25</td>
<td>72</td>
</tr>
<tr>
<td>Payable later than one year but not later than 5 years</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td><strong>25</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

These commitments refer to the leases the VLESC has entered into for motor vehicles and photocopiers.

(b) Capital commitments

The VLESC has outstanding commitments for capital expenditures for projects funded by State and Commonwealth Governments. These commitments as at 30 June were:

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within one year</td>
<td>29,014</td>
<td>33,236</td>
</tr>
<tr>
<td>Payable later than one year but not later than 5 years</td>
<td>4,627</td>
<td>9,890</td>
</tr>
<tr>
<td></td>
<td><strong>33,641</strong></td>
<td><strong>43,126</strong></td>
</tr>
</tbody>
</table>

(c) Outsourcing commitments

The VLESC has training contracts, under the Priority Education 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:

<table>
<thead>
<tr>
<th></th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within one year</td>
<td>59,137</td>
<td>65,988</td>
</tr>
<tr>
<td>Payable later than one year but not later than 5 years</td>
<td>14,456</td>
<td>14,726</td>
</tr>
<tr>
<td></td>
<td><strong>73,593</strong></td>
<td><strong>80,714</strong></td>
</tr>
</tbody>
</table>
NOTE 13  Events occurring after reporting date

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

NOTE 14  Cash flow reconciliation

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Results from ordinary activities</td>
<td>(20,938)</td>
<td>3,804</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>520</td>
<td>748</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>72</td>
<td>1,536</td>
</tr>
<tr>
<td>Increase/(decrease) in payables</td>
<td>822</td>
<td>(3,672)</td>
</tr>
<tr>
<td>(Increase)/decrease in receivables</td>
<td>(738)</td>
<td>164</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from operating activities</td>
<td>(20,262)</td>
<td>2,580</td>
</tr>
</tbody>
</table>

(b) Reconciliation of cash

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>3,340</td>
<td>(641)</td>
</tr>
<tr>
<td>Term deposits</td>
<td>75,543</td>
<td>100,045</td>
</tr>
<tr>
<td>Total cash balance</td>
<td>78,883</td>
<td>99,404</td>
</tr>
</tbody>
</table>
NOTE 15 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The VLESC changed its accounting policies, other than its accounting policies for financial instruments, on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 ‘First-time Adoption of Australian Equivalents to International Financial Reporting Standards’, with 1 July 2004 as the date of transition. The VLESC changed its accounting policies for financial instruments effective from 1 July 2005 (refer Note 1).

Effect of A-IFRS on the balance sheet as at 30 June 2005
There was no material difference between the balance sheet presented under A-IFRS and the balance sheet presented under superseded policies.

Effect of A-IFRS on the operating statement for the year ending 30 June 2005
There was no material difference between the operating statement presented under A-IFRS and the operating statement presented under superseded policies.

Effect of A-IFRS on the cash flow statement for the year ending 30 June 2005
There was no material difference between the cash flow statement presented under A-IFRS and the cash flow statement presented under superseded policies.
ACCOUNTABLE OFFICER’S DECLARATION

We certify that the accompanying financial statements for the Victorian Learning and Employment Skills Commission have been prepared in accordance with Standing Direction 4.2 of 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 Recognised Income and Expense, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2006 and financial position of the Victorian Learning and Employment Skills Commission at 30 June 2006.

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


Peter Thomas AM  
Commission Member (Chair)  
Victorian Learning and Employment Skills Commission

Date: 8/9/2006


Dr Peter Dawkins  
Accountable Officer  
Victorian Learning and Employment Skills Commission

Date: 9/09/2006
INDEPENDENT AUDIT REPORT

Victorian Learning & Employment Skills Commission

To the Members of the Parliament of Victoria and the Commission Members

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2006 relates to the financial report of the Victorian Learning & Employment Skills Commission included on its web site. The Commission Members of the Victorian Learning & Employment 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 audit report refers only to the statements named below. 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 this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of the Victorian Learning & Employment Skills Commission consists of the operating statement, balance sheet, statement of recognised income and expense, cash flow statement, notes to and forming part of the financial report, and the accountable officer's declaration.

Members' Responsibility

The Commission Members of the Victorian Learning & Employment Skills Commission are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the Audit Act 1994, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Commission Members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.
Independent Audit Report (continued)

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the Financial Management Act 1994, so as to present a view which is consistent with my understanding of the Commission’s financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the Financial Management Act 1994, the financial position of the Victorian Learning & Employment Skills Commission as at 30 June 2006 and its financial performance and cash flows for the year then ended.

MELBOURNE
8 September 2006

JW CAMERON
Auditor-General
APPENDIX 1
The State Training System

As at June 2006, the State Training System, with the VLESC as the State training agency, included 14 TAFE institutes, four TAFE divisions within universities, 1191 registered training organisations, close to 400 ACE organisations and 16 Industry Training Advisory Bodies. In 2005, 557 secondary schools also delivered vocational education and training through the VET in Schools program.

The State Training System provides general education and skills training across all occupational levels.

In 2005, registered training organisations provided approximately 484,000 students with 111.3 million student contact hours of training and further education (excluding non-VET activity).

Age profile of participants in the State Training System in Victoria (excludes non-VET activity), 2005

Source: Department of Education & Training
Of this total delivery, government-funded delivery accounted for close to 80 million of the reported contact hours.

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 programs in Victoria, all providers (excludes non-VET activity)

TAFE institutes
As at 30 June 2006, the Victorian TAFE institutes network comprised 14 TAFE institutes and four TAFE divisions in universities. All institutes are funded by the Government to provide training and further education.

TAFE institutes and multi-sector TAFE providers at 30 June 2006 were:

- 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 institutes provide skills training in the following areas:

- operative/clerical
- trades
- professional/paraprofessional.

Courses include:

- basic literacy and numeracy
- basic preparation for work
- entry- or certificate-level training, including apprenticeships
- advanced vocational training, including paraprofessional training
- advanced technical and advanced post-initial training.

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 institutes in providing part-time award courses, stand-alone modules and short, non-award courses.

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

Under the Vocational Education and Training Act 1990, TAFE institutes are self-governing. Each of Victoria’s TAFE institutes 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 institutes enter into Performance Agreements with the VLESC. These agreements commit them to deliver specific programs, achieve certain targets and comply with system-wide policies.

A full report on the activities of each TAFE institute is contained in its own annual report.

**TAFE governance**

The TAFE Governance Review recommended as a level one priority that a statewide training program be established for members of TAFE institute Boards.

In September 2005, the Minister for Education and Training launched a series of five workshops on good governance, each with supporting resources. Representatives from 13 TAFE institutes and two Adult Education Institutes attended the first workshop, Understanding and Applying Governance in the Public Sector, which was delivered in four locations across the State.

The second workshop, Culture and Continuous Improvement in a Board Context, was delivered in seven workshops at a range of metropolitan and regional locations between March 2006 and May 2006.

Other resources that have been developed and distributed to Board members include:

- **Good Governance in Victoria**: a good practice governance charter with support materials for boards to develop and improve their governance practices
- **Welcome to the Board**: an induction kit for new directors
- **Governance**: a director’s duties and liabilities handbook.

An additional resource titled *Participating as an Effective Council Director*, a CD-supported self-paced learning resource, is currently in production and will be distributed to TAFE institutes in 2006.

Two other workshops on financial and risk management will be delivered as part of the project.

**Teaching and non-teaching staff in TAFE institutes**

**Sources of TAFE institute funding**

TAFE institutes, 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 institutes are increasingly customising their products and services, including flexible delivery to meet the needs of their clients.

---

**Teaching and non-teaching staff in TAFE institutes, Victoria, 2001–05**

![Staff (thousand)](chart)

Source: Department of Education & Training
Sources of TAFE institute funds, Victoria

- 46.3% State current
- 20.3% Fee-for-service
- 17.0% Commonwealth current
- 5.6% Capital
- 2.4% Ancillary trading
- 0.5% Commonwealth specific-purpose grants
- 3.6% Other (inc. asset sales & investments)
- 4.3% Student fees and charges

Source: Department of Education & Training
APPENDIX 2
Freedom of Information

Publication requirements
The information required to be published pursuant to section 7 of the Freedom of Information Act 1982 follows, except for information required by that section but published elsewhere in this report.

Queries about the availability of and charges for other material prepared under Part II of the Freedom of Information Act should be directed to the authorised officer. The authorised officer of the Commission is:

Mr Neil Morrow
Manager, Freedom of Information and Privacy Department of Education & Training
GPO Box 4367
Melbourne Victoria 3001
Telephone (03) 9637 2670

Categories of documents
The following are the general categories of documents maintained by the Department of Education & Training on behalf of the Commission.

- Correspondence, administrative and policy documents
  Paper records are maintained in registered files.
- Minutes, agendas and papers
  Paper records of agendas, agenda papers and confirmed minutes of meetings are maintained in registered files. An index of outcomes is also maintained.
- Personnel documents
  Paper records on remuneration and appointments for the Commission members are maintained in registered files.
- Accounting records
  Accounting records are maintained on a computerised accounting system. The records deal with general ledger entries, accounts payable, payroll and other accounting functions. Paper records are also kept as registered files.

Freedom of Information arrangements

Access to records
All requests for access to records held by agencies are dealt with by the authorised officer. Applicants seeking access to a document held by agencies should attempt to specify the topic of interest rather than the file series in which the applicant considers the document might exist. Assistance in specifying the topic is available from the authorised officer.

Form of request for access
Applicants are required by the Freedom of Information Act to submit applications requesting access to documents in writing. No form of application is specified. A letter that clearly describes the document(s) sought is sufficient. The letter should specify that the application is a request made under the Act and should not form part of a letter on another subject. The applicant should provide the following information:

- name
- address
- telephone number (where applicant can be contacted during business hours)
- details of document(s) requested
- the form of access required, that is copies of documents, inspection of file
- other (specify).

Correction of personal information
A request for correction or amendment of information about a person that is contained in a document held by the agency must be made in writing. It should specify particulars of how and why the person making the request believes the information to be incorrect, incomplete, misleading or out of date. It should also specify the amendments they wish to have made.
Charges
An application fee is required unless evidence of hardship is provided. Applicants are advised that other charges may be made in accordance with the Freedom of Information (Access Charges) Regulations 2004. Details of the fee and access charges can be found at <http://www.foi.vic.gov.au>.

Appeals
Applicants may appeal against a decision made in response to requests for access to documents, for the amendments of records or against the cost levied for allowing access to documents. Information about the appropriate avenue of appeal will be conveyed to the applicant in the letter advising of the initial decision. Applicants are advised to consult Part VI of the Freedom of Information Act for further information about appeal rights.

Summary
Principal Officer VLESC Chair
Authorised Officer Neil Morrow

No requests under the Freedom of Information Act were received for the VLESC during 2005–06.
APPENDIX 3
Whistleblowers Protection Act 2001

Disclosure
The VLESC has nominated the Department of Education & Training as its agent to accept and investigate any disclosures made under the Whistleblowers Protection Act 2001 concerning the VLESC members and Secretariat staff. The Whistleblowers Protection Act 2001 Department of Education & Training Guidelines have been adopted as the appropriate procedures for managing disclosures made under the Act.

The Department had not received any disclosures made under the Act in relation to the VLESC members or Secretariat staff, nor had the Ombudsman referred any disclosures made under the Act to the Department for investigation during 2005–06.

Department of Education & Training Guidelines

1 Objects of the Act
The Whistleblowers Protection Act 2001 (the Act) commenced operation on 1 January 2002. The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to whistleblowers 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.

2 Statement of support to whistleblowers
The Department is committed to the aims and objectives of the Act. It does not tolerate improper conduct by its employees nor the taking of reprisals against those who come forward to disclose such conduct.

The Department recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or 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 ensure natural justice to the person who is the subject of the disclosure.

3 Purpose of these procedures
These procedures establish a system for reporting disclosures of improper conduct or detrimental action by Department employees. The system enables such disclosures to be made to one of the protected disclosure officers or the protected disclosure coordinator. Disclosures may be made by employees or by members of the public.

These procedures complement the Department’s established procedures for addressing complaints and are for use only where appropriate. Employees and members of the general public should continue to raise issues in accordance with the consultative and complaint resolution procedures already in place unless the complaint meets the criteria specified in the Act to be considered a protected disclosure.

4 Definitions of key terms

4.1 A protected disclosure
For the purpose of the Act, a protected disclosure is a complaint, report or allegation of improper conduct or detrimental action, concerning matters which come under the Act, and is made in accordance with Part 2 of the Act.

A protected disclosure may also be referred to as a public interest disclosure where the disclosure shows or tends to show that the public officer to whom the disclosure relates:
4.2 Improper conduct
A disclosure may be made about improper conduct by a public body or public official. Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

Examples
• To avoid closure of a town’s only industry, an environmental health officer ignores or conceals evidence of illegal dumping of waste.
• An agricultural officer delays or declines imposing quarantine to allow a financially distressed farmer to sell diseased stock.
• A building inspector tolerates poor practices and structural defects in the work of a leading local builder.

4.3 Corrupt conduct
Corrupt conduct means:
• conduct of any person (whether or not a public official) that adversely affects the honest performance of a public officer’s or public body’s functions
• the performance of a public officer’s functions dishonestly or with inappropriate partiality
• conduct of a public officer, former public officer or a public body that amounts to a breach of public trust
• conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions
• a conspiracy or attempt to engage in the above conduct.

Examples
• A public officer takes a bribe or receives a payment other than his or her wages or salary in exchange for the discharge of a public duty.
• A public officer favours unmeritorious applications for jobs or permits by friends and relatives.
• A public officer sells confidential information.

4.4 Detrimental action
The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:
• action causing injury, loss or damage
• intimidation or harassment
• discrimination, disadvantage or adverse treatment in relation to a person’s employment, career, profession, trade or business, including the taking of disciplinary action.

Examples
• A public body refuses a deserved promotion of a person who makes a disclosure.
• A public body demotes, transfers, isolates in the workplace or changes the duties of a whistleblower due to the making of a disclosure.
• A person threatens, abuses or carries out other forms of harassment directly or indirectly against the whistleblower, his or her family or friends.
• A public body discriminates against the whistleblower or his or her family and associates in subsequent applications for jobs, permits or tenders.

5 The reporting system
5.1 Contact persons within the Department
Disclosures of improper conduct or detrimental action by Department employees may be made in the first instance to a protected disclosure officer. All correspondence, telephone calls and emails from internal or external whistleblowers will be referred to the protected disclosure coordinator. Contact details are provided on pages 58–59.

5.2 Alternative contact persons
Disclosures about improper conduct or detrimental action by Department employees may also be made directly to the Ombudsman. Disclosures about improper conduct or detrimental action by persons who are not Department employees should be made as follows:
6 Roles and responsibilities

6.1 Employees
Employees are encouraged to report known or suspected incidences of improper conduct, or detrimental action in accordance with these procedures.

All employees of the Department have an important role to play in supporting those who have made a legitimate disclosure. They must refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a disclosure. Furthermore, they should protect and maintain the confidentiality of a person they know or suspect to have made a disclosure.

6.2 Protected disclosure officers
Protected disclosure officers will:

- be a contact point for general advice about the operation of the Act for any person wishing to make a disclosure about improper conduct or detrimental action
- make arrangements for a disclosure to be made privately and discreetly and, if necessary, away from the workplace
- receive any disclosure made orally or in writing (from internal and external whistleblowers)
- commit to writing any disclosure made orally
- impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act (that is, a protected disclosure)
- take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential
- forward all disclosures and supporting evidence to the protected disclosure coordinator.

6.3 Protected disclosure coordinator
The protected disclosure coordinator has a central clearing-house role in the internal reporting system. He or she will:

- receive all disclosures forwarded from the protected disclosure officers
- impartially assess each disclosure to determine whether it is a protected disclosure
- refer all protected disclosures to the Ombudsman
- be responsible for overseeing and coordinating an investigation where an investigator has been appointed
- appoint a welfare manager to support the whistleblower and to protect him or her from any reprisals
- advise the whistleblower of the progress of an investigation into the disclosed matter
- establish and manage a confidential filing system
- collate and publish statistics on disclosures made
- take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential
- liaise with the Secretary of the Department.

6.4 Investigator
The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to the Department. An investigator may be a person from within the Department or a consultant engaged for that purpose.

6.5 Welfare manager
The welfare manager is responsible for looking after the general welfare of the whistleblower.
A welfare manager may be a person from within the Department or a consultant engaged for that purpose.

The welfare manager will:

- examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and seek to foster a supportive work environment
- advise the whistleblower of the legislative and administrative protections available to him or her
- listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure
- ensure the expectations of the whistleblower are realistic.

7 Confidentiality

The Department will take all reasonable steps to protect the identity of the whistleblower. Maintaining confidentiality is crucial in ensuring reprisals are not made against a whistleblower.

The Act requires any person who receives information due to the handling or investigation of a protected disclosure, not to disclose that information except in certain limited circumstances. Disclosure of information in the Act constitutes an offence that is punishable by a maximum fine of 60 penalty units ($6000) or six months imprisonment or both.

The circumstances in which a person may disclose information obtained about a protected disclosure include:

- where exercising the functions of the public body under the Act
- when making a report or recommendation under the Act
- when publishing statistics in the annual report of a public body
- in criminal proceedings for certain offences in the Act.

However, the Act prohibits the inclusion of particulars in any report or recommendation that are likely to lead to the identification of the whistleblower. The Act also prohibits the identification of the person who is the subject of the disclosure in any particulars included in an annual report.

The Department will ensure all files, whether paper or electronic, are kept in a secure room and can only be accessed by the protected disclosure coordinator, protected disclosure officer, the investigator or welfare manager (in relation to welfare matters). All printed material will be kept in files that are clearly marked as a Whistleblower Protection Act matter, and warn of the criminal penalties that apply to any unauthorised divulging of information concerning a protected disclosure. All electronic files will be produced and stored on a stand-alone computer and be given password protection. Backup files will be kept on floppy disc. All materials relevant to an investigation, such as tapes from interviews, will also be stored securely with the whistleblower files.

The Department will not email documents relevant to a whistleblower matter and will ensure all telephone calls and meetings are conducted in private.

8 Collating and publishing statistics

The protected disclosure coordinator will establish a secure register to record the information required to be published in the Department’s annual report, and to generally keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

9 Receiving and assessing disclosures

The Department may receive a range of complaints and grievances from staff and members of the public. Only some of these matters will be considered to be protected disclosures and therefore qualify for protection and investigation under the Act.

9.1 Has the disclosure been made in accordance with Part 2 of the Act?

Where a disclosure has been received by the protected disclosure officer he or she will assess whether the disclosure has been made in accordance with Part 2 of the Act and is, therefore, a protected disclosure.
9.1.1 Has the disclosure been made to the appropriate person?
For the disclosure to be responded to by the Department it must concern an employee of the Department. If the disclosure concerns an employee, officer or member of another public body, the person who has made the disclosure must be advised of the correct person or body to whom the disclosure should be directed. (See the table in 5.2.) If the disclosure has been made anonymously, it should be referred to the Ombudsman.

9.1.2 Does the disclosure contain the essential elements of a protected disclosure?
To be a protected disclosure, a disclosure must satisfy the following criteria:
- the disclosure was made by a natural person (that is, an individual person rather than a corporation)
- the disclosure relates to conduct of a public body or public officer acting in their official capacity
- the alleged conduct is improper conduct or detrimental action taken against a person in reprisal for making a protected disclosure
- the person making a disclosure has reasonable grounds for believing the alleged conduct has occurred.

Where a disclosure is assessed to be a protected disclosure, it is referred to the protected disclosure coordinator.

Where a disclosure is assessed not to be a protected disclosure, the matter does not need to be dealt with under the Act. The protected disclosure officer will decide how the matter should be resolved, in consultation with the protected disclosure coordinator. The following table indicates the alternative processes available within the Department for dealing with complaints.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Initial contact</th>
<th>Other options</th>
<th>Workplace policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent's concern or complaint of a general nature (may concern students, teachers, educational matters or an action taken by the school or school council)</td>
<td>Principal</td>
<td>Regional Director</td>
<td>Complaints, Unsatisfactory Performance and Serious Misconduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Principal Class Handbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Teacher Class Handbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• SSO Handbook</td>
</tr>
<tr>
<td>Workplace conflict or grievance</td>
<td>Principal or Manager</td>
<td>• The Department of Education &amp; Training’s Complaints and Investigations Unit</td>
<td>Complaints, Unsatisfactory Performance and Serious Misconduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Merit Protection Boards</td>
<td>• Principal Class Handbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Teacher Class Handbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• SSO Handbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Personal Grievances</td>
</tr>
<tr>
<td>Equal Opportunity concern</td>
<td>Principal or Manager</td>
<td>• The Department of Education &amp; Training’s Complaints and Investigations Unit</td>
<td>Merit and Equity Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The Department of Education &amp; Training’s Diversity and Equity Unit</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Merit Protection Boards</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Equal Opportunity Commission</td>
<td></td>
</tr>
<tr>
<td>Occupational Health and Safety issue</td>
<td>Principal or Manager</td>
<td>Workplace OHS representative</td>
<td>OHS Guidelines</td>
</tr>
<tr>
<td>Ethical or other misconduct concern</td>
<td>Principal or Manager</td>
<td>• The Department of Education &amp; Training’s Complaints and Investigations Unit</td>
<td>VPS Code of Conduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Office of Public Employment</td>
<td></td>
</tr>
<tr>
<td>Complaints regarding administrative action by government bodies</td>
<td>The public body concerned</td>
<td>• The Ombudsman</td>
<td>Ombudsman Act 1973</td>
</tr>
<tr>
<td>Improper conduct or detrimental conduct</td>
<td>Department of Education &amp; Training protected disclosure officer</td>
<td>• The Department of Education &amp; Training’s protected disclosure coordinator</td>
<td>Whistleblower Protection Act Guidelines</td>
</tr>
</tbody>
</table>
9.2 Is the disclosure a protected disclosure?
Where a disclosure has been assessed as a protected disclosure by the protected disclosure officer and consequently referred to the protected disclosure coordinator, the coordinator will confirm whether the disclosure amounts to a protected disclosure. This assessment will be made within 45 days of the initial receipt of the disclosure by the protected disclosure officer.

Where the protected disclosure coordinator concludes that the disclosure amounts to a protected disclosure, he or she will:
• notify the person who made the disclosure of that conclusion
• refer the disclosure to the Ombudsman for formal determination as to whether it is indeed a protected disclosure.

Where the protected disclosure coordinator concludes that the disclosure is not a protected disclosure, he or she will:
• notify the person who made the disclosure of that conclusion
• advise that person that he or she may request the Department to refer the disclosure to the Ombudsman for a formal determination as to whether the disclosure is a protected disclosure, and that this request must be made within 28 days of the notification.

In either case, the protected disclosure coordinator will ensure that the notification and the referral are made within 14 days of the conclusion being reached.

10 Investigations
10.1 Introduction
Where the Ombudsman refers a protected disclosure to the Department for investigation, the protected disclosure coordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:
• to maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure
• to make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

10.2 Terms of reference
Before commencing an investigation, the protected disclosure coordinator will draw up terms of reference and obtain authorisation for those terms from the Secretary of the Department. The terms of reference will set a date by which the investigation report is to be concluded, and will describe the resources available to the investigator to complete the investigation within the time set. The protected disclosure coordinator may approve, if reasonable, an extension of time requested by the investigator. The terms of reference will require the investigator to make regular reports to the protected disclosure coordinator who, in turn, is to keep the Ombudsman informed of general progress.

10.3 Investigation plan
The investigator will prepare an investigation plan for approval by the protected disclosure coordinator. The plan will list the issues to be substantiated and describe the avenue of inquiry. It will address the following issues:
• What is being alleged?
• What are the possible findings or offences?
• What are the facts in issue?
• How is the inquiry to be conducted?
• What resources are required?

At the commencement of the investigation, the whistleblower should be:
• notified by the investigator that he or she has been appointed to conduct the investigation
• asked to clarify any matters and provide any additional material he or she might have.

The investigator will be sensitive to the whistleblower’s possible fear of reprisals and will be aware of the statutory protections provided to the whistleblower.

10.4 Natural justice
The principles of natural justice will be followed in any investigation of a protected disclosure.
The principles of natural justice concern procedural fairness and ensure a fair decision is reached by an objective decision maker. Maintaining procedural fairness protects the rights of individuals and enhances public confidence in the process.

The Department will have regard to the following issues in ensuring procedural fairness:

- the person who is the subject of the disclosure is entitled to know the allegations made against him or her and must be given the right to respond (this does not mean the person must be advised of the allegation as soon as the disclosure is received or the investigation has commenced)
- if the investigator is contemplating making a report adverse to the interests of any person, that person should be given the opportunity to put forward further material that may influence the outcome of the report and that person’s defence should be fairly set out in the report
- all relevant parties to a matter should be heard and all submissions should be considered
- a decision should not be made until all reasonable inquiries have been made
- the investigator or any decision maker should not have a personal or direct interest in the matter being investigated
- all proceedings must be carried out fairly and without bias and care taken to exclude perceived bias from the process
- the investigator must be impartial in assessing the credibility of the whistleblower and any witnesses and, where appropriate, conclusions as to credibility should be included in the investigation report.

10.5 Conduct of the investigation

The investigator will make contemporaneous notes of all discussions and telephone calls, and all interviews with witnesses will be taped. All information gathered in an investigation will be stored securely. Interviews will be conducted in private and the investigator will take all reasonable steps to protect the identity of the whistleblower.

Where disclosure of the identity of the whistleblower cannot be avoided, due to the nature of the allegations, the investigator will warn the whistleblower and his or her welfare manager of this probability.

It is in the discretion of the investigator to allow any witness to have legal or other representation or support during an interview. If a witness has a special need for legal representation or support, permission should be granted.

10.6 Referral of an investigation to the Ombudsman

The protected disclosure coordinator will make a decision regarding the referral of an investigation to the Ombudsman where, on the advice of the investigator:

- the investigation is being obstructed by, for example, the non-cooperation of key witnesses
- the investigation has revealed conduct that may constitute a criminal offence.

10.7 Reporting requirements

The protected disclosure coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a protected disclosure and an investigation.

The protected disclosure coordinator will report to the Ombudsman about the progress of an investigation.

Where the Ombudsman or the whistleblower requests information about the progress of an investigation, that information will be provided within 28 days of the date of the request.

11 Action taken after an investigation

11.1 Investigator’s final report

At the conclusion of the investigation, the investigator will submit a written report of his or her findings to the protected disclosure coordinator. The report will contain:

- the allegation/s
- an account of all relevant information received and, if the investigator has rejected evidence as being unreliable, the reasons for this opinion being formed
- the conclusions reached and the basis for them
- any recommendations arising from the conclusions.
Where the investigator has found that the conduct disclosed by the whistleblower has occurred, recommendations made by the investigator will include:

- the steps that need to be taken by the Department to prevent the conduct from continuing or occurring in the future
- any action that should be taken by the Department to remedy any harm or loss arising from the conduct. This action may include bringing disciplinary proceedings against the person responsible for the conduct, and referring the matter to an appropriate authority for further consideration.

The report will be accompanied by:

- the transcript or other record of any oral evidence taken, including tape recordings
- all documents, statements or other exhibits received by the investigator and accepted as evidence during the course of the investigation.

11.2 Action to be taken

If the protected disclosure coordinator is satisfied that the investigation has found that the disclosed conduct has occurred, he or she will recommend to the Secretary the action that must be taken to prevent the conduct from continuing or occurring in the future. The protected disclosure coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The protected disclosure coordinator will provide a written report to the relevant Minister, the Ombudsman and the whistleblower setting out the findings of the investigation and any remedial steps taken.

Where the investigation concludes that the disclosed conduct did not occur, the protected disclosure coordinator will report these findings to the Ombudsman and to the whistleblower.

12 Managing the welfare of the whistleblower

12.1 Commitment to protecting whistleblowers

The Department is committed to the protection of genuine whistleblowers against detrimental action taken in reprisal for the making of protected disclosures.

The protected disclosure coordinator is responsible for ensuring whistleblowers are protected from direct and indirect detrimental action, and that the culture of the workplace is supportive of protected disclosures being made.

The protected disclosure coordinator will appoint a welfare manager to all whistleblowers who have made a protected disclosure. The welfare manager will:

- examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and, where the whistleblower is an employee, seek to foster a supportive work environment
- advise the whistleblower of the legislative and administrative protections available to him or her
- listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure
- keep a contemporaneous record of all aspects of the case management of the whistleblower including all contact and follow-up action
- ensure the expectations of the whistleblower are realistic.

All employees are advised that it is an offence for a person to take detrimental action in reprisal for a protected disclosure. The maximum penalty is a fine of 240 penalty units ($24,000) or two years imprisonment or both. The taking of detrimental action in breach of this provision can also be grounds for making a disclosure under the Act and can result in an investigation.

12.2 Keeping the whistleblower informed

The protected disclosure coordinator will ensure that the whistleblower is kept informed of action taken in relation to his or her disclosure, and the timeframes that apply.

The whistleblower will be informed of the objectives of an investigation, the findings of an investigation, and the steps taken by the Department to address any improper conduct that has been found to have occurred. The whistleblower will be given reasons for decisions made by the Department in relation to a protected disclosure.
12.3 Occurrence of detrimental action
If a whistleblower reports an incident of harassment, discrimination or adverse treatment that would amount to detrimental action taken in reprisal for the making of the disclosure, the welfare manager will:
• record details of the incident
• advise the whistleblower of his or her rights under the Act
• advise the protected disclosure coordinator or Secretary of the detrimental action.

The taking of detrimental action in reprisal for the making of a disclosure can be an offence against the Act as well as grounds for making a further disclosure. Where such detrimental action is reported, the protected disclosure coordinator will assess the report as a new disclosure under the Act. Where the protected disclosure coordinator is satisfied that the disclosure is a protected disclosure, he or she will refer it to the Ombudsman. If the Ombudsman subsequently determines the matter to be a protected disclosure, the Ombudsman may investigate the matter or refer it to another body for investigation as outlined in the Act.

12.4 Whistleblowers implicated in improper conduct
Where a person who makes a disclosure is implicated in misconduct, the Department will handle the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman’s guidelines and these procedures.

The Department acknowledges that the act of whistleblowing should not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct. Section 17 of the Act specifically provides that a person’s liability for his or her own conduct is not affected by the person’s disclosure of that conduct under the Act. However, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

The Secretary will make the final decision on the advice of the protected disclosure coordinator as to whether disciplinary or other action will be taken against a whistleblower. Where disciplinary or other action relates to conduct that is the subject of the whistleblower’s disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

In all cases where disciplinary or other action is being contemplated, the Secretary must be satisfied that it has been clearly demonstrated that:
• the intention to proceed with disciplinary action is not causally connected to the making of the disclosure (as opposed to the content of the disclosure or other available information)
• there are good and sufficient grounds that would fully justify action against any non-whistleblower in the same circumstances
• there are good and sufficient grounds that justify exercising any discretion to institute disciplinary or other action.

The protected disclosure coordinator will thoroughly document the process including recording the reasons why the disciplinary or other action is being taken, and the reasons why the action is not in retribution for the making of the disclosure. The protected disclosure coordinator will clearly advise the whistleblower of the proposed action to be taken, and of any mitigating factors that have been taken into account.

13 Management of the person against whom a disclosure has been made
The Department recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures.

The Department will take all reasonable steps to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures, the fact that the investigation has been carried out, the results of the investigation, and the identity of the person who is the subject of the disclosure will remain confidential.

The protected disclosure coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of a public body is:
• informed as to the substance of the allegations
• given the opportunity to answer the allegations before a final decision is made
• informed as to the substance of any adverse comment that may be included in any report arising from the investigation
• has his or her defence set out fairly in any report.

Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the protected disclosure coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

The Department will give its full support to a person who is the subject of a disclosure where the allegations contained in a disclosure are clearly wrong or unsubstantiated. If the matter has been publicly disclosed, the Secretary of the Department will consider any request by that person to issue a statement of support setting out that the allegations were clearly wrong or unsubstantiated.

14 Criminal offences
The Department will ensure officers appointed to handle protected disclosures and all other employees are aware of the following offences created by the Act.

• It is an offence for a person to take detrimental action against a person in reprisal for a protected disclosure being made. The Act provides a maximum penalty of a fine of 240 penalty units ($24,000) or two years imprisonment or both.
• It is an offence for a person to divulge information obtained as a result of the handling or investigation of a protected disclosure without legislative authority. The Act provides a maximum penalty of 60 penalty units ($6000) or six months imprisonment or both.
• It is an offence for a person to obstruct the Ombudsman in performing his or her responsibilities under the Act. The Act provides a maximum penalty of 240 penalty units ($24,000) or two years imprisonment or both.
• It is an offence for a person to knowingly provide false information under the Act with the intention that it be acted on as a disclosed matter. The Act provides a maximum penalty of 240 penalty units ($24,000) or two years imprisonment or both.

15 Review
These procedures will be reviewed annually to ensure they meet the objectives of the Act and accord with the Ombudsman’s guidelines.

Contact details
Written disclosures should be marked confidential and addressed to the protected disclosure officer at the appropriate regional or central Department office.

If making disclosures personally or by telephone individuals need to contact the appropriate central or regional Department office and request to speak to the protected disclosure officer.

Conduct and Ethics Branch
GPO Box 4367
Melbourne Victoria 3001
Telephone: (03) 9637 2591

Barwon South Western Region
PO Box 420
North Geelong Victoria 3215
Telephone: (03) 5272 8300

Grampians Region
Level 1
1220 Sturt Street
Ballarat Victoria 3350
Telephone: (03) 5337 8444

Eastern Metropolitan Region
29 Lakeside Drive
Burwood East Victoria 3151
Telephone: (03) 9881 0200

Gippsland Region
PO Box 381
Moe Victoria 3825
Telephone: (03) 5127 0400

Hume Region
PO Box 403
Benalla Victoria 3672
Telephone: (03) 5761 2100
Loddon Mallee Region
PO Box 442
Bendigo Victoria 3550
Telephone: (03) 5440 3111

Northern Metropolitan Region
Locked Bag 88
Fairfield Victoria 3078
Telephone: (03) 9488 9488

Southern Metropolitan Region
PO Box 5
Dandenong 3175
Telephone: (03) 9794 3555

Western Metropolitan Region
PO Box 57
Carlton South Victoria 3053
Telephone: (03) 9291 6500

Protected Disclosure Coordinator
Manager, Conduct and Ethics Branch
Ground Floor, 33 St Andrews Place
GPO Box 4367
Melbourne Victoria 3001
Telephone: (03) 9637 2591

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
Website: www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au
Telephone: (03) 9613 6222
Freecall: 1800 806 314
APPENDIX 4
Other statutory reporting requirements

Compliance with the Building Act 1993

As part of its service provision mandate, the Department of Education & Training is committed to providing safe and secure buildings for all Department-owned and operated facilities. A critical part of this commitment is the development of a Building Compliance Assessment Strategy for all facilities for which the Department has a responsibility, including TAFE institutions.

The Minister for Finance Guideline ‘Standards for Publicly Owned Buildings’ (November 1994) requires that all government departments and funded agencies comply with the following:

- new buildings conform to the Building Act 1993 and other statutory obligations
- other buildings are brought up to a standard ‘such that they are safe and fit to occupy’.

In order to comply with the above it was necessary to undertake Standards Assessments for nominated facilities.

Standards Assessments are mandatory legislative requirements aimed at ensuring safety and fitness for occupancy. An agreed benchmark was developed specifying the required areas of compliance for Department-controlled facilities, including TAFE institutes. This is in the form of a performance-based guideline and checklist.

All facilities for which the Department of Education & Training is responsible will be audited by suitably qualified contractors in accordance with the new guideline. A report will be generated indicating areas of non-compliance. Identified works will be costed and priorities established for future works.

National Competition policy

Under the relevant provisions of the Vocational Education and Training Act 1990, a function of the VLESC is to provide for the delivery of post-compulsory education and training by registered organisations. The Act restricts competition in that providers need to be registered in order to deliver accredited courses.

Human resources

The Department of Education & Training covers matters relating to staffing, workforce data, the application of merit and equity principles and occupational health and safety. (See the Human Resources section in the Department of Education & Training’s annual report 2005–06.)

Consultancies and major contracts

Details of consultants engaged by the VLESC in 2005–06 were as follows:

Consultancies in excess of $100,000
Nil

Consultancies less than $100,000
Nil

The VLESC did not enter into contracts greater than $10 million in value during 2005–06.
Additional information

Consistent with the requirements of the Financial Management Act 1994, material has also been prepared on the following topics, which have not been addressed in this report:

• declarations of pecuniary interests
• shares held beneficially by senior officers as nominees of a statutory authority or subsidiary
• publications produced by the VLESC or the Office of Training and Tertiary Education
• changes in prices, fees, charges, rates and levies

• major external reviews carried out on the VLESC
• research and development activities undertaken by the VLESC
• overseas visits undertaken
• major promotions undertaken by the VLESC
• occupational health and safety assessments and measures
• industrial relations issues
• major committees sponsored by the VLESC.

Requests for details of this information should be made to the VLESC’s Secretariat (telephone (03) 9637 3784).
APPENDIX 5
Disclosure index

The annual report of the VLESC is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the VLESC’s compliance with statutory disclosure requirements.

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