

Victorian Skills Commission

Annual Report 2010–11



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September 2011

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

Dear Minister

On behalf of the Victorian Skills Commission (VSC) I am pleased to submit the annual report for the year 2010–11 in accordance with the requirements of the *Financial Management Act 1994*.

2010–11 has seen major changes and achievements in vocational education and training in Victoria. Victoria has put in place a system, underpinned by the Victorian Training Guarantee, to increase contestability and introduce an entitlement model for government funded training places. This is aimed at making the system more responsive to employer and student needs.

In 2010, approximately 582,000 students undertook VET in TAFE institutes, private providers and adult community education providers.

During 2010–11, the VSC reviewed its role in the context of the demand-led training market, and we have made significant progress in implementing and overseeing the Victorian training market.

This year the VSC farewelled Ms Jane Calvert and I thank her for her valuable contribution to our work. I am pleased to welcome Ms Julie Warren to the VSC. I would also like to thank Ms Rowena Allen for her time as Acting Chair of the VSC.

Much of the VSC's work is performed by officers in Skills Victoria. I thank these people for their work and express the VSC's appreciation of the efforts of all those individuals and organisations that collaborate with us in improving the education and training outcomes of Victorians.

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

Yours sincerely

A handwritten signature in black ink, which appears to read "Yvonne von Hartel".

Yvonne von Hartel AM
Chair

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2010–11 in brief

- On 1 January 2011, the Victorian Training Guarantee (VTG) was delivered for all vocational education and training (VET) qualifications in Victoria.
- In 2010–11, there was strong growth in government-subsidised enrolments. Victorians are undertaking more training at higher qualification levels and in areas where skills needs are greatest. People with low level or no prior qualifications are engaging in more training, and eligibility exemptions are providing access to training for those significantly disadvantaged in the labour market. Many young Victorians have benefitted from the re-introduction of concession fees for higher-level courses.
- In 2010, TAFE institutes, ACE organisations and private registered training organisations (RTOs) delivered 168 million student contact hours of training and further education (excluding non-VET activity) to approximately 582,000 students. The government funded nearly 67 per cent of these training hours.
- In 2010, almost 88,000 young people aged 15 to 19 years undertook government-funded vocational education and training with TAFE institutes, ACE organisations and private RTOs.
- As at 30 June 2011, there were 132,974 apprentices and trainees in Victoria.
- Market facilitation projects were initiated in the La Trobe Valley, Greater Geelong, for health information workers and at Boeing Aerostructures Australia.
- The VSC completed a review of Industry Training Advisory Bodies (ITABs).

About the Victorian Skills Commission

Context

The VSC is responsible for addressing Victoria's government, industry and community training needs.

The VSC is the fund holder for government funding for vocational education and training and regulates the Victorian apprenticeship and traineeship system.

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

- 18 TAFE institutes, including four TAFE divisions within universities
- 1157 registered providers delivering pre-accredited and/or accredited training, including 90 schools involved with VET programs and 320 ACE providers. Of these, the Victorian Government provides funding to 560 through the VSC for training delivery.

These organisations provide:

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

The VSC role

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

- captures and publishes information about the current and prospective labour market demand for skills
- advises the Government on opportunities to enhance Victoria's competitiveness through targeted skills and workforce development strategies, and engages with specific industries/communities to champion the development and implementation of these strategies
- monitors quarterly outcomes of training expenditure and training activity, including matching of training delivery to labour market needs
- advises the Government on the impact of government policy settings on training outcomes for particular learning groups, communities, groups of employers and industries

- as fund holder, oversees the appropriateness of Skills Victoria contracting and payment business processes, and controls and authorises the release of funds accordingly.

Members of the VSC

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



Yvonne von Hartel
AM

Yvonne von Hartel AM

Appointed Chair from October 2010

Ms Yvonne von Hartel AM is a founding principal of the national architectural practice, peckvonhartel. An award-winning architect, she has over 40 years' experience in the practice of architecture. She has designed, documented, managed and advised on major commercial and government projects and urban developments nationally and internationally, including corporate headquarters, prisons and historic building refurbishment.

She has held positions on industry, regulation and standards Boards, and is a director of the Melbourne Convention and Exhibition Centre Trust and of the publicly listed ConnectEast Group, the concessionaire of the Eastlink freeway.

In 2007, Ms von Hartel was awarded a Member of the Order of Australia for 'services to architecture, design and building through involvement with a range of professional organisations, to the promotion of women in business, and to the community'. She was recently appointed to the University of Wollongong SMART Infrastructure Advisory Council.



Rowena Allen

Rowena Allen

Member and Acting Chair from July 2010 to September 2010

Ex officio member as ACFE Board Chair from November 2010

Ms Rowena Allen is contracted through Hudson Sales and Marketing to Skills Victoria as a Market Facilitator within the Hume region. She was formerly the Chief Executive Officer (CEO) of UnitingCare – Cutting Edge, a Uniting Church welfare agency she established 11 years ago in the Goulburn Valley. Ms Allen has a passion for social justice and social inclusion, which is reflected in her work with disengaged young people, sole parents, the long-term unemployed, families of young people with disabilities, Indigenous groups and refugees.

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



Robyn Archer

Robyn Archer

Member from July 2010

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



Peter Coyne

Peter Coyne

Member from July 2010

Mr Peter Coyne is Executive General Manager of Human Resources for Crown Melbourne, responsible for the people strategy for Australia's largest hospitality employer. Mr Coyne began as a contractor assisting long-term unemployed people to work in hospitality and since then has focused on leadership development and human resource management during his 14 years with Crown.

Prior to this, he was a secondary school teacher in country and metropolitan schools for 19 years, and established his own curriculum and resource development business focused on school-to-work transition.



Stuart Hamilton AO

Stuart Hamilton AO

Ex officio member from July 2010

Mr Stuart Hamilton has had a career with government, national associations and business. Since 2003 he has been the CEO of Open Universities Australia. He previously held the position of Secretary of the Victorian Department of Education and Training (2001–02) and Director of the Victorian Innovation Economy Advisory Board (2002–03). He was also Chair of the Victorian Curriculum and Assessment Authority (2004–06).

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



Jeannette Lang

Jeannette Lang

Member from July 2010

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

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

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



Roger Leeming

Roger Leeming

Member from July 2010

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

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



Megan Lilly

Megan Lilly

Member from July 2010

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

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



Jeff Rosewarne

Jeff Rosewarne

Ex officio member from January 2011

Mr Jeff Rosewarne was appointed Acting Secretary of the Department of Education and Early Childhood Development (DEECD) in December 2010, following the departure of Professor Peter Dawkins. As Acting Secretary, he is responsible for managing the Department and ensuring that the three education portfolio Ministers are supported.

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



Julie Warren

Julie Warren

Member from July 2010

Ms Julie Warren is the President of the National Union of Workers (Victoria) and has been with the union for over 15 years. During her time at the union, Ms Warren's focus has been in the eastern suburbs and she has recently taken on responsibility as branch trainer.

Ms Warren has had extensive involvement in vocational education throughout her career. Current appointments include the Chair of the Manufacturing and Engineering Skills Advisory Board where she has served as a Board member for over 10 years, and Deputy Chair of the Manufacturing Skills Taskforce for the past five years. Ms Warren is also a Board member of LUCRF Super Community Partnership Trust.



Jane Calvert

Jane Calvert

Member from July 2010 to December 2010

Ms Jane Calvert is national President of the Construction, Forestry, Mining and Energy Union's Forestry Furnishing, Building Products and Manufacturing Division. She chairs the Victorian Forest Industry Training Advisory Committee, ForestWorks, and ForestWorks Industry Skills Council, is a member of the Victorian Forest Industry Council, a committee member of the Frederick Scholarship Trust, Chair of the Tree Felling Safety Group and a member of the Victorian Forest Industry OHS Stakeholders Forum.



Howard Ronaldson

Howard Ronaldson

Ex officio member from July 2010 to December 2010

Mr Howard Ronaldson was Secretary of the (former) Department of Innovation, Industry and Regional Development (DIIRD). He held executive positions in the Department of Premier and Cabinet, and was previously Director of Gaming, Director of Crown Lands and Director of Housing in Victoria. Mr Ronaldson is also a former Chief Executive and Under Treasurer of the Department of Treasury in the ACT.

He has vast experience in negotiating complex commercial arrangements between the private sector and government, and providing strategic policy advice on key links between infrastructure and the economy.

Audit and Risk Committee

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

Ms Merran Kelsall (Chair and independent member)

Mr Robert Maughan (independent member)

Ms Rowena Allen (VSC member) from July 2010 to December 2010

Ms Yvonne von Hartel (VSC member) from January 2011

Mr Roger Leeming (VSC member)

Ms Jeannette Lang (VSC member)

Executive support

The VSC is directly supported by a secretariat which operates within Skills Victoria.

Summary of financial results

The table below shows information on the VSC's financial results and financial position for 2010–11 and comparisons with the preceding four years. Full details are in the financial report.

	Notes	2010–11 \$m	2009–10 \$m	2008–09 \$m	2007–08 \$m	2006–07 \$m
Operating revenue	1	1,545.1	1,329.0	1,149.6	1,093.5	1,029.4
Operating expenses	2	1,551.0	1,353.7	1,131.3	1,062.1	1,023.7
Operating surplus/(deficit)	3	(5.9)	(24.7)	18.3	31.4	5.7
Total assets	4	337.1	175.6	169.0	152.5	88.8
Total liabilities	5	228.1	60.7	23.0	24.8	4.4
Retained funds	6	109.0	114.9	146.0	127.7	84.4
Net cash inflow/(outflow)	7	(38.7)	(8.0)	20.0	37.3	5.6

The following notes refer to 2010–11 data only.

1,2 Operating revenue increased from \$1,329.0 million in 2009–10 to \$1,545.1 million in 2010–11, an increase of \$216.1 million (16.3 per cent). A corresponding increase in operational expenses of \$197.3 million from \$1,353.7 million in 2009–10 to \$1,551.0 million in 2010–11 (14.6 per cent) also occurred. The main driver of increased income is the receipt of funds from the Department of Treasury and Finance for the above base delivery of training under the VTG, paid in accordance with the terms of the Memorandum of Understanding between the Departments of Treasury and Finance, Planning and Community Development, and Industry, Innovation and Regional Development. An additional \$297.1 million of expenditure incurred for training delivery is offset by reductions in expenditure on capital and other programs.

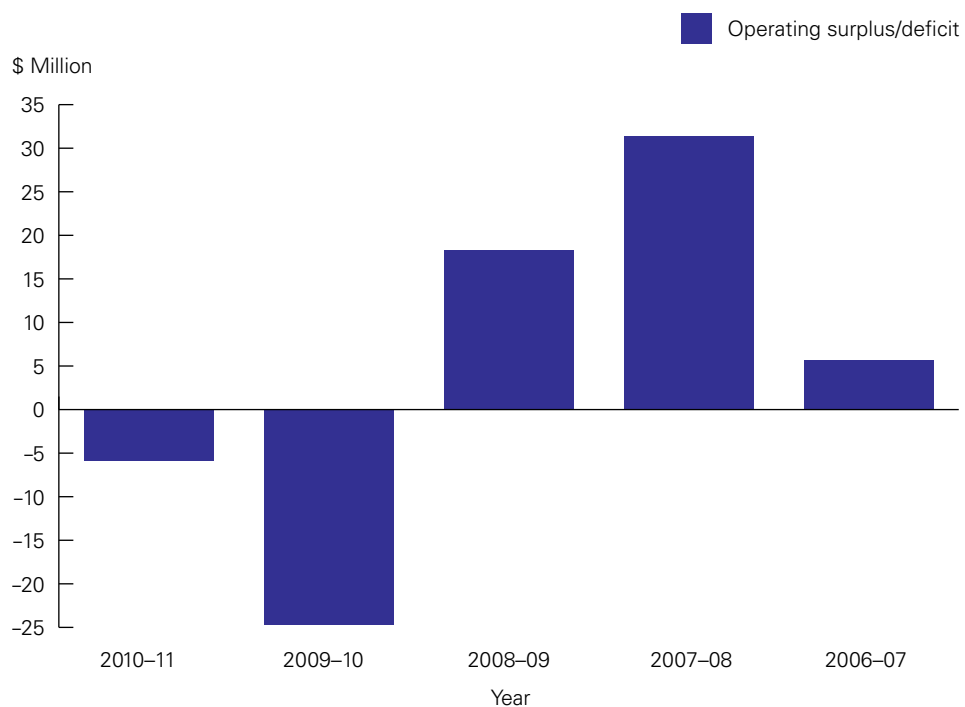
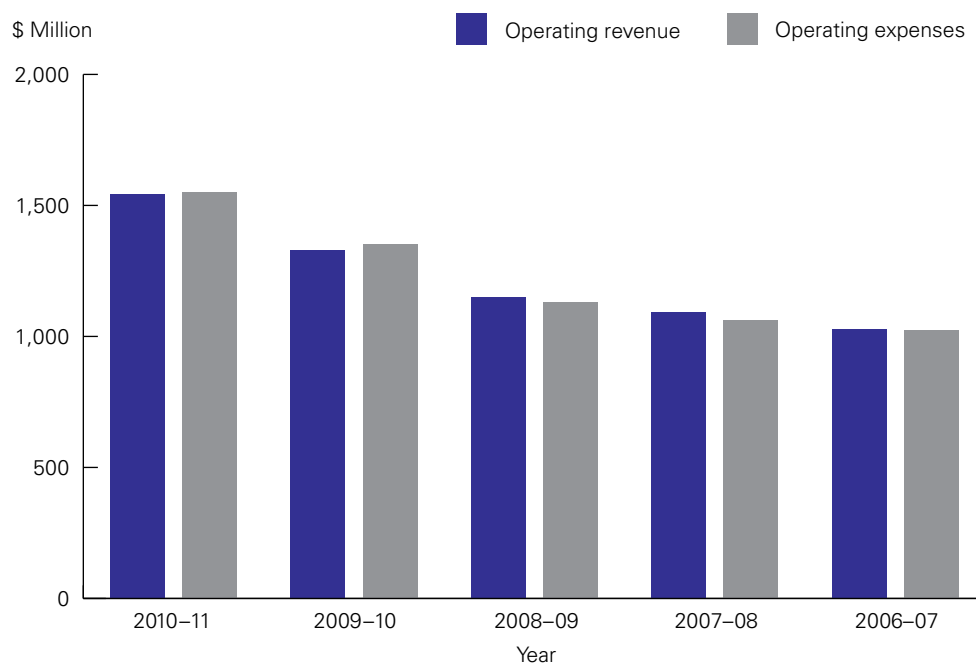
3 Operating deficit for 2010–11 is \$5.9 million, an improvement of \$18.8 million (76.2 per cent) over the 2009–10 deficit of \$24.7 million.

4 Total assets of \$337.1 million represent an increase of \$161.4 million (91.9 per cent) from the prior year's result of \$175.6 million. Assets have increased mainly as a result of accrued income relating to demand-driven payment reimbursement owing from the Department of Treasury and Finance (\$178.2 million). Cash holdings were reduced overall, mainly as a result of completion of works funded via the Commonwealth Economic Stimulus Package, funds which had been received in advance. Capitalisation of the Student Management System project added \$21.8 million to the asset base, with the result of intangible assets now recorded as \$38.8 million – all attributable to the Student Management System project.

5 Liabilities have increased by \$167.3 million from \$60.7 million in 2009–10 to \$228.1 million in 2010–11. The main driver of the increase is payables increasing by \$171.2 million, the majority of this being the accrual for payments due to training providers for training delivered in June 2011 and payable in July 2011.

6 Retained funds as at 30 June 2011 were \$109.0 million, a decrease of \$5.9 million from the previous year. The majority of the retained funds represent Commonwealth funding committed for the Priority Education and Training program and the Apprenticeship/Traineeship Training program.

7 For the year to 30 June 2011, a net decrease in cash and cash equivalents was recorded.



Governance and policy context

The VSC operates in the following Victorian and Commonwealth governance and policy context.

In November 2008, the Council of Australian Governments (COAG) agreed national arrangements for VET funding. The National Agreement for Skills and Workforce Development replaces previous funding arrangements. Funding continues at previous levels and provides more flexibility in the application of funds while committing them to a range of targets and measures.

Victoria is a signatory to the bilateral Intergovernmental Agreement for Additional Training Delivery in Victoria under the Productivity Places program. Victoria signed the National Partnership Agreement on TAFE Fee Waivers for Childcare Qualifications in early 2010. This extends the 2009 agreement to provide tuition fee waivers to eligible students studying Diploma and Advanced Diploma courses in childcare at TAFE. This agreement, which expires in 2014, aims to address shortages in the childcare sector.

In November 2009, COAG decided to establish a national regulator, and all states except Victoria and Western Australia agreed to refer constitutional powers. The regulator will be the Australian Skills Quality Agency (ASQA) and will begin operations in July 2011.

Under the establishing legislation, ASQA will regulate providers in Victoria if they have any overseas students or if they also operate in the territories or referring states. The remaining providers will continue to be regulated by the Victorian Registration and Qualifications Authority (VRQA).

Oversight of the Victorian training market

Victoria has introduced a student entitlement to vocational education and training in order to build an adequately skilled workforce that will improve productivity and capitalise on Victoria's opportunities.

The training system seeks to increase the number of people undertaking training in the areas and at the levels where skills are needed for Victoria's economic development. The market aims to enable those without qualifications to obtain them, and those who already have qualifications to obtain skills at higher levels – thereby increasing their employability and simultaneously delivering the types of skills Victorian businesses need.

Victorians are provided with the following entitlements to government-subsidised training in any area they wish to study:

- Victorians aged under 20 can access training at any level, regardless of any qualifications they already hold
- those aged 20 and over can gain access to training for any qualification at a higher level than the qualification they already hold
- all Victorians may access foundation-level skills, regardless of their age or previous qualifications
- all Victorians may access training in an apprenticeship qualification, regardless of their age or previous qualifications.

The VSC monitors the outcomes of post-compulsory education and training by overseeing the performance of the publicly funded training market in meeting the needs of industry and the community.

In its market oversight role, the VSC assesses and disseminates information about the skills requirements of Victorian industries and regions to optimise labour market participation, mobility and productivity. The VSC monitors training delivery to ensure it responds to skills requirements.

Analysis is based on information such as macroeconomic and industry forecasts from Access Economics, employment forecasts from the Centre of Policy Studies at Monash University, *Industry Skills Needs Report* and changes to the skilled migration 'occupations in demand' list. It is continually updated and validated through industry advice.

Outcomes are published in the 'Skills and Jobs Outlook' section of the Skills Victoria website to inform prospective students, RTOs and other government agencies.

Work has begun on the development of a skills market effectiveness report to be published in 2012 on the performance of the training market and actions required to improve performance. It will report on the effectiveness of the market in meeting industry needs, including participation by cohort and region.

The VSC, through Skills Victoria, facilitates skills supply to meet workforce requirements and drive productivity growth. To do this it gains feedback from businesses on skills issues, including skills in demand or forecasts, information about businesses, industries or training and education areas that are in transition, and regional economic considerations.

Early indicators of effectiveness and outcomes

Victoria took a staged approach to the introduction of student entitlement to vocational education and training. In mid-2009, the entitlement was applied to qualifications at diploma level and above for people of all ages. In January 2010, this was extended to cover enrolments at any qualification level for students aged 15–24 (referred to as Youth Compact enrolments). Full implementation, making the entitlement available to all age groups at all qualification levels, commenced in January 2011.

While only in its early stages, results in 2010–11 give confidence that Victoria's training market is delivering desired outcomes. There was strong growth in government-subsidised enrolments following the first phase of implementation of the student entitlement mid-2009. Early indications point to this growth continuing. The data suggests that:

- Victorians are undertaking more training
- more training is being undertaken at higher qualification levels
- more training is taking place in areas where skills needs are greatest
- people with low level or no prior qualifications are engaging in more training
- eligibility exemptions are providing access to training for those significantly disadvantaged in the labour market or undertaking training in critical skills areas
- many young Victorians have benefitted from the re-introduction of concession fees for higher level courses.

Data on these outcomes is summarised below. Further details are available on the VSC and Skills Victoria websites.

Victorian training market performance

- Following full implementation of the student entitlement system, training data as reported at 30 June 2011 indicates that the Victorian training market is continuing to grow in 2011. Relative to the same time in 2010, reported enrolments were 15 per cent* higher, hours were 20 per cent higher and student numbers were 13 per cent higher. This apparent growth has been driven by government-funded activity, where enrolments were 24 per cent higher in the first half of 2011 compared to the same time in 2010. Conversely, TAFE domestic fee-for-service activity showed an apparent decline in the first half of 2011, with enrolments 8 per cent lower than first half 2010 figures.

* Victorian training market figures are based on government-funded activity plus TAFE domestic fee-for-service comparing first half 2011 with first half 2010.

- Government-funded enrolments were higher across all Australian Qualifications Framework (AQF) levels in the first half of 2011, particularly at mid (Certificate III and IV) levels. Over the period from 2008–10, Diploma-level and above government-funded enrolments grew strongly (up 28 per cent) followed by Certificate III and IV (up 22 per cent).
- Enrolments by working-age students with low prior qualification levels (20–64-year-olds not holding a Certificate III or above) were 29 per cent higher in the first half of 2011 than at the same time in 2010. The large number of enrolments by this cohort (220,000 in 2010) revealed the high demand among the working-age population to up-skill through the Victorian training market.
- Foundation level training (literacy and numeracy) appeared to have grown significantly in the first half of 2011 (up 59 per cent to 31,500 enrolments). This figure illustrates the increasingly important role the Victorian training market is playing in improving literacy and numeracy among Victorians.
- Apprentice and trainee enrolments rebounded in 2010 following the economic slowdown in 2009. First half 2011 enrolments were above first half 2010 figures for both apprentices and trainees, providing further evidence that numbers have now recovered.

Victorian training market responsiveness

- Early indicators show that more training is taking place in areas where skills needs are greatest. At the macro level, enrolments were broadly responding to structural shifts in the economy. At the micro level, enrolments in particular courses were responding to specific occupational needs.
- In line with its status as Victoria's largest employer in 2010, government-subsidised enrolments in courses relating to retail trade increased markedly following the introduction of student entitlement. Government-subsidised enrolments for retail trade courses in May 2011 were 36 per cent higher than at the same time in 2010, up from 11,700 to nearly 15,900.
- The Health Care and Social Assistance industry is forecast to be Victoria's leading employer by 2017 and there has been strong growth in government-funded training relating to this industry. Enrolments in the Diploma of Nursing rose dramatically from under 100 in 2008 to nearly 2400 in 2010 and there were twice as many enrolments by young people in Aged Care certificates in 2010 relative to 2008. Government-subsidised enrolments in Health Care and Social Assistance in May 2011 were 32 per cent higher than at the same time in 2010, up from 28,500 to 37,700.
- The manufacturing industry is upgrading technologies, improving production processes and reducing employment in order to improve competitiveness. In May 2011, 15,900 government-subsidised enrolments were reported, 37 per cent higher than in May 2010. This increase was boosted by higher enrolments in the Certificate III in Process Manufacturing (up 2400), Certificates III and IV in Competitive Manufacturing (up 185 and 1100 respectively), and the Diploma of Competitive Manufacturing (up 200). This training aligns with industry requirements for increased competitiveness and a more highly skilled workforce.

- In line with the solid economic performance in the construction industry, government-funded enrolments increased notably. Enrolments in May 2011 were 22 per cent higher than at the same time in 2010, up from 23,600 to 28,900.
- Government-funded enrolments in courses relating to specialised occupations (for example, farrier) indicated that training delivery across these occupations is well placed to meet the critical need for trained personnel. In May 2011, government-subsidised enrolments within specialised occupations were 13 per cent higher than at the same time in 2010, up from 50,500 to 57,000.*
- Training in occupations experiencing shortages of trained people in Victoria suggest that, at the aggregate level, the training system is responding to changing industry requirements. Government-subsidised enrolments in May 2011 were 23 per cent higher than at the same time in 2010, up from 79,500 to 97,500.
- Government-subsidised enrolments in training related to occupations that are both specialised and in shortage were 14 per cent higher in May 2011 than at the same time in 2010, up from over 39,500 to almost 45,500. Specialised occupations and those experiencing shortage with the largest growth are the areas of construction, and health care and social assistance. These are two of the three highest employing industries in Victoria and this further demonstrates that Victoria's training system is responding to industry workforce needs.

VET delivery

In 2010, TAFE institutes, ACE organisations and private RTOs provided approximately 582,000 students with 168 million student contact hours of vocational education and training and further education (excluding non-VET activity). Government-funded delivery accounted for nearly 67 per cent of contact hours.

Over the last 10 years, overall VET delivery (measured in student contact hours) increased by 75 per cent. In this period the industries experiencing the greatest growth were transport and storage, community services and health, wholesale, retail and personal services, building and construction, and culture and recreation. The industry with the smallest growth was general manufacturing, which reflects the lack of growth in the workforce over the last decade.

In 2010, of the total 112 million government-funded student contact hours, TAFE institutes delivered 79 million (71 per cent), with the remainder delivered by ACE providers (8 per cent) and private RTOs (22 per cent)**. There were 215,000 government-funded mature-age enrolments (25 to 64 years), with 59 per cent attending TAFE institutes, 20 per cent studying with ACE organisations and 21 per cent at private RTOs.

In 2010, of the 115,000 enrolments in higher-level VET qualifications, just over 81 per cent were for Diplomas, 18 per cent were for Advanced Diplomas and the remaining 1 per cent for graduate certificates. TAFE institutes attracted 79 per cent of enrolments, 19 per cent at private RTOs (growing significantly from a 6 per cent share in 2009), while ACE providers accounted for just 1 per cent.

*A specialised occupation is one where specialised skills are needed to enter the occupation and where a supply shortage in the occupation has significant economic or community cost.

** Note that numbers have been rounded.

VET enrolments at higher levels contracted slightly between 2004 and 2006, but have grown strongly over recent years. Higher-level enrolments grew by 21 per cent in 2010 over 2008, suggesting that the VTG is stimulating VET delivery at higher qualification levels. The greatest growth in higher qualifications in 2010 was in wholesale, retail and personal services, community services and health and building and construction.

Mid-level enrolments (Certificates III and IV) grew by 70 per cent from 2000 to 2010. Mid-level training is particularly important, as a large proportion of students are in apprenticeships and traineeships at this level, many in skills shortage areas.

VET participation by students aged 15 to 19 increased by 76 per cent between 2000 and 2010, while enrolments by those aged 20 to 24 increased by 38 per cent over this period. Industries favoured by these age groups in 2010 were business services, tourism and hospitality, building and construction, and electro-technology and communications.

Apprenticeships and traineeships delivery

As at 30 June 2011, Victoria had 132,974 apprentices and trainees. The resurgence of commencements of apprentices and trainees from 2009 continued. During the reporting period, 92,452 apprentices and trainees commenced training. Building and construction, plumbing, electrical, automotive and engineering continue to have the greatest number of apprentice commencements. The wholesale, retail and personal services industries, and business services and property industries also continue to attract the highest numbers of trainee commencements.

There were 46,243 completions. Strategies implemented to improve apprentice retention were:

- continued maintenance of an out-of-trade apprentice list to assist unemployed apprentices in finding potential employers and redevelopment of the list into an interactive website for employers and out-of-trade apprentices
- continuation of the practice of allowing unemployed apprentices to complete the off-the-job portion of their qualification
- continuation of a program to support out-of-trade apprentices who have completed their off-the-job training to complete their apprenticeships.

The following apprentice retention projects were completed:

- research into the effectiveness of changes made to the mutual consent cancellation process in 2009
- use of market research to investigate why certain cohorts of employers do or do not employ apprentices and what factors most influence this
- development of a communication strategy for the Automotive industry to increase retention levels.

The following retention projects were commissioned:

- preparing, matching and placing students completing trade skill shortage pre-apprenticeship programs into apprenticeships
- examining ways of streamlining apprenticeship administration in Victoria
- identifying (in conjunction with WorkSafe) key influencers in workplace bullying or harassment that any strategy or campaign should target.

Victoria has also provided input and leadership into national reviews of the apprenticeship system, the results of which are due to be implemented in 2011–12.

Apprenticeship/Traineeship Training program

The Apprenticeship/Traineeship Training program provides funding for private RTOs to train apprentices and trainees, giving them the opportunity to engage in employment while training towards a nationally recognised qualification.

In 2010, 192 private RTOs provided training to more than 6700 apprentices/trainees.

Priority Education and Training program

The Priority Education and Training program funds private RTOs to provide training in industries and regions that have been identified as government priorities. Training complements that provided by local public training organisations, and is available for students who are not apprentices or trainees.

More than 1.4 million student contact hours were delivered by 118 private RTOs in 2010.

Vocational pathways for young people

Most young people complete their Year 12 at school, while some undertake senior secondary study with TAFE institutes and ACE organisations.

In 2010, a total of 167,709 students participated in at least one unit of the VCE or VCAL. Students were enrolled with 639 providers: 345 government, 91 Catholic and 144 independent schools; 46 adult VCE/VCAL providers and 13 other providers, including single-study providers.

To encourage young people to complete a senior secondary certificate at school, a range of post-compulsory pathways are offered, including vocational education options over which the VSC has oversight.

Victorian Certificate of Applied Learning

VCAL is a hands-on option for Year 11 and 12 students which offers practical work-related experience and learning. It is available in both government and non-government schools and through TAFE institutes and ACE organisations. In 2010, 429 providers had 19,175 VCAL certificate enrolments.

VET in Schools

VET in Schools (VETiS, including school-based apprenticeships and traineeships) comprises nationally recognised VET certificates that can be undertaken by senior secondary students as part of the VCE or the VCAL.

The number of VETiS certificate enrolments has increased significantly in the past eight years, from 37,708 in 2003 to 63,806 in 2010. The number of school students undertaking VETiS as part of their VCE or VCAL was 46,606 in 2010. The most popular VETiS certificates undertaken in 2006 to 2010 were in the industries of building and construction, cultural and recreation, business services, community services and health, and tourism, hospitality and events.

School-based apprenticeships and traineeships

Apprenticeships and traineeships in nationally accredited training certificates for senior school students continued to expand, with 11,798 commencements in 2010 compared to 9868 in 2009*. These were undertaken either through integration with the student's VCE or VCAL program or as separate part-time pathways involving out-of-school-hours employment.

Young people in vocational education and training

Students can also undertake their senior secondary qualification through a TAFE institute or an ACE organisation. In 2010, just over 5700 students took up this option.

In addition to young people completing senior secondary study, in 2010 almost 88,000 people aged 15 to 19 years undertook vocational education and training in government-funded programs in TAFE institutes, ACE organisations and private RTOs. These programs enable early school leavers to improve their education, career and employment options.

Technical Education Centres

Based in TAFE institutes, Technical Education Centres (TECs) provide access to industry expertise, the latest learning tools, industry-standard technical facilities, simulated work environments and local industry to support delivery of vocational education in priority industry areas. TECs provide training in a range of technical areas, including building and construction, automotive, community services, engineering and food processing. They also focus on supporting young people to complete their qualifications then transition to further education and training or work.

New TEC facilities in Berwick, Heidelberg and Wangaratta were completed in 2010–11 and are operational. The University of Ballarat TEC is scheduled for completion in 2012. In addition, the former Australian Technical Colleges in Geelong, Bendigo and Gippsland have commenced operation as TECs.

Fee-for-service activity

In addition to government-funded delivery, individuals and enterprises invested directly in training. TAFE institutes and ACE organisations delivered 44.9 million and 2.9 million student contact hours respectively of fee-for-service vocational and further education during the 2010 calendar year. Private RTOs that receive government funding reported 6.3 million student contact hours of fee-for-service activity.

*Source: Skills Victoria DELTA data

There was a total of 54.1 million student contact hours of fee-for-service activity in 2010. Of this, 22 per cent were delivered to full fee-paying overseas students studying on-shore, 21 per cent studying off-shore, and a further 57 per cent delivered to full fee-paying domestic students.

An additional 1.9 million student contact hours were delivered in personal enrichment programs (classified as non-VET activity), accounting for 82,200 course enrolments in 2010.

Fee-for-service VET activity in Victoria has grown by 266 per cent from 1999 to 2010. It accounted for 32 per cent of all student contact hours delivered in 2010 compared to just 16 per cent in 1999. This growth is being driven by an increase over the last decade in overseas students studying in Victoria, students studying off-shore at Victorian VET providers and full fee-paying domestic students.

Facilitating the Victorian training market

Facilitation activity can be necessary in some instances to create and foster stronger relationships between industry, individual clients and training providers. Market facilitation is also used to respond in situations where the training market may be operating sub-optimally and to expand the reach of the training market in a targeted way that is linked to the requirements of the Victorian economy and community.

Market facilitation occurred in the following areas:

- Whole of government

This activity involved working across government to improve training market responsiveness to key industries with current or emerging skills shortages, such as the rail industry. Training and higher education providers are encouraged to undertake skills audits and develop responsive training solutions to meet identified needs. Collaborative efforts were created and sustained with other government agencies, including Regional Development Victoria, Workforce Victoria, the Department of Human Services, the Department of Health and the Department for Primary Industries.

- Regional

This activity involved facilitating structural adjustment solutions to transform employers' use and development of skills in local economies, such as the LaTrobe Valley and Greater Geelong region. The Skilling the Valley and Skilling the Bay programs are moving the regions' business and workforce skills towards a different and more diverse economic and industrial base.

- Enterprise/employer groups

This activity involved improving links with registered training organisations (RTOs) to help the employers navigate the training system to upskill their workforces. Strategies include developing new and tailored training packages and connecting employer groups to appropriate existing programs. The Finance Demonstration project grouped five financial services organisations with appropriate RTOs for skills audits and training delivery.

Achievements

Improving the training market

The following examples illustrate market facilitation activity undertaken to address instances where the training market was not working to the satisfaction of employers.

Health information workers

A nationally consistent classification, costing and data collection system has been developed and will be implemented throughout Victoria to meet the reporting requirements in response to the Federal Government's health funding reforms.

A critical enabler to this will be the role played by the coding, costing and auditing workforce in health services. Health organisations across the State and the Department of Health identified that the provision of training and education for health information managers and clinical coders was not sufficiently flexible to meet industry requirements.

It was identified that Certificate III and Certificate IV level qualifications for clinical coders did not provide the necessary underpinning knowledge or level of training that enabled appropriate decision-making. Also, there were only two providers delivering the appropriate qualifications, which reduced the bargaining power of employers and thus the incentive for the training providers to be more responsive.

As a result of this work, a new Diploma-level qualification was developed with implementation planned for 2011–12.

Boeing

Boeing Aerostructures Australia (BAA) contributes \$2 billion in exports to the Victorian economy. The company manufactures parts for Boeing civilian and defence aircraft internationally. In late 2010, BAA began preparations for a significant increase in production to meet global demand. BAA utilises sophisticated production processes involving composite materials, which require skills and competencies beyond the traditional manufacturing of metallic products. The existing Certificate III in Manufacturing no longer met their needs.

In conjunction with BAA, Skills Victoria and the Curriculum Maintenance Manager at Box Hill Institute of TAFE developed a customised and accredited qualification, the Certificate III in Aviation Manufacturing (Composites), to meet BAA's needs.

The new Certificate will be available to 300 Boeing staff in 2012, including new apprentices.

Targeted expansion of the training market

Market facilitation has expanded the reach of the training market in the following targeted new and emerging skills areas, and increased participation of hard-to-reach learners.

Specialist provider networks and Specialist Centres

Specialist Centres and their provider networks have continued to develop and deliver training to priority industries and provide technological capabilities to boost the competitiveness of the Victorian economy.

The Fibre and Textiles Provider Network, funded by the Victorian International Fibre Centre has delivered training addressing sustainability issues that utilise 'lean and green' principles. The training is based on practical, company-based projects linked to performance improvement in relation to, for example, air and water quality, energy consumption, waste reduction and use of renewable materials.

The network has provided active support for the establishment of a Textile and Fashion Hub at Kangan Batman Institute's Richmond Campus. The Hub is intended to support commercialisation of ideas and innovations, implement workplace learning programs, meet skill gaps in the industry, and develop collaborative small- and medium-sized enterprise clusters.

The Victorian Government has provided \$3 million over three years (2010–12) to develop and deliver training in relation to green skills.

- Establishing Lean and Green Training for Sustainable Manufacturing (Centre for New Manufacturing, Swinburne University of Technology)

The project will provide training and support for manufacturing companies wishing to introduce 'lean and green' principles to underpin their long-term growth and sustainability, and build capability within the VET sector to deliver training in this field. The project will be delivered through a network of TAFE institutes and specialist industry providers known as the Advanced Technology Training Capability Alliance.

- Extending program activities at the Centre for Sustainable Water Management (Chisholm Institute of TAFE)

The project will enable the Centre, as the convenor of a network of TAFE institutes and specialist industry providers, to identify and address unmet training needs in the water industry.

- Extending program activities through the Energy Training Network (Energy Training Centre, Central Gippsland Institute of TAFE)

The project will enable the Centre, as the convenor of the Energy Training Network, to identify and address unmet training needs in renewable energy ventures across the State.

Innovation Fund

Through funding provided by the VSC, the Innovation Fund enables TAFE institutes to trial initiatives in innovation and flexible delivery. Twenty-seven initiatives received funding of \$2.65 million in 2010. These included projects to develop workforce training for existing workers such as Central Gippsland Institute of TAFE's advanced metering infrastructure project, and new training programs such as the Bilingual Workers Internship designed by Northern Melbourne Institute of TAFE.

At the 2011 annual Innovation Showcase event, the Minister for Higher Education and Skills launched the publication *Building Skills >> Building Human Capital* which presented case studies on innovative VET–industry partnerships that are collaborative and provided benefits to both business and individuals.

New and emerging skills research

In 2010–11, the following new and emerging skills research was commissioned by Skills Victoria on behalf of the VSC:

- a project on exotic materials in manufacturing that identified the critical knowledge and skill sets required for a range of machining techniques related to new materials in the advanced manufacturing sector
- a project commissioned in response to the Victorian Bushfire Royal Commission's Report that has involved a training needs analysis and identifying gaps in current course provision in relation to bushfire risk management
- identifying workforce skill sets required by product suppliers, wholesale solution integrators and service providers which take advantage of technologies designed to operate across a fast, reliable optic fibre network
- identifying skill requirements and developing a pilot training program for the air conditioning and mechanical services industry in essential services maintenance and controls.

Access and equity

The VSC established a VET Access and Equity Advisory Committee to advise it on the impact of government policy settings on training outcomes, including for particular learner groups.

During 2010–11, the committee initiated projects to build an understanding of the enablers and barriers to aspiration, access and achievement. The committee will advise the VSC about training service models, supports and transitions for disadvantaged learners.

The projects include a comprehensive literature review of service delivery models to support hard-to-reach learners, a trial of innovative service delivery models for specific disadvantaged learner cohorts, and development of a communication toolkit and resources for the community services sector with an emphasis on informing the sector, including caseworkers, about the VTG.

The VSC extended the reach of the training market to disadvantaged learners through projects such as the Centre of Excellence for Deaf and Hard of Hearing, and coordination of the Wurreeker Strategy for Indigenous learners.

Industry training advisory bodies

As the peak industry advisory body for government, the VSC oversees the Victorian industry training advisory and engagement system to provide advice on VET policy and industry priorities, and to promote industry participation in accredited training. The system consists of 16 ITABs funded by the VSC, national industry skills councils, whole-of-government working groups and other industry stakeholders. The industry advisory and engagement system provides industry input to improve the training market in Victoria.

In 2010–11, the VSC:

- worked with ITABs and government agencies to update web-based skills and jobs outlook information for VET audiences to reflect advice on industry skill needs, including emerging skills for the green economy
- funded targeted ITAB projects to stimulate training demand from Victorian businesses and address identified skills needs
- undertook a comprehensive review of its relationship with ITABs to align industry advice and engagement with the requirements of the new demand-driven training market, and with Victoria's economic structure and labour force
- redesigned ITAB functions to better support their role in facilitating the effective operation of the training market.

The VSC continued to support the Manufacturing Skills and Training Taskforce's focus on training demand, supply and industry engagement. The taskforce commenced or completed the following projects in 2010–11:

- Armature Winding Apprentices, Niche Trades Apprentice Training, Food Operators Upskilling, and Recognition of Prior Learning (RPL) in Transport Manufacturing
- Career Awareness projects to provide secondary teachers with a professional development opportunity in an advanced manufacturing work environment and for Year 11 VCAL students to develop video resumes to secure a work placement in manufacturing.

Green Skills Taskforce

The VSC established the Green Skills Taskforce to advise on Victoria's green skills and education and training needs. The taskforce is working in partnership with the industry training advisory system to support Victoria's transition to a lower-carbon economy through appropriate skills development. The taskforce is undertaking a green skills audit that will be available in early 2011–12.

2010 Victorian Training Awards

The annual Victorian Training Awards promote and reward outstanding achievement and innovation in Victoria's VET system. Approximately 1000 guests attended the 2010 award function, which included the introduction of the new Skills for Sustainability Award.

In 2010, Victoria had eight finalists at the Australia Training Awards and won the following five categories:

- 2010 Employer of the Year Award – Crown Melbourne
- 2010 Aboriginal and Torres Strait Islander Student of the Year – Rory Smeaton
- 2010 Vocational Student of the Year – Michael Hogan
- 2010 VET in Schools Excellence Award – Inner Melbourne VET Cluster
- 2010 Skills for Sustainability, Educational Institution Award – Swinburne University of Technology (TAFE).

Apprenticeships and traineeships support

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

Apprenticeship Taskforce

The VSC established an Apprenticeship Taskforce to advise it on improving the regulation of apprenticeships and traineeships. Improved arrangements will be implemented during 2011–12.

Apprenticeship field and support officers

As part of its regulation of the Victorian apprenticeship system, the VSC funds a network of Apprenticeship Field Officers (AFOs) to assist apprentices, trainees and their employers to meet their respective obligations under a training contract.

In 2010–11, 33 AFOs responded to complaints and, in their role as authorised officers under the *Education and Training Reform Act 2006*, conducted enquiries and prepared 116 written reports for consideration by the VSC.

From 1 January 2011, an additional 27 Apprenticeship Support Officers (ASOs) were employed through Victorian TAFE institutes to provide pastoral care to young first-year apprentices. The program is funded by the Commonwealth under a National Partnership Agreement and aims to establish connections with local support services to assist apprentices in making a successful transition from school to work and training.

Apprenticeship/Traineeship Completion Bonus Scheme

The Apprenticeship/Traineeship Completion Bonus Scheme offers employer incentives to encourage apprentices and trainees to complete training. During the 2010–11 financial year, employers of 16,285 apprentices and trainees qualified for completion bonus payments.

An early completion bonus was paid to 1501 employers whose apprentices completed training more than six months early.

Apprentice Trade Bonus

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

During the 2010–11 financial year, 16,489 apprentices were eligible for \$250 payments at the six-month point and 14,066 apprentices were eligible for the 12-month \$250 payment.

Governance

To support its governance and stakeholder engagement work, the VSC established or continued working groups on ITABs, access and equity, green skills, apprenticeships and manufacturing skills and training, reported on above.

In 2010, the VSC undertook an extensive review of its role in an industry-led, demand-driven training market. This resulted in a revised role statement with a focus on market oversight.

As fund holder for government training funds, the VSC oversaw the appropriateness of Skills Victoria's business processes for contracting and payment, and controlled and authorised the release of funds accordingly.

The VSC approved an enhanced audit strategy for contract compliance to apply to all RTOs contracted to deliver government-subsidised training. The audit strategy confirms that expenditure of funding is appropriate, promotes RTO regulatory and standards compliance, and encourages RTO process quality.

The VSC undertook internal audit projects on the Student Management System and the Skills Victoria Training System (SVTS).

In response to the introduction of a demand-led training market, during 2010 the VSC endorsed the development of new performance agreements covering training services and other support activities.

Financial report for the year ended 30 June 2011

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

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

Its principal address is:

Victorian Skills Commission
L3, 2 Treasury Place
East Melbourne VIC 3002

Comprehensive operating statement for the financial year ended 30 June 2011

Continuing operations	Note	2011 \$'000	2010 \$'000
Income from transactions			
Grant income		1,517,265	1,298,016
Specific purpose and grant income	2(a)	23,196	19,643
Interest		4,113	7,672
Fair value of assets received free of charge	2(b)	—	3,452
Other income	2(c)	554	265
Total income from transactions		1,545,128	1,329,048
Expenses from transactions			
Administrative expenses		18,694	13,638
Payments to training providers	1(F)	1,317,787	1,020,697
Capital grants to TAFE Institutes		119,991	182,909
Specific purpose and grant payments		60,174	87,514
Depreciation	3	82	160
Other operating expenses		34,258	48,792
Total expenses from transactions		1,550,986	1,353,710
Net result from transactions (net operating balance)		(5,858)	(24,662)
Other economic flows included in net result			
Net gain/(loss) on disposal of non financial assets		—	2,320
Total other economic flows included in net results		—	2,320
Net result		(5,858)	(22,342)
Other economic flows – other non-owner changes in equity			
Changes in physical asset revaluation surplus	17	—	(3,156)
Transfer from physical asset revaluation surplus to accumulated surplus on disposal of non-financial assets	17	—	3,156
Total other economic flows		—	—
Other non-owner changes in equity		—	—
Comprehensive result		(5,858)	(22,342)

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

Balance sheet as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Assets			
Financial assets			
Cash and cash deposits	16(b)	94,498	133,226
Receivables	4	203,105	24,950
Total financial assets		297,603	158,176
Non-financial assets			
Property, plant and equipment	5	476	18
Intangible assets	1(l)&6	38,841	17,043
Other financial assets	7	200	400
Total non-financial assets		39,517	17,461
Total assets		337,120	175,637
Liabilities			
Payables	8	226,949	55,747
Finance lease		465	—
Unearned revenue		674	5,000
Total liabilities		228,088	60,747
Net assets		109,032	114,890
Equity			
Contributed capital		14,316	14,316
Accumulated surplus/(deficit)		94,716	100,574
Net worth		109,032	114,890
Commitments for expenditure	14		
Contingent liabilities and contingent assets	13		

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

Statement of changes in equity for the financial year ended 30 June 2011

	Physical Asset Revaluation Surplus \$'000	Accumulated Surplus \$'000	Contributions by Owner \$'000	Total \$'000
Balance at 1 July 2009	3,156	119,760	23,059	145,975
Net result for the year		(22,342)		(22,342)
Transfer from physical assets revaluation reserve	(3,156)	3,156		–
Return of Contributed Capital			(8,743)	(8,743)
Balance at 30 June 2010	–	100,574	14,316	114,890
Net result for the year	–	(5,858)	–	(5,858)
Balance at 30 June 2011	–	94,716	14,316	109,032

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

Cash flow statement for the financial year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from Government		1,362,350	1,311,387
Other receipts		525	265
Interest received		4,114	7,672
GST recovered from the ATO		98,782	28,566
Total receipts		1,465,771	1,347,890
Payments to suppliers and others		(83,693)	(228,486)
Payments for training and grants		(1,398,933)	(1,116,206)
Total payments		(1,482,626)	(1,344,692)
Net cash flows from/(used in) operating activities	16(a)	(16,855)	3,198
Cash flows from investing activities			
Payment for non financial assets		(21,873)	(17,044)
Proceeds from sale of non-financial assets		—	5,850
Net cash flow from/(used in) investing activities		(21,873)	(11,194)
Net increase/(decrease) in cash and cash equivalents		(38,728)	(7,996)
Cash and cash equivalents at the beginning of the financial year		133,226	141,222
Cash and cash equivalents at the end of the financial year	16(b)	94,498	133,226

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

Notes to the financial statements

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Note 1 Summary of accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Skills Commission (the Commission).

(A) Statement of compliance

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

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

The annual financial statements were authorised for issue by the Chair of the Commission on 26 August 2011.

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.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Commission.

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

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

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Note 1 Summary of accounting policies

(continued)

Exceptions to the historical cost convention include:

- Non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value through profit and loss;
- certain liabilities that are calculated with regard to actuarial assessments; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

(C) Reporting entity

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

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

The financial statements include all controlled activities of the Victorian Skills Commission for the year ended 30 June 2011.

(D) Scope and presentation of financial statements

Comprehensive operating statement

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

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

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

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

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- Depletion of natural assets (non-produced) from their use or removal.

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

Balance sheet

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

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

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under *AASB 107 Statement of cash flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

(E) Income from transactions

Grant income

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

Note 1 Summary of accounting policies

(continued)

Specific purpose and grant income

Specific purpose and grant income is a grant against which specific outcomes are required when that income is recognised.

Interest income

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

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

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

Other income

Income from sale of goods

Income from the sale of goods is recognised when:

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

(F) Expenses from transactions

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

Administrative expenses

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

Payments to training providers

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

Similarly the Commission enters into contracts with a range of non-TAFE providers for the delivery of training outcomes. These organisations receive payments in the month following delivery based on the training hours delivered as reported through the contract payments system administered by the Commission.

Specific purpose and grant payments

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

Depreciation of property, plant and equipment

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

	2011	2010
Computers and peripheral equipment	3 years	3 years
Furniture, fittings and office equipment	5–10 years	5–10 years
Buildings	40 years	40 years

Other operating expenses

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

(G) Other economic flows included in the net result

Impairment of non-financial assets

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

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

Note 1 Summary of accounting policies

(continued)

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

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

(H) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

Receivables

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

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

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

(I) Non-financial assets

Revaluation of non current physical assets

Non-current physical assets measured at fair value are re-valued in accordance with FRD 103D issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value. Independent valuers are generally used to conduct these scheduled revaluations

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

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

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

Intangible assets

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

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

Note 1 Summary of accounting policies

(continued)

Work in progress

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

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

All costs associated in designing, developing and installing the SMS have been capitalised. This includes expenditure on employees, consultant's fees and other services and supplies where these are directly attributable to the development of the SMS (see Note 6).

No amortisation expense relating to tangible work in progress assets has been incurred as at 30 June 2011 as these assets are yet to be commissioned.

(J) Liabilities

Payables

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Unearned revenue

A reconciliation for a potential over-claim of training is being carried out. The training provider has repaid an amount equal to the estimated over-claim. The reconciliation is not complete and the calculation of the total value that needs to be recouped from the provider has not been finalised.

(K) Equity

Contributions by owners

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

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

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

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

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

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

(M) Commitments

Commitments are disclosed at their nominal value and are inclusive of the goods and services tax payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated.

(N) Rounding of amounts

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

(O) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Commission and other entities of their applicability and early adoption where applicable.

As at 30 June 2011 a number of standards and interpretations applicable to the Commission had been issued but were not mandatory for financial year ending 30 June 2011. The Commission has not, and does not intend to adopt these standards early. Please see Note 18 for details of these standards and interpretations.

Note 2 Income from transactions

	2011 \$'000	2010 \$'000
(a) Specific purpose and grant income		
Commonwealth projects	15,440	13,058
State Government projects	7,756	6,585
Total specific purpose revenue	23,196	19,643
(b) Assets received free of charge		
Assets received free of charge	—	3,452
Total assets received free of charge	—	3,452
(b) Other income		
Rent	29	12
Other	525	253
Total other income	554	265

Note 3 Expenses from transactions

	2011 \$'000	2010 \$'000
Depreciation and amortisation		
Buildings	4	22
Motor vehicle lease amortisation	74	—
Computers and peripherals, machinery	4	138
Total depreciation and amortisation	82	160

Note 4 Receivables

	2011 \$'000	2010 \$'000
Current		
Contractual receivables		
Sale of goods and services	4,556	7,713
Accrued income	181,072	12,975
Statutory receivable		
GST receivable from ATO	17,477	4,262
Total	203,105	24,950

The average credit period is 30 days. No interest is charged on other receivables.
The receivables were determined to be current and not impaired.
Refer to Note 9(e) for an ageing analysis of contractual receivables.

Note 5 Property plant and equipment

	2011 \$'000	2010 \$'000
Buildings		
At cost	32	32
Less: Accumulated depreciation	(18)	(14)
	14	18
Motor vehicles		
At cost	712	—
Less: Accumulated depreciation	(254)	—
	458	—
Computers and peripheral equipment		
At cost	8	394
Less: Accumulated depreciation	(4)	(394)
	4	0
Total property, plant and equipment	476	18

Reconciliations	Land \$'000	Buildings \$'000	Computers \$'000	Vehicles \$'000	Total
2011					
Carrying amount at start of year	—	18	—	532	18
Additions	—	—	8	532	540
Disposals	—	—	—	—	—
Depreciation and amortisation	—	(4)	(4)	(74)	(82)
Carrying amount at end of financial year	—	14	4	458	476
2010					
Carrying amount at start of year	7,800	986	213	—	8,999
Additions	2,670	782	—	—	3,452
Disposals	(10,470)	(1,725)	(78)	—	(12,273)
Depreciation and amortisation	—	(25)	(135)	—	(160)
Carrying amount at end of financial year	—	18	—	—	18

Note 6 Intangible assets

	2011 \$'000	2010 \$'000
Gross carrying amount		
Opening balance	17,043	0
Additions	21,798	17,043
Closing balance	38,841	17,043

Note 7 Other non-financial assets

	2011 \$'000	2010 \$'000
Current other non-financial assets		
Prepayments	200	400
Total current other non-financial assets	200	400
Total other non-financial assets	200	400

Note 8 Payables

	2011 \$'000	2010 \$'000
Current payables		
Contractual payables (trade and other)	226,949	55,679
Statutory payables (Taxes including GST)	—	68
Total current and other non-financial liabilities	226,949	55,747

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

Note 9 Financial instruments

9 (a) Financial risk management objectives and policies

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

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

The Commission's principal financial instruments comprise:

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

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

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

(i) Market risk

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

(ii) Interest rate risk

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

Net holding gain/(loss) on financial instruments by category

	2011 \$'000	2010 \$'000
Financial assets		
Cash and deposits	4,113	7,672
Financial liabilities		
At amortised cost	—	—
	4,113	7,672

Note 9 Financial instruments

(continued)

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

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

9.1 Categorisation of financial instruments

	Contractual financial assets – loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2011			
Contractual financial assets			
Cash and deposits	94,498	–	94,498
Receivables #	185,628	–	185,628
Total contractual financial assets	280,126	–	280,126
Contractual financial liabilities			
Payables #	–	228,088	228,088
Total contractual financial liabilities	–	228,088	228,088
2010			
Contractual financial assets			
Cash and deposits	133,226	–	133,226
Receivables #	20,688	–	20,688
Total contractual financial assets	153,914	–	153,914
Contractual financial liabilities			
Payables #	–	55,679	55,679
Total contractual financial liabilities	–	55,679	55,679

Receivables and payables disclosed above exclude statutory receivables and statutory payables

(b) Interest rate exposure of financial instruments

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

			Interest rate exposure		
	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest rate \$'000
2011					
Financial assets					
Cash and cash equivalents	4.58	74,498	—	74,498	—
Cash assets – deposits	4.70	20,000	—	20,000	—
Receivables #	—	185,628	—	—	185,628
Total financial assets		280,126	—	94,498	185,628
Financial liabilities					
Payables #	—	228,088	—	—	228,088
Total financial liabilities		228,088	—	—	228,088
2010					
Financial assets					
Cash and cash equivalents	4.47	33,226	—	33,226	—
Cash assets – deposits	3.80	100,000	100,000	—	—
Receivables #	—	20,688	—	—	20,688
Total financial assets		153,914	100,000	33,226	20,688
Financial liabilities					
Payables #	—	(55,679)	—	—	55,679
Total financial liabilities		(55,679)	—	—	55,679

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

Note 9 Financial instruments

(continued)

9 (c) Market risk sensitivity analysis

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

		Interest rate exposure			
	Weighted average interest rate %	–1% Profit \$'000	Equity \$'000	1% Profit \$'000	Equity \$'000
2011					
Financial assets					
Cash and cash equivalents	70,496	(705)	–	705	–
Deposits at call	4,002	(40)	–	40	–
Term deposits	20,000	(200)	–	200	–
Receivables	185,628	–	–	–	–
Financial liabilities					
Payables	228,088	–	–	–	–
Total increase/(decrease)		(945)	–	945	–
2010					
Financial assets					
Cash and cash equivalents	27,407	(274)	–	274	–
Deposits at call	5,819	(58)	–	58	–
Term deposits	100,000	(1,000)	–	1,000	–
Receivables	20,688	–	–	–	–
Financial liabilities					
Payables	56,579	–	–	–	–
Total increase/(decrease)		(1,332)	–	1,332	–

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

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

9 (e) Credit risk

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

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

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

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

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

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

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

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

Financial assets that are either past due or impaired

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

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

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Note 9 Financial instruments

(continued)

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

	Financial institutions \$'000	Government agencies – AAA credit rating \$'000	Closely monitored customers \$'000	Total \$'000
2011				
Cash and cash equivalent	4,002	70,496	–	74,498
Deposits	–	20,000	–	20,000
Receivables #	–	181,072	4,556	185,628
Total contractual financial assets	4,002	271,568	4,556	280,126
2010				
Cash and cash equivalent	27,395	5,819	12	33,226
Deposits	–	100,000	–	100,000
Receivables #	–	20,337	351	20,688
Total contractual financial assets	27,395	126,156	363	153,914

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

Ageing analysis of contractual financial assets

			Past due but not impaired			
	Carrying amount \$'000	Not past due and not impaired \$'000	Less than 1 month \$'000	1–3 months \$'000	3 months –12 months \$'000	1–5 years \$'000
2011						
Financial assets						
Trade and other receivables	4,556	4,556	4,556	–	–	–
Total	4,556	4,556	4,556	–	–	–
2010						
Financial assets						
Trade and other receivables	20,688	20,540	11	16	121	–
Total	20,688	20,540	11	16	121	–

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

9 (f) Liquidity risk

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

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

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

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

Maturity analysis of financial liabilities

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1–3 months \$'000	3 months –12 months \$'000	1–5 years \$'000
2011						
Liabilities						
Payables	228,088	228,088	226,495	1,376	30	187
Total	228,088	228,088	226,495	1,376	30	187
2010						
Liabilities						
Payables	55,747	55,747	55,530	–	217	–
Total	55,747	55,747	55,530	–	217	–

Note 10 Responsible persons

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

Responsible Minister	The Hon. Bronwyn Pike MP	1 July 2010 – 1 December 2010
	The Hon. Peter Hall MLC	2 December 2010 – 30 June 2011
Commission Members	Ms Yvonne von Hartel AM (Chair)	26 October 2010 – 30 June 2011
	Ms Rowena Allen (Acting Chair)	1 July 2010 – 30 September 2010
	Ms Rowena Allen (ex officio ACFE Board Chair)	1 November 2010 – 30 June 2011
	Mr Howard Ronaldson	1 July 2010 – 30 December 2010
	Mr Jeff Rosewarne	1 January 2011 – 30 June 2011
	Mr Stuart Hamilton AO	1 July 2010 – 30 June 2011
	Ms Megan Lilly	1 July 2010 – 30 June 2011
	Mr Peter Coyne	1 July 2010 – 30 June 2011
	Mr Roger Leeming	1 July 2010 – 30 June 2011
	Ms Robyn Archer	1 July 2010 – 30 June 2011
	Ms Jane Calvert	1 July 2010 – 3 December 2010
	Ms Jeannette Lang	1 July 2010 – 30 June 2011
	Ms Julie Warren	6 July 2010 – 30 June 2011

Commission Members' remuneration

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

2011	2010
\$174,410	\$147,430

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

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

Band	2011	2010
\$0–\$ 9,999	1	5
\$10,000–\$19,999	7	7
\$20,000–\$29,999	2	1
TOTAL	10	13

Related party disclosure

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

VSC member	Interest	\$'000	
		2011	2010
Ms Robyn Archer	Board Member, Transport and Distribution Training Victoria	256	173
Ms Jane Calvert	Director, Forest Works Ltd	272	242
Mr Peter Coyne	Employee Crown Melbourne (Registered Training Organisation)	482	272
Ms Julie Warren	Board Member, MESAB – Victorian ITAB	464	0

Accountable officer

Mr. Howard Ronaldson	1 July 2010 to 31 December 2010
Mr Jeff Rosewarne	1 January 2011 – 30 June 2011

Accountable officer's remuneration

The accountable officers' remuneration was paid by the Department of Innovation, Industry and Regional Development and the Department of Education and Early Childhood Development and is included in the respective Department's annual financial statements.

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

Note 11 Remuneration of executives

There were 14 executive officers whose remuneration exceeded \$100,000 during the reporting period (10 in 2009–10) which is disclosed in the annual financial statements (2010–11) of the Department of Education and Early Childhood Development.

Note 12 Remuneration of auditors

Band	2011	2010
Paid or Payable at 30 June – Victorian Auditor-General's Office for financial statements' audit	52,728	52,000

Note 13 Contingent assets and contingent liabilities

The Commission has no known contingent assets or contingent liabilities at the reporting date (2010 \$nil).

Note 14 Commitments for expenditure

(a) Operating lease commitments

	2011 \$'000	2010 \$'000
Payable within one year	72	17
Payable later than one year but not later than 5 years	50	26
	122	43

These commitments refer to leases entered into for photocopiers.

(b) Capital expenditure commitments

	2011 \$'000	2010 \$'000
Payable within one year	12,840	90,267
Payable later than one year but not later than 5 years	6,420	34,728
	19,260	124,995

(c) Outsourcing commitments

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

	2011 \$'000	2010 \$'000
Payable within one year	7,587	32,546
Payable later than one year but not later than 5 years	4,987	10,644
	12,574	43,190

Note 15 Events occurring after reporting date

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

Note 16 Cash flow information

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

	2011 \$'000	2010 \$'000
Net result for the period	(5,858)	(22,342)
Depreciation and amortisation	82	159
(Gain)/loss on sale or disposal of non-current assets	—	(2,320)
Assets received free of charge	—	(3,452)
(Increase)/decrease in other assets	200	(390)
Increase/(decrease) in payables	166,876	37,736
(Increase)/decrease in receivables	(178,155)	(6,193)
Net cash flow from operating activities	(16,855)	3,198

(b) Reconciliation of cash and deposits

	2011 \$'000	2010 \$'000
Cash at bank	74,498	33,226
Deposits	20,000	100,000
Total cash and deposits	94,498	133,226

Note 17 Reserves

	2011 \$'000	2010 \$'000
Physical asset revaluation surplus (i)		
Balance at beginning of financial year	—	3,156
Transfers back to accumulated funds	—	(3,156)
Balance at end of financial year	—	—

(i) The asset revaluation reserve arises on the revaluation of land.

Note 18 New accounting standards and interpretation

As at 30 June 2011, the following standards and interpretations (applicable to VSC) had been issued but were not mandatory for the financial year ending 30 June 2011. The Commission has not early adopted these standards

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	Beginning 1 January 2013	Detail of impact is still being assessed.
AASB 124 <i>Related Party Disclosures</i> (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 January 2011	Preliminary assessment suggests the impact is insignificant. However, the Commission is awaiting DTF assessing the detailed impact and advice whether to early adopt.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009–11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 January 2013	Detail of impact is still being assessed.
AASB 2009–12 <i>Amendments to Australian Accounting Standards</i> [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 January 2011	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. Detail of impact is still being assessed by DTF.
AASB 2009–14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i> [AASB Interpretation 14]	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 January 2011	Expected to have no significant impact.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2010–2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010–4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]</i>	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 January 2011	No significant impact on the financial statements.
AASB 2010–5 <i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]</i>	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 January 2011	No significant impact on the financial statements.
AASB 2010–6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]</i>	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	As it creates additional disclosure for transfers of financial assets. detail of impact is still being assessed.
AASB 2010–7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>	These amendments are in relation to the introduction of AASB 9.	Beginning 1 January 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010–9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]</i>	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to have any impact on the Commission

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011–1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i> [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on the Commission.
AASB 2011–2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector. The Commission is awaiting further developments.
AASB 2011–3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

Note 19 Glossary of terms

a. Comprehensive result

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

b. Commitments

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

c. Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

d. Financial asset

A financial asset is any asset that is:

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

e. Grants and other transfers

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

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

Note 19 Glossary of terms

(continued)

f. Grants for on-passing

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

g. Financial statements

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

h. Intangible assets

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

i. Interest expense

Costs incurred in connection with the borrowing of funds Interest expenses include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

j. Interest revenue

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

k. Investment properties

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

l. Joint ventures

Joint ventures are contractual arrangements between the Commission and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

n. Net result

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

o. Net result from transactions/net operating balance

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

p. Non-financial assets

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

q. Other economic flows

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

r. Payables

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

s. Receivables

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

t. Sales of goods and services

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

u. Supplies and services

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

v. Transactions

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

Accountable officer's declaration

We certify that the accompanying Financial Statements for the Victorian Skills Commission have been prepared in accordance with Standing Direction 4.2 of the Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of the Victorian Skills Commission at 30 June 2011.

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

We authorise the attached financial report for issue on 26 August 2011.



Yvonne von Hartel
Commission Member (Chair)
Victorian Skills Commission

Date: 26/8/2011



Jeff Rosewarne
Accountable Officer
Victorian Skills Commission

Date: 26/8/2011

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members, Victorian Skills Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Victorian Skills Commission which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's declaration has been audited.

The Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

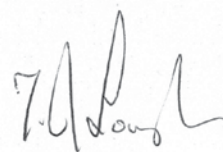
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Skills Commission as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Skills Commission for the year ended 30 June 2011 included both in the Victorian Skills Commission's annual report and on the website. The Members of the Victorian Skills Commission are responsible for the integrity of the Victorian Skills Commission's website. I have not been engaged to report on the integrity of the Victorian Skills Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
26 August 2011


for D D R Pearson
Auditor-General

2

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Auditing in the Public Interest

Appendices

Appendix 1 The State Training System

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

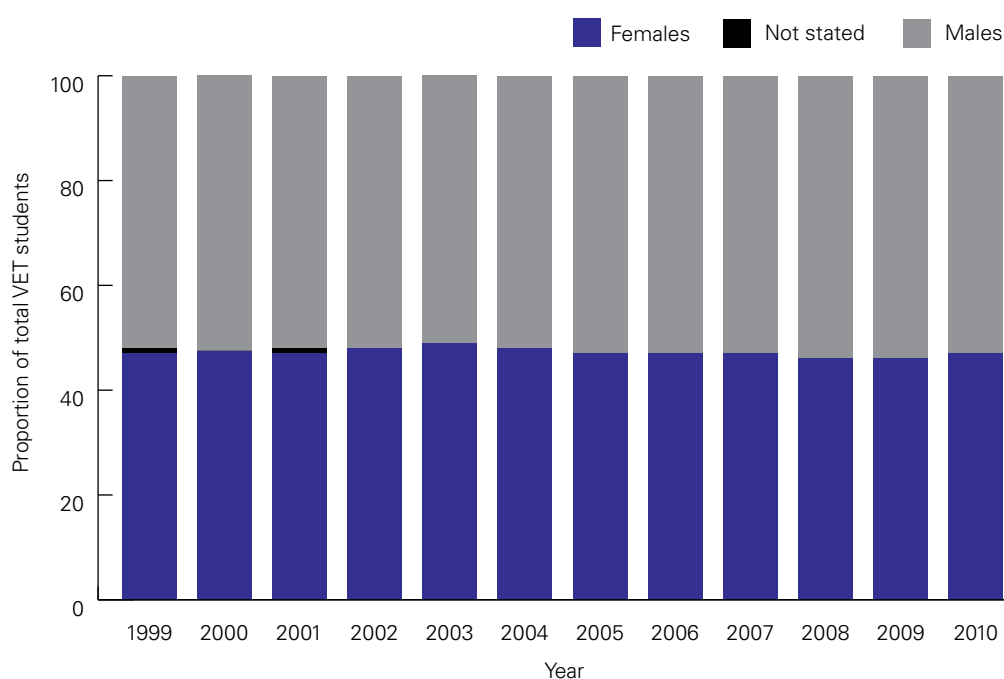
As at June 2011, the State Training System, with the VSC as the State training agency, comprised 18 TAFE institutes (including four TAFE divisions within universities), 1157 RTOs (including 320 ACE organisations) and 16 Industry Training Advisory Bodies (ITABs).

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

Courses are accredited under the Australian Qualifications Framework, and a qualification is granted to a student who completes the relevant award course. Students who partially complete a course or who complete a short course receive a Statement of Results or Statement of Attainment as their record of achievement. These arrangements reflect the major role of TAFE institutes in providing part-time award courses, stand-alone modules and short, non-award courses.

Proportion of women in VET programs

In 2010, women accounted for 47 per cent of reported VET students in Victoria. This percentage has fluctuated between 46 and 49 per cent over the last 11-year period (see below).



Note: A small proportion of 'not stated' responses for gender are included in the student statistical data collection.

TAFE institutes

As at 30 June 2011, the Victorian TAFE network comprised 14 TAFE institutes and four TAFE divisions in universities as follows:

- Bendigo Regional Institute of TAFE
- Box Hill Institute of TAFE
- Central Gippsland Institute of TAFE
- Chisholm Institute of TAFE
- East Gippsland Institute of TAFE
- Gordon Institute of TAFE
- Goulburn Ovens Institute of TAFE
- Holmesglen Institute of TAFE
- Kangan Batman Institute of TAFE
- Northern Melbourne Institute of TAFE
- RMIT (TAFE Division)
- South West Institute of TAFE
- Sunraysia Institute of TAFE
- Swinburne University of Technology (TAFE Division)
- University of Ballarat (TAFE Division)
- Victoria University (TAFE Division)
- William Angliss Institute of TAFE
- Wodonga Institute of TAFE.

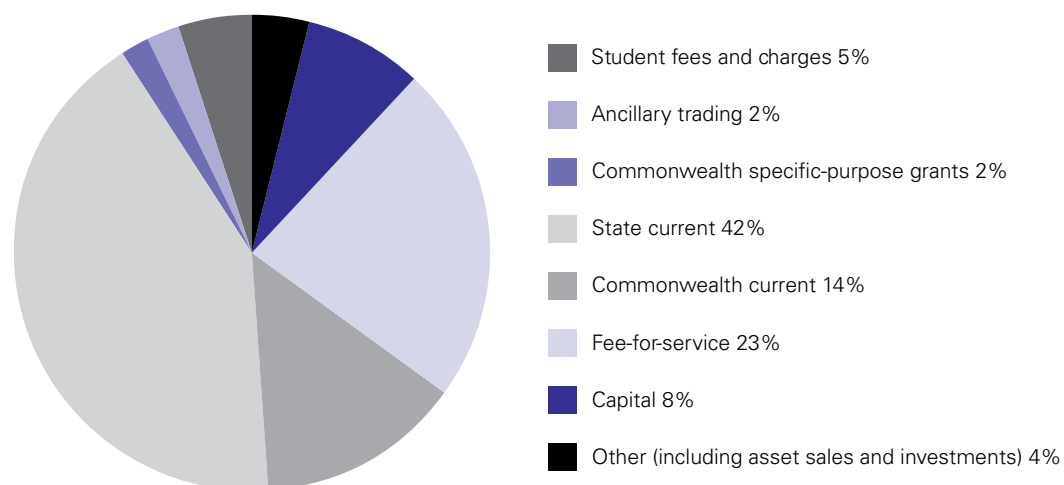
Seven TAFE institutes act as curriculum maintenance managers, providing advice on national training packages and state VET products. These institutes play an important role in reviewing training packages, updating and reviewing curriculum and providing advice on curriculum for their industry sectors.

Sources of TAFE institute funding in Victoria

TAFE institutes continued to customise products and services to meet client needs. Approximately 23 per cent of total TAFE funding came from fee-for-service operations, including international activities.

TAFE institutes received 64 per cent of funding from government following a significant increase in Commonwealth specific-purpose grants and additional capital programs. Funding from other sources, including donations, grants, ancillary trading and income from investments, constituted 13 per cent of total funding. The largest growth category in 2010–11 was capital.

Sources of VET funding in Victoria (% shares)



Appendix 2 Risk attestation

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

A handwritten signature in black ink, appearing to read 'Yvonne von Hartel', with a stylized flourish at the end.

Yvonne von Hartel AM

Chairperson

Appendix 3 TAFE capital resources

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

Asset management

Skills Victoria has a well-developed Integrated Asset Management Plan for the TAFE institutes plus the four dual-sector universities that complies with the requirements of the Victorian Government's asset management framework. Key programs that support the framework are:

- implementation of the annual asset planning cycle to review and update all TAFE institute asset management plans and investment priorities
- annual preparation of the Skills Victoria service, asset and multi-year strategy documents for lodgement with the Departments of Premier and Cabinet and Treasury and Finance
- development of the TAFE asset management system to establish an information capability to better inform Skills Victoria and TAFE institutes about public sector assets managed by TAFE institutes.

The Integrated Asset Management Plan has identified that the TAFE sector has some dysfunctional infrastructure, which needs to be replaced to enable TAFE institutes to compete in a competitively neutral environment, and that additional space is required to meet future training demand.

Asset investment

TAFE capital works projects completed in 2010–11

The following projects were funded by the Victorian Government:

- redevelopment of the Charleston Road campus of Bendigo Regional Institute of TAFE
- redevelopment of Building 55 for RMIT's Advanced Manufacturing Centre
- construction of the Nursing Skills Centre of Excellence for Box Hill Institute of TAFE
- construction of the Avondale Heights Community Centre on the former Avondale Heights campus of Kangan Batman Institute of TAFE
- Holmesglen Moorabbin Health Sciences Building
- Victoria University Footscray Nicholson Learning Commons.

The following projects were funded by the Commonwealth Government:

- design and construction of the Echuca Trade Training Centre for Bendigo Regional Institute of TAFE
- construction of a new campus at Leongatha for Central Gippsland Institute of TAFE
- redevelopment of Building Q at the Fairfield campus of Northern Melbourne Institute of TAFE

- construction of the Childhood Development and Related Services Building at Waverley for Holmesglen Institute of TAFE
- construction of the Automotive and Logistics Training Centre at the Dandenong campus of Chisholm Institute of TAFE.

TAFE capital works projects in progress in 2010–11

The following projects were funded by the Victorian Government:

- stage 1 of redevelopment of the Epping campus of Northern Melbourne Institute of TAFE
- stage 2 construction of Kangan Batman Institute of TAFE Automotive Centre of Excellence
- design for the University of Ballarat Technical Education Centre
- design for the Driver Skills Training Centre for Wodonga Institute of TAFE.

The following projects were funded by the Commonwealth Government:

- design for the Manufacturing Technology Training Centre at the University of Ballarat
- redevelopment of the Chadstone campus for Central Gippsland Institute of TAFE
- development of East Gippsland TAFE Bairnsdale Learning Common.

TAFE capital works projects commenced in 2010–11

The following projects were funded by the Victorian Government:

- design and construction of Northern Melbourne Institute of TAFE Preston campus Teaching and Learning Centre
- construction of the Holmesglen International Centre and Teaching Facility at the Chadstone campus.

The following projects were funded by the Commonwealth Government:

- design and construction of the Box Hill Institute of TAFE Integrated Technical Skills Centre Stage 1
- design and construction of the Gordon Institute of TAFE G-TEC Building at the East Geelong campus
- design and construction of the Victoria University Technical Trades Centre at the Sunshine campus.

Under the Commonwealth Nation Building Teaching and Learning Capital Fund – Training Infrastructure Investment for Tomorrow – Better TAFE Facilities program, 10 TAFE institutes received a total of \$65 million for the following capital infrastructure works:

- environmental sustainability projects at Box Hill Institute of TAFE (\$2.74 million)
- refurbishment of the Traralgon campus at Central Gippsland Institute of TAFE (\$5.21 million)
- construction of the Centre for Sustainable Water Management at Chisholm Institute of TAFE, Cranbourne campus (\$8.20 million)

- extension to construction industry training facilities at Gordon Institute of TAFE, East Geelong campus (\$7.80 million)
- establishment of facilities for environmentally sustainable delivery at Epping campus, Northern Melbourne Institute of TAFE (\$9.50 million)
- refurbishment work for a green and sustainable skills training centre at RMIT University, Carlton campus (\$6.35 million), and strengthening advanced manufacturing at the Brunswick campus (\$2.00 million)
- minor works at South West Institute of TAFE, Portland campus (\$4.95 million)
- establishment of the Flexible Green Trades Complex at Swinburne University of Technology, Croydon campus (\$9.95 million)
- refurbishment and extension of the Primary Industries Training facility at the University of Ballarat, Wendouree campus (\$2.98 million)
- accommodation for a collaborative network and learning commons at Wodonga Institute of TAFE (\$5.51 million).

Equipment replacement program

Victorian and Commonwealth Government capital infrastructure funding includes ongoing replacement of teaching equipment to enable TAFE institutes to keep pace with new and emerging technologies. Teaching equipment is aligned to industry standards, ensuring TAFE graduates are well prepared for the workplace.

Appendix 4 Freedom of Information

The Freedom of Information service under the *Freedom of Information Act 1982* (FOI Act) is maintained by the DEECD on behalf of the VSC. The FOI Act allows the public a right of access to documents held by the VSC. For the 12 months ending 30 June 2011, the VSC received no applications.

Freedom of Information arrangements

Forms of request for access

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

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

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

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

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

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

Fees and charges

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

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

Appendix 5 Statement of support to whistleblowers

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

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

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

DEECD received no disclosures made under the Act in relation to VSC members or secretariat staff, nor did the Ombudsman refer any disclosures made under the Act to the VSC for investigation during 2010–11.

Corrupt conduct

Corrupt conduct means:

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

The reporting system

Contact persons within DEECD

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

Protected Disclosure Coordinator

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

Protected Disclosure Officers

Mr Bryan Sketchley
Privacy Officer
Telephone (03) 9637 3601

Mr Neil Morrow
Manager FOI and Privacy
Telephone (03) 9637 2670

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

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

Alternative contact persons

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

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

Appendix 6 Other statutory reporting requirements

Disclosure of major contracts and consultancies

During the year ended 30 June 2011, the VSC did not enter into any contracts greater than \$10 million in value. Details of major contracts are disclosed in accordance with the principles of the *Freedom of Information Act 1982* and/or government guidelines, and can be viewed online at <www.contracts.vic.gov.au>.

Details of consultants engaged by the VSC in 2010–11 were as follows:

- there were no consultancies for which expenditure incurred by the VSC was greater than \$100,000
- there were no consultancies for which expenditure incurred by the VSC was less than \$100,000.

Compliance with the *Building Act 1993*

All government departments and funded agencies are required to comply with the requirements of the *Building Act 1993*, the Building Code of Australia and statutory obligations set by government. The *Building Act 1993* applies to construction, demolition, removal and refurbishment of capital projects and the Building Code of Australia relates to standards set for building regulations. The TAFE asset portfolio is made up of over 1055 buildings worth approximately \$2.3 billion. The age of the asset portfolio ranges from new to over 100 years old. The average age of the building stock is approximately 24 years.

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

Progress in implementing National Competition Policy

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

Human resources

All employees of the VSC are deemed to be employees of DEECD. The 2010–11 DEECD Annual Report covers matters relating to staffing, diversity, employment and conduct principles, workforce data disclosures, office-based environmental impacts and occupational health and safety, and can be found at <www.deecd.vic.gov.au>.

Summary of additional information available on request

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VSC
- details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the VSC about the activities of the VSC and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the VSC for its services, including services that are administered
- details of any major external reviews carried out in respect of the operation of the VSC
- details of any other research and development activities undertaken by the VSC that are not otherwise covered either in the report of operations or in a document that contains the financial report and report of operations
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the VSC to develop community awareness of the services provided by the VSC
- details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations
- a general statement on industrial relations within the VSC and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations
- a list of major committees sponsored by the VSC, the purposes of each committee and the extent to which the purposes have been achieved.

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

Appendix 7 Disclosure index

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

Ministerial Directions

Report of operations

Legislation	Requirement	Page
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Financial report

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SD4.2(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	33–41
SD4.2(c)	Compliance with Ministerial Directions	n/a
SD4.2(d)	Rounding of amounts	41
SD4.2(c)	Accountable officer's declaration	63
SD4.2(f)	Compliance with Model Financial Report	33
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	n/a
FRD 11	Disclosure of ex-gratia payments	n/a
FRD 13	Disclosure of parliamentary appropriations	n/a
FRD 21A	Responsible person and executive officer disclosures	52–53

Legislation

<i>Education and Training Reform Act 2006</i>	24, 27, 34
<i>Freedom of Information Act 1982</i>	73, 76
<i>Building Act 1983</i>	76
<i>Whistleblowers Protection Act 2001</i>	74
<i>Victorian Industry Participation Policy Act 2003</i>	n/a
<i>Financial Management Act 1994</i>	2, 7, 33, 52, 63
<i>Multicultural Victoria Act 2004</i>	n/a

Acronyms and abbreviations

ACE	Adult and community education
ACFE	Adult, community and further education
AFO	Apprenticeship Field Officer
ASO	Apprenticeship Support Officer
ASQA	Australian Skills Quality Agency
AQF	Australian Qualifications Framework
COAG	Council of Australian Governments
DEECD	Department of Education and Early Childhood Development
DIIRD	Department of Innovation, Industry and Regional Development
FoI	Freedom of Information
ITABs	Industry Training Advisory Bodies
RPL	Recognition of Prior Learning
RTO	Registered Training Organisation
SBAT	School-based apprenticeships and traineeships
SMS	Student Management System
SVTS	Skills Victoria Training System
TAFE	Technical and Further Education
TEC	Technical Education Centre
VCAL	Victorian Certificate of Applied Learning
VCE	Victorian Certificate of Education
VET	Vocational education and training
VETiS	Vocational education and training in schools
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission
VTG	Victorian Training Guarantee

