



Victorian **Registration &
Qualifications** Authority

Victorian Registration and Qualifications Authority

Annual Report 2012–13



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Melbourne
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RECYCLED CONTENT

September 2013

The Hon. Peter Hall, MLC
Minister for Higher Education and Skills
Minister responsible for the Teaching Profession

The Hon. Martin Dixon, MP
Minister for Education
Melbourne Victoria 3000

Dear Ministers

I am pleased to submit to you the 2012–13 annual report of the Victorian Registration and Qualifications Authority (VRQA) in accordance with the *Financial Management Act 1994* and the *Education and Training Reform Act 2006*.

This annual report notes the operations of the VRQA during the past year and reflects the achievements, commitment and vision of the Board and staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T F Smith', with a long horizontal stroke extending to the right.

Timothy F Smith
Chair
Victorian Registration and Qualifications Authority

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Report of the Chair



I am pleased to present the VRQA 2012–13 Annual Report. This is my first report as Chair since my appointment on 17 October 2012, having been a Board member since 1 July 2011. I would like to recognise the work of my predecessor, Mr Stuart Hamilton, the inaugural Chair from 2006.

A major achievement for the VRQA during the year was the publication in September 2012 of the Ministerial Statement *Future direction for the Victorian Registration and Qualifications Authority*, endorsed by the Minister for Higher Education and Skills and the Minister for Education. It is an important statement that outlines the VRQA's future direction and the principles by which we operate.

Following the statement's release, in October 2012 the VRQA Board published its Strategic Plan 2012–14, which outlines the Board's priorities and its commitment to support the achievement of the Victorian Government's education and training goals.

The *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012*, which received royal assent on 27 June 2012, transferred the regulation of apprenticeships and traineeships in Victoria from the Victorian Skills Commission to the VRQA. The complex process of transferring these regulatory responsibilities is being overseen by a VRQA Board subcommittee, which is chaired by Board member Patricia Neden.

I am pleased to report positive outcomes from our annual stakeholder event and annual independent stakeholder survey. I hosted a stakeholder breakfast attended by over 60 senior education and training representatives. As well, over 400 clients and stakeholders responded to our stakeholder survey with the majority of respondents very/fairly satisfied with the VRQA and its services. I value the opportunities for improvement that stakeholders identified.

As Chair I met with school system owners several times, spoke at the Australian Council for Private Education and Training annual conference, and met with both Ministers and the Secretary of the Department of Education and Early Childhood Development (DEECD). The Minister for Higher Education and Skills attended the Board planning day. This provided me with further insights into the business of our stakeholders and clients and ways in which we can improve our service. I look forward to engaging with many more stakeholders in the coming year.

There were some unplanned school closures during the reporting period, most of which were orderly. Unplanned closures may have deleterious effects on students. While it is beyond our powers to prevent occasional small business failures, which is what these closures were, the Board is keen to improve forecasting and the Audit and Risk Management Committee is strengthening its risk identification processes.

During the year the Board farewelled member Glenda Strong whose contribution I would like to acknowledge. I welcome new members Graham Spencer and David Windridge. I would like to thank fellow Board members, both past and present, for their expertise and commitment to quality education and training in Victoria, and their support to me as Chair.

I would also like to acknowledge the work of the VRQA Director, Lynn Glover and the staff for their contribution to the successful implementation of VRQA priorities during a time of considerable change.

A handwritten signature in black ink, appearing to read 'T F Smith', with a long horizontal flourish extending to the right.

Timothy F Smith
Chair

Report of the Director



Over the past year the VRQA has managed changes to its regulatory role with the transfer of the regulation of apprenticeships and traineeships, implementation of the *Education and Training Reform Amendment (Skills) Act 2010* (the Skills Act) and amendments to the *Education and Training Reform Act 2006* (the Act). The VRQA prepared a Regulatory Impact Statement (RIS) on the introduction of a new schedule of fees for a range of VRQA-regulated matters. The RIS process was completed in December 2012 and the relevant Ministerial Order was made on 21 December 2012, with an effective date of 1 January 2013.

In relation to Vocational Education and Training (VET), there are further grounds for registering, suspending and cancelling a Registered Training Organisation's (RTO) registration related to breaching government training contracts. In addition, the VRQA is now permitted to share information with the Secretary of DEECD in relation to an RTO's breaching of or failure to comply with a government training contract. A VET fee calculator was published on the VRQA website to assist providers to estimate their fees.

In addition to the significant number of RTO files and other data that the VRQA transferred to the Australian Skills Quality Authority (ASQA) after its commencement in 2011, during the reporting period the VRQA transferred an additional 26 RTOs. The VRQA also transferred responsibility for seven accredited courses. The State Register has continued to be enhanced as a result of these and other developments. VRQA VET staff completed training to strengthen their auditor and authorised officer capability. The VRQA participated in the National Skills Standards Council's (NSSC) consultation process on the review of the Australian Quality Training Framework (AQTF) and the National VET Quality Framework.

Having successfully transferred the apprenticeship and traineeship regulation, the VRQA is now planning the longer-term model of regulation, including options to modernise, identify risks and develop mitigation strategies. The VRQA Board endorsed an Apprenticeship and Traineeship Compliance and Quality Assurance Policy at its December 2012 meeting. The VRQA is moving to a new system of regulated field services, which is scheduled to be implemented in the second half of 2013. This change, from a Technical and Further Education (TAFE) based system to an outsourced model will ensure that Victorian apprentices and trainees are receiving appropriate, relevant and high-quality vocational and workplace-based training.

The VRQA completed its review of the evidence required to demonstrate compliance with the minimum standards for school registration, resulting in the publication of a new evidence guide for use by schools and review bodies. Following a recommendation of the Victorian Bushfires Royal Commission Report, the VRQA developed *Guidelines for Registered Schools on Bushfire Preparedness*. These guidelines were revised and approved by the VRQA Board in October 2012.

The VRQA assessed the Victorian Curriculum and Assessment Authority against the standards and renewed its registration as an Awarding Body for a further five years.

The VRQA has worked closely with Review Bodies, school sector associations and school system owners to address current issues in the governance of schools.

I thank the new Board Chair, Tim Smith, and all VRQA Board members for their continued support, which enables us to achieve the VRQA priorities each year.



Lynn Glover
Director

About the VRQA

History

The VRQA was established under the *Education and Training Reform Act 2006* (the Act) on 1 July 2007. From this date until 30 June 2011, the VRQA was the peak accreditation, registration, certification and quality assurance body for school education, VET, and higher education (except universities established under their own Acts) in Victoria. Ministerial responsibility for the VRQA is with the Minister for Education (for schools) and the Minister for Higher Education and Skills (for tertiary providers).

The *National Vocational Education and Training Regulator Act 2011* commenced on 1 July 2011, and approximately 570 VET providers came under Commonwealth jurisdiction. On 29 January 2012, the national Tertiary Education Quality and Standards Agency (TEQSA) was established under the *Tertiary Education Quality and Standards Agency Act 2011* (TEQSA Act). TEQSA assumed the regulatory responsibility for the registration of higher education institutions and the accreditation of courses delivered. A further amendment will be required to remove an instance of residual higher education activity.

The *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012* amended the *Education and Training Reform Act 2006*, transferring the regulation of apprenticeships and traineeships in Victoria from the Victorian Skills Commission to the VRQA on 1 October 2012.

Ministerial Order 90 on Anaphylaxis, which is administered by the VRQA as part of the registration requirements for schools, was made by the Minister for Education.

The Education and Training Reform Regulations 2007 include four sets of VRQA-related regulations:

- registration and review of schools
- registration of home schooling
- registration of education and training organisations
- role of the VRQA in investigating complaints.

The *Education and Training Reform Amendment (Skills) Act 2010* (the Skills Act) substantially amended Victorian legislation on VET regulation, TAFE governance and consumer protection for students. These amendments widened the functions of the VRQA to strengthen the regulatory system for training organisations and commenced progressively from 1 April 2011. The implementation of the Skills Act is discussed elsewhere in this report.

Purpose

The VRQA's key responsibilities are to ensure that employers of apprentices and trainees and providers of education and training (including course and qualification development) meet quality standards, and that information is readily available to support informed choice.

The broad principles that underpin the work of the VRQA may be summarised as follows:

- education and training providers conduct programs in a manner that supports and promotes the principles and practice of Australian democracy
- all Victorians have access to high-quality education
- information concerning the performance of education and training providers is publicly available
- parents have the right to choose an appropriate education for their child
- schools report their performance to their communities
- schools report on student performance to parents and students
- apprentices and trainees receive appropriate, relevant and high-quality vocational and workplace-based training.

Functions

The functions of the VRQA are set out in Part 4.2 of the Act. The VRQA is a statutory authority responsible for the registration of education and training providers of:

- VET that delivers accredited training to domestic students in Victoria only or Victoria and Western Australia only
- school education, including any English Language Intensive Courses for Overseas Students (ELICOS) and foundation program courses delivered by schools
- accredited senior secondary education, both school and non-school providers, including any ELICOS and foundation program courses delivered by schools
- Overseas Secondary Student Exchange Organisations (OSSEOs).

The functions of the VRQA in regulating apprenticeships and traineeships in Victoria are set out under the Part 5.5 of the Act. The VRQA determines approved training schemes and grievances in relation to training contracts, administers training contracts, approves employers of apprentices, and cancels, suspends and amends training contracts.

The power of the VRQA to accredit courses and qualifications is detailed under Part 4.4 of the Act. The VRQA also authorises providers and organisations to award registered qualifications and publishes these courses on the State Register.

The VRQA approves persons or organisations to operate student exchange programs. It also registers children for home schooling in Victoria.

The VRQA ensures that minimum standards are maintained by the providers and organisations it has registered. It has a responsibility to assess and reassess from time to time the financial capability of registered providers and protect the interests

of students as consumers in the delivery of accredited courses and qualifications. It maintains the State Register of providers registered by the VRQA and of accredited courses and qualifications.

Values

The VRQA RITE values are embedded in all levels of the organisation and underpin interactions with staff, external stakeholders and the community. These values complement DEECD's values and reflect the VRQA's role as a regulator. The RITE values are:

- respect and diversity
- integrity
- transparency
- empowerment.

Delegations

Section 4.2.7 of the Act sets out the delegations that may be made by the VRQA.

Prior to 1 October 2012, the VRQA Board delegated:

- all functions and powers of the VRQA, other than the power of delegation, to the VRQA Director and the Deputy Director
- all functions and powers of the VRQA, other than the power of delegation to the Manager of Governance and Corporate Services, Manager Regulatory Projects and Manager Quality Assurance International. These delegated powers are subject and subordinate to the Director and/or Deputy Director
- financial delegation to the management team within the VRQA.

Between 1 October and 31 December 2012, the VRQA Board delegated:

- all functions and powers of the VRQA, other than the power of delegation, to the VRQA Director and the Deputy Director
- all functions and powers under Part 5.5 of the Act to the Executive Manager Apprenticeships and Traineeships (from 5 December 2012)
- all functions and powers of the VRQA, other than the power of delegation, to the Manager of Governance and Corporate Services, Manager Regulatory Projects and Manager Quality Assurance International. These delegated powers are subject and subordinate to the Director and/or Deputy Director
- functions and powers under section 4.3.19 of the Act to the Manager Quality Assurance VET (from 5 December 2012)
- all functions and powers relating to apprenticeships under Part 5.5 of the Act, other than the power of delegation, to officers within the Higher Education and Skills Group, DEECD
- financial delegation to the management team within the VRQA.

Post 1 January 2013, the VRQA Board delegated:

- all functions and powers of the VRQA, other than the power of delegation, to the VRQA Director and the Deputy Director
- all functions and powers under Part 5.5 of the Act to the Executive Manager Apprenticeships and Traineeships
- all functions and powers of the VRQA, other than the power of delegation, to the Manager of Governance and Corporate Services, Manager Regulatory Projects and Manager School projects. These delegated powers are subject and subordinate to the Director and/or Deputy Director
- functions and powers under section 4.3.19 of the Act to the Manager Quality Assurance VET
- functions and powers under section 5.5.24 of the Act relating to the payment of subsidies to apprentices was delegated to officers within the Higher Education and Skills Group, DEECD
- financial delegation to the management team within the VRQA.

A report on all delegations is made at each Board meeting to ensure that statutory responsibilities are being met.

Authorised officers

Part 5.8 of the Act provides for the appointment of authorised officers.

As at 30 June 2013, there were 37 approved VRQA authorised officers. All authorised officers are issued with identification cards and a document, if applicable, setting out their powers in accordance with Part 5.8 of the Act.

VRQA Board

In 2012–13, two new members were appointed and one member resigned.

A new Chair was appointed from 17 October 2012 following the retirement of the inaugural Chair.

VRQA Board membership is by Ministerial nomination and appointment is by the Governor-in-Council. Section 4.2.4 of the Act sets out criteria that the Minister has regard to in considering nominees. Nominations are made to ensure that the Board includes members who have skills and experience drawn from appropriate fields relevant to the functions of the VRQA, including education (school education, VET, adult, community and further education), apprenticeships and traineeships, quality assurance, business management, institutional governance, law, finance and industry. The composition of the VRQA Board is a fair and balanced reflection of the diversity of the community and reflects both metropolitan and country interests.

The Board met six times on a Wednesday of every second month during the reporting period. The Board also met once for a strategic planning day.

Mr Stuart Hamilton AO, BA (Hons), BEc

Chair until 16 October 2012

Mr Stuart Hamilton provides strategic advice in education and public policy. He was the Chief Executive Officer of Open Universities Australia from 2003–12. He has held the positions of Secretary of the Victorian Department of Education and Training (2001–02), Director of the Innovation Economy Advisory Board (2002–03) and Chair of the Victorian Curriculum and Assessment Authority (2004–06). Mr Hamilton was Executive Director of the Australian Vice-Chancellors' Committee (now Universities Australia) (1996–2001) and worked in the Commonwealth Public Service for many years, including as Deputy Secretary in the Department of the Prime Minister and Cabinet and as Secretary to the Department of Health, Housing and Community Services and the Department of Environment, Sport and Territories.

Mr Tim Smith, BA, BEd

Member from 1 July 2011 and Chair from 17 October 2012

Mr Tim Smith has a diverse career experience in Victoria's education and training industry. He is a member of the Board of Directors of the VET Development Centre, as a Ministerial nominee. For seven years he was the Chief Executive of the Australian Council for Private Education and Training. Prior to that role, he was a Senior Executive for the Victorian Department of Education, first as a Ministerial Adviser to Education and Training Ministers in the Victorian Government and then as Assistant Secretary Higher Education, with responsibility for managing the private provider approval process. Mr Smith has also held executive appointments in TAFE and the former Council of Adult Education systems and was a member of the governing Councils of Victoria University and Holmesglen Institute of TAFE.

Ms Elizabeth Alexander AM, BCom, FCPA, FCA, FAICD

Member

Ms Elizabeth Alexander is the Chancellor of The University of Melbourne, immediate past Chairman of CSL, recently appointed Chair of Medibank Private and an adviser to Ashurst's corporate team. She has been the independent Chair of the Portfolio Audit Committee of DEECD (2003–10) and the Audit Risk Committee of the Australian Prudential Regulations Authority (2002–10).

Mr Christopher Bennett, BBus (Accounting), FCPA, GAICD

Member

Mr Chris Bennett is a Partner with PricewaterhouseCoopers (PwC) and formerly the leader of their Government Sector in Australia, overseeing all engagement with government across the firm's audit, tax and advisory businesses. He has a background in information technology and transformational change for large organisations. Mr Bennett has specialist knowledge about the education sector and was PwC's lead partner for education in Victoria for a number of years.

Mr Richard Bolt, BEng (Electrical), MPubPolMgt

Ex officio member

Mr Richard Bolt joined DEECD as Secretary on 29 August 2011. As Secretary, he leads the Department in building a system that supports children, students and adults to form the skills and capabilities that make lifelong learning and genuine social and economic participation a reality.

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

Mr Stephen Elder, BEd, DipEd

Member

Mr Stephen Elder became the Executive Director of Catholic Education in Victoria in 2006. Mr Elder is a Senate member of Australian Catholic University, a Director of Catholic Network Australia, a Director of the Board of Management of Church Resources, a member of the Board of Catholic Development Fund, a Director of the Catholic Education Commission of Victoria, a Director of the National Catholic Education Commission, Secretary of Catholic Capital Grants and member of the Mercy Health Foundation Board. Mr Elder is also a Director of the Australian Institute for Teaching and School Leadership. He was a member of the Victorian Legislative Assembly from 1988–99 in the Seat of Ballarat North and Ripon. During this time, he was the Parliamentary Secretary for Education.

Ms Patricia Neden, BA, DipEd, GradDipBusAdmin

Member

Ms Patricia Neden is the Chief Executive Officer of Innovation and Business Skills Australia. Ms Neden is a member of the Australian Human Resources Institute's National Accreditation Committee. She worked in the Victorian Public Service for many years, holding the position of Deputy Secretary, Skills Victoria between 2005 and 2008.

Mr Michael Perry, BCom, FCA, SAFSIA, MAICD

Member

Mr Michael Perry is a former Senior Partner of Ernst & Young Australia. He has extensive experience in financial consulting services, with specialist skills in auditing, government advisory services, public company floats and takeovers, the preparation of prospectuses, the valuation of companies, corporate financing, internal audit structures and business acquisition planning and implementation. He is a Director and Treasurer of the Museums Board of Victoria and Chair of its Finance, Audit and Risk Committee, as well as fulfilling similar roles for a number of other government and corporate listed and unlisted entities.

Ms Di Rule, BA, DipEd

Member

Ms Di Rule is Managing Director of Floradale Productions, a publishing company she established in 1987. A former secondary teacher, she taught at metropolitan and country schools in both the public and private system. She has worked as a Senior Adviser and Chief of Staff to both state and federal politicians. She is a member of the advisory board of the Australian Prostate Cancer Research Centre Epworth and the Friends of kConFab (Peter MacCallum Cancer Institute). Ms Rule is a Director of the James Macready-Bryan Foundation and the Centre for Books, Writing and Ideas (The Wheeler Centre) as well as a member of the Greater Metropolitan Cemeteries Trust.

Mr Rick Tudor OAM, BSc (Hons), MSc, DipEd, FACE, FACEL

Member

Mr Rick Tudor has held the position of Headmaster of Trinity Grammar School, Kew for 13 years. Previously he was Deputy Headmaster and Head of Senior School of Melbourne Grammar School, and Headmaster of Beacons Hills College. Mr Tudor has also contributed to educational development through involvement in the Association of Heads of Independent Schools, the Council of the Centre for Strategic Education and the Anglican Co-ordinating Committee on Education. He is currently Chair of the Associated Grammar Schools of Victoria, is a member of the Melbourne Anglican Foundation, Deputy Chairman of the Board of the ConocoPhillips Science Experience, and previously a member of the Ethics Committee at the Royal Women's Hospital.

Mr Graham Spencer, HGHR, Dip (Teaching)

Member from 19 February 2013

Mr Graham Spencer is a principal consultant for GSC Partners Business and Education Consultants providing specialist advice and services to a variety of government agencies, including VicRoads, Transport Accident Commission and DEECD. Mr Spencer's background is in school governance and management, specifically strategic planning, regulatory requirements, financial management, communication, policies and procedures, and risk management. He has 20 years' experience as a Principal of technical and secondary colleges and is a registered teacher.

Ms Glenda Strong, GradDip (Education Studies Literacy), DipTeach (Primary)

Member until 16 October 2012

Ms Glenda Strong is the Executive Director of the Royal Children's Hospital Education Institute, Melbourne. Ms Strong holds appointments with various education and health-related organisations, including membership of the Jack Brockhoff Foundation Child Health and Wellbeing Advisory Committee. Ms Strong has held executive roles in DEECD central office and as Regional Director of Barwon South Western region. She has specialist knowledge in the early years of schooling and literacy and numeracy.

Ms Michonne van Rees, BA, DipEd, MA, GradDip (Management), GradDip (Government Law)

Member

Ms Michonne van Rees retired as the Regional Director (Gippsland) for DEECD in early 2011 to set up her own consulting business. Ms van Rees has previously worked as a Senior Executive with Parks Victoria. She has held senior leadership roles with a focus on public sector and organisational reform in a number of State Government departments, including the Department of Premier and Cabinet. She has also worked within the TAFE sector. Ms van Rees has held a number of Board and committee positions, including membership of the Gippsland Advisory Council of Monash University

Mr David Windridge, BEc, GradDip (Teaching), GradDip (Accounting), GAICD

Member from 19 February 2013

Mr David Windridge is Chief Executive Officer of MEGT (Australia) Ltd and is on the Board of Directors. He oversees the operational and strategic management of the company. Mr Windridge has an extensive background in the provision of education services, organisational management and service delivery.

Committees

The Board has one standing committee: the Audit and Risk Management Committee.

Audit and Risk Management Committee

Membership

- Michael Perry (Chair), VRQA Board
- Elizabeth Alexander, VRQA Board
- Tim Smith, VRQA Board, until 17 October 2012
- Graham Spencer, VRQA Board, from 15 April 2013
- Michonne van Rees, VRQA Board, from 18 February 2013

Mr Dennis Bastas, Chief Accounting and Finance Officer, DEECD, attended meetings as the Chief Finance Officer.

The Audit and Risk Management Committee assists the VRQA Board to fulfil its monitoring and oversight responsibilities for governance, risk management, audit and business assurance activities, including monitoring Board delegations. The committee exchanges minutes with the DEECD Portfolio Audit Committee.

The committee convened five times during 2012–13.

Subcommittees

The VRQA Board has subcommittees that provide advice and make recommendations to the Board on specific areas. Board subcommittees included representatives of key stakeholders from government and the private sector.

The following subcommittees were convened during 2012–13.

Compliance and Quality Subcommittee

Membership

- Chris Bennett (Chair), VRQA Board
- Stephen Elder, VRQA Board
- Patricia Neden, VRQA Board
- Michonne van Rees, VRQA Board

The role of the subcommittee is to oversee, on behalf of the VRQA Board, the compliance of providers consistent with relevant regulatory requirements, provide guidance on specific matters as they arise, and periodically test the VRQA's regulatory framework to ensure the effectiveness of quality assurance.

The subcommittee convened three times in 2012–13.

Apprenticeships and Traineeships Subcommittee

Membership

- Patricia Neden (Chair), VRQA Board, from 3 September 2012
- Chris Bennett, VRQA Board, from 3 September 2012
- Di Rule, VRQA Board, from 13 February 2013
- Tim Smith, VRQA Board, from 3 September 2012

The role of the subcommittee is to oversee the transfer of apprenticeship and traineeship regulation to the VRQA and plan the longer-term model of regulation.

The subcommittee convened five times during 2012–13.

Qualifications Subcommittee

Membership

- Stuart Hamilton (Chair), VRQA Board, until 16 October 2012
- Tim Smith (Acting Chair), VRQA Board, on 16 November 2012
- Di Rule (Chair), VRQA Board, from 24 February 2013
- Patricia Neden, VRQA Board, from 21 February 2013
- Glenda Strong, VRQA Board, until 16 October 2012
- Rick Tudor, VRQA Board
- David Windridge, VRQA Board, from 9 May 2013

The role of the subcommittee is to oversee the accreditation of courses and qualifications (including qualifications developed outside Australia) and the registration of awarding bodies. This includes related quality assurance processes that enable the VRQA to meet its legislative obligations across all sectors in relation to accreditation and qualifications function.

The subcommittee convened four times during 2012–13.

VRQA staff

The VRQA staff provide advice and report to the VRQA Board on:

- accreditation of courses and registration of education and training providers
- development and implementation of certification and registration procedures and processes
- quality assurance services related to the Victorian minimum standards for school registration and home schooling
- quality assurance services related to the provision of VET and compliance with National Standards and Protocols
- apprenticeships and traineeships
- the quality of implementation of the VRQA directions by various institutions and agencies
- strategic planning and directions
- management of the VRQA's resources.

Director

The Director is responsible to the Chair of the VRQA for the effective and efficient implementation of the VRQA Board's decisions, and to the Secretary, DEECD, for the running of the organisation and its effective interaction with the Department.

Staff organisation

Executive Officers were Lynn Glover, Director, Robyn Timmins, Deputy Director and Chris Ingham, Acting Executive Manager, Apprenticeships and Traineeships. VRQA staffing was organised in six functional areas:

- governance and corporate services
- quality assurance
 - school education
 - senior secondary education
 - international education
 - VET
- state register
- complaints and student services
- regulatory projects
- apprenticeships and traineeships.

As at 30 June 2013, the VRQA had the full-time equivalent of 54.6 staff members. Details of VRQA staff are provided in the table on page 15. The total staffing is made up of a core establishment plus additional staffing appointed through secondments or short-term contracts to work on specific projects.

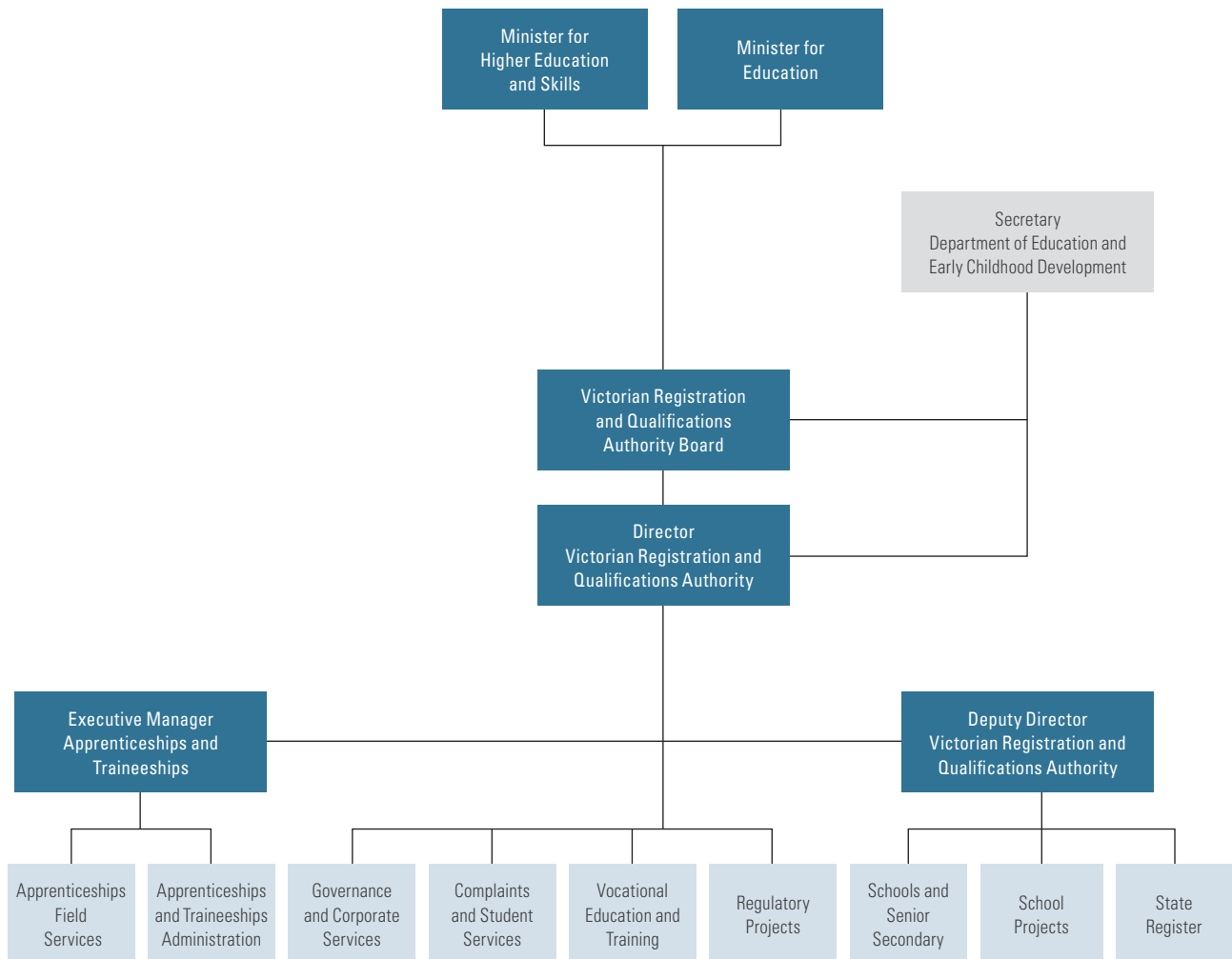
Staff on pay by classification, gender and time fraction

The VRQA staff operates within the financial, asset, human resource and information technology policy frameworks of DEECD. Further details of these arrangements are provided in Appendix 1.

Staff on pay by substantive classification, gender and time fraction										
Classification	June 2013					June 2012				
	Males		Female		Total	Males		Female		Total
	FTE	Per cent	FTE	Per cent		FTE	Per cent	FTE	Per cent	
Executive Officers	–	–	2.0	100	2.0	–	–	2.0	100	2.0
Victorian Public Service Senior Technical Specialist	1.0	100.0	–	–	1.0	–	–	–	–	–
VPSG6	6.0	66.7	3.0	33.3	9.0	5.8	59.2	4.0	40.8	9.8
VPSG5	7.0	47.3	7.8	52.7	14.8	6.0	39.5	9.2	60.5	15.2
VPSG4	1.0	12.5	7.0	87.5	8.0	-	-	6.0	100.0	6.0
VPSG3	3.0	39.5	4.6	60.5	7.6	4.0	37.7	6.6	62.3	10.6
VPSG2	–	–	7.1	100.0	7.1	–	–	1.8	100	1.8
Casual	2.8	53.8	2.4	46.2	5.1	2.1	77.8	0.6	22.2	2.7
Total	20.8		33.9		54.6	17.9		30.2		48.1

Note: Figures have been rounded to one decimal place.

Organisational chart as at 30 June 2013



Summary of financial results

The table below provides a summary of financial information for 2012–13 and comparison with previous years. This is the sixth year of operation of the VRQA.

In 2012–13, total income from transactions increased \$4.73 million to \$15.86 million. The major sources of revenue for the VRQA are grants and resources received free of charge from DEECD, representing 91.6 per cent of the total. Fees represent 7.5 per cent, and interest and other income represent 0.9 per cent.

Total expenses from transactions increased \$2.57 million to \$14 million. The increase in both revenue and expenses reflects the transfer of apprenticeships and traineeships regulatory functions to the VRQA from the Victorian Skills Commission in October 2012.

The VRQA ended the year with a net surplus of \$1.86 million compared to a deficit of \$0.95 million in 2011–12.

Total assets increased \$1.18 million to \$8.56 million, primarily due to an increase in cash and deposits. Total liabilities decreased \$0.68 million to \$1.24 million, primarily due to a decrease in payables at year end.

Summary of financial information

	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
Total income from transactions	15,855,222	11,122,075	15,155,184	15,130,372	11,988,369
Total expenses from transactions	13,998,792	11,427,435	14,659,392	15,380,811	8,370,155
Net result from transactions	1,856,430	(305,360)	495,792	(250,439)	3,618,214
Net gain/loss on non-financial assets	—	(641,806)	(147,186)	—	—
Comprehensive result	1,856,430	(947,166)	348,606	(250,439)	3,618,214
Net cash flow from operating activities	1,973,887	(261,122)	1,616,189	618,859	4,108,229
Total assets	8,556,479	7,381,206	8,991,336	7,538,972	6,835,395
Total liabilities	1,244,526	1,925,683	2,588,647	1,484,889	530,873

The year in review

The VRQA supports the achievements of the Victorian Government's education and training goals. The VRQA operates in a close collegiate relationship with DEECD.

The *Future direction for the Victorian Registration and Qualifications Authority* statement, endorsed by Minister Hall and Minister Dixon, was released in September 2012 outlining the VRQA's approach to regulation. The development of this statement was important given the expansion of the VRQA's powers and roles since it was established.

The VRQA bases its regulatory processes on the following good regulatory practice principles set out in the statement:

- transparency: relevant information, other than private and commercial-in-confidence information, is available to providers
- proportionality: processes, incentives and penalties are proportional to the consequences of the particular risk
- consistency and predictability: processes and decisions about any particular matter are sufficiently consistent and predictable to providers
- sector neutrality: all providers are held to the same standards within and across sectors, while respecting the diversity of providers and not taking a one-size-fits-all approach
- efficiency and agility: processes deliver maximum public benefit for minimum resources.

In 2012–13, in addition to the regulation of education and training providers, the work of the VRQA was directed at achieving VRQA Board priorities, which were to:

- implement the Skills Act and the *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012*
- protect students' interests
- provide access to quality choices in a diverse market
- focus on risk-based regulation
- support relationships with established and new stakeholders
- ensure sound financial management and oversight of budget and resources.

Throughout the reporting period the strategic priorities were integrated into the VRQA's 2012–14 Operational Plan. The plan detailed the specific outcomes, milestones and assigned responsibilities for each strategic priority. Progress on the VRQA's achievements was reported to the Board at six-monthly intervals.

Vocational education and training

The VRQA has responsibility for registering and regulating RTOs that deliver VET only to domestic students in Victoria and/or Victoria and Western Australia. These RTOs include privately operated education/training businesses or centres, community-based adult education providers, government and non-government enterprises, industry associations, professional associations and registered schools. The national regulator for the VET sector ASQA, established under the *National Vocational Education and Training Regulator Act 2011*, is now responsible for RTOs previously registered by the VRQA that are multi-jurisdictional and/or deliver to international students.

The VRQA is also responsible for the accreditation of Victorian Crown copyright courses and courses owned by RTOs registered with the VRQA.

RTOs can apply for registration to offer nationally recognised Australian Qualifications Framework VET qualifications or units of competency. These may be qualifications from national training packages, Victorian accredited courses and courses that are recognised in Victoria. VET courses accredited by the VRQA reflect the ongoing need of industries, enterprises and the community for courses in areas not covered by nationally endorsed training packages.

Training packages are developed by national Industry Skills Councils and are endorsed by the NSSC. The VRQA works with the developers of national training packages and is involved in a cooperative arrangement with the Higher Education and Skills Group, DEECD to review new and revised training packages.

Key achievements

- Sector-specific workshops were delivered for Adult Community and Further Education Board providers and schools delivering VET.
- A new process for extending the VET scope of registration was developed. *Form B: Application for amending the scope of registration* was revised. The *Guide to Form B: Amending your scope of registration* was developed to ensure that the requirements are easy to understand, and that the process and the evidence required to be submitted with the application form are clear.
- A fee calculator on the VRQA website was developed to provide existing and prospective VET providers (including schools delivering VET and adult education providers) with an estimate of costs prior to submitting applications for initial registration, re-registration, annual registration and extension to scope of registration.

VET registration

The VRQA has a two-phase approach to initial registration and re-registration:

- phase 1 comprises a principal purpose requirement assessment, a financial health assessment, a governance review, and a fit and proper person check
- phase 2 is an on-site quality audit.

In addition, extension to scope applications may be subject to an on-site audit following a risk assessment.

At 30 June 2013, there were 463 RTOs regulated by the VRQA.

Course accreditation

In the period 2012–13, there were 12 new courses accredited. The courses cover a range of industry, community and education fields that are not covered in nationally endorsed training packages.

The course accreditation process was reviewed by Protiviti Risk and Business Consulting in September 2012 to ensure that it effectively aligned to relevant legislation, standards and national policy. The Board accepted the recommendations in the final report.

The VRQA conducted a selection process to appoint accreditation advisers. The number of advisers appointed was reduced from 26 to 16 in line with the reduced number of VET courses submitted to the VRQA.

At 30 June 2013, the total number of accredited courses managed by the VRQA was 211.

Under an arrangement with the Higher Education Skills Group, the VRQA reviewed 43 training packages in 2012–13.

Financial management of RTOs

The VRQA provides free compulsory financial management guidance sessions for prospective RTOs. The sessions are conducted on behalf of the VRQA by Grant Thornton Australia Ltd.

The booklet Financial Management for RTOs is made available to applicants for registration and to existing RTOs to assist them in financial discipline, reducing the risk of business failure, preparing an application for initial registration and contributing to a high-quality education sector.

Suspensions and cancellations

Registrations may be cancelled at the provider's request or as a VRQA sanction. In 2012–13, 25 RTOs voluntarily chose to have their registration cancelled and five RTOs had their registration cancelled by the VRQA. There were no suspensions imposed. Details of suspended and cancelled RTO registrations are published on the VRQA website.

Enforceable undertakings

Under Section 5.8.3V of the Act, the VRQA can accept a written enforceable undertaking from an RTO. This action is taken when it is considered to be the most effective and proportionate way of ensuring specific compliance by an RTO. The VRQA can apply to the Magistrates Court for a court order if the undertaking is breached.

In the reporting period, the VRQA has been party to four enforceable undertakings with three individual RTOs. Actions required include:

- reassessment of students
- agreeing not to enrol students until the RTO is found to be compliant
- agreeing to only train employees to meet the criteria for a ministerial exemption from the principal purpose requirement.

National Skills Standards Council reporting

The VRQA reports annually to the NSSC. During the reporting period one report was provided to the NSSC in September 2012. The report was aligned to the *Future direction for the Victorian Registration and Qualifications Authority* statement and incorporated the information and data requested by the NSSC.

In addition to meeting its reporting obligations, the VRQA participated in the NSSC's consultation process on the review of the AQTF and the National VET Quality Framework. The NSSC also consulted on the design and packaging rules for training packages. Although the Higher Education and Skills Group has primary responsibility for Victorian participation in the design and approval of training packages and are coordinating a response, the VRQA is participating in this process.

VET audit activity

VRQA RTO audits occur when providers apply for initial registration, during the first extension to scope of registration application following initial registration, when providers apply for renewal of registration, for high-risk applications to extend the scope of registration, and in response to exceptional circumstances. The VRQA has a risk-based approach to audits. Risk factors considered include the stage of the provider's registration, financial viability, compliance history, complaints, and the type of qualifications being delivered or sought. Audits are conducted by auditors selected from a panel of six audit firms contracted by the VRQA.

Australian Quality Training Framework quality indicators

RTOs are required to collect and use data and report annually on three quality indicators:

- competency completion
- learner engagement
- employer satisfaction.

In relation to Competency Completion, data on the number of units and qualifications undertaken and completed is submitted by RTOs through the Competency Completion Online System, which is managed by the National Centre for Vocational Education Research Ltd.

All VRQA RTOs were required to collect and submit data to the VRQA by 30 June 2013 on all three quality indicators.

Number of VRQA RTOs by type, 30 June

Organisation type	2013	2012
Education/training business or centre	190	217
Community-based adult education provider	132	139
Industry association	29	35
Professional association	3	3
Enterprise – non-government	15	16
Enterprise – government	11	10
School – government	43	44
School – independent	23	26
School – Catholic	10	11
Other – not elsewhere classified	7	6
Total	463	507

New VRQA RTOs by type

Organisation type	2012–13	2011–12
Education/training business or centre	8	17
Community-based adult education provider	–	1
Industry association	–	1
Enterprise – non-government	1	3
Enterprise – government	1	1
School – government	–	1
School – independent	–	1
School – Catholic	–	1
Other – not elsewhere classified	1	4
Total	11	30

Training packages reviewed 2012–13

Code	Area
ACM10 v3	Animal Care and Management
AHC10 v4	Agriculture, Horticulture and Conservation and Land Management
AHC10 v5	Agriculture, Horticulture and Conservation and Land Management
AHC10 v6	Agriculture, Horticulture and Conservation and Land Management
AUR12 v1	Automotive Retail, Service and Repair
BSB07 v7	Business Services
BSB07 v8	Business Services
BSB07 v9	Business Services
CHC	Community Services
CPC08 v8	Construction, Plumbing and Services
CPP07 v11	Property Services
CPP07 v12	Property Services
CPP07 v13	Property Services
DEF12 v2	Defence
FDF10 v4	Food Processing
FNS10 v4	Financial Services
FNS10 v5	Financial Services
FP11 v2	Forest and Forest Products
FSK v1	Foundation Skills
HLT	Health
ICP10 v2	Printing and Graphic Arts
ICT10 v2	Information and Communications Technology
LGA04 v4	Local Government
MAR13 v1	Maritime
MEM05 v9	Metal and Engineering
MSL09 v2	Laboratory Operations
MTM11 v3	Australian Meat Industry
MTM11 v4	Australian Meat Industry
PMA08 v4	Chemical, Hydrocarbon and Refining
PMB07 v2	Plastics, Rubber and Cablemaking
PSP12 v1	Public Sector
PUA12 v1	Public Safety
PUA12 v2	Public Safety
SIF	Funeral Services
SIH11 v2	Hairdressing
SIS10 v2	Sport, Fitness and Recreation
SIT12 v1	Tourism, Hospitality and Events
TAE10 v3	Training and Education
TAE	Training and Education
TLI10 v3	Transport and Logistics
UEP12 v1	Electricity Supply Industry – Generation Sector
UEP12 v2	Electricity Supply Industry – Generation Sector
UET12 v2	Electricity Supply Industry – Transmission, Distribution and Rail Sector

Course accreditation activity

	2012–13	2011–12
New courses accredited	12	6
Courses re-accredited	30	14
Course modifications	17	22
Course accreditations extended (for maximum 12 months)	32	47
Courses expired/deleted	62	79

VRQA accredited courses by level, 30 June 2013

	Number
Course in	55
Certificate I	14
Certificate II	29
Certificate III	17
Certificate IV	37
Diploma	28
Advanced Diploma	10
Graduate Certificate	3
Graduate Diploma	2
Vocational Graduate Certificate	10
Vocational Graduate Diploma	6
Total	211

Implementation of the *Education and Training Reform Amendment (Skills) Act 2010*

The VRQA continued to undertake a number of actions to implement the Skills Act, including the preparation of two RIS. One of these related to the introduction of a new schedule of fees for VRQA-regulated RTOs, schools, bodies registered to issue senior secondary qualifications and overseas secondary student exchange organisations, as well as for the issuing of certificates.

The RIS process was completed in December 2012 and the relevant Ministerial Order was made on 21 December 2012 with an effective date of 1 January 2013.

VET fees will progressively increase until 1 January 2016 consistent with the Victorian Government's policy guidelines on cost recovery. Most other fees have been increased by 2.5 per cent, in line with the annual rate for 2012–13 set by the Victorian Treasurer. Some new fees were established to reflect VRQA regulatory costs.

The new VET fees provide greater transparency and consistency with fees charged by ASQA, the national VET regulator. VRQA fees have been set for the next four years.

On 1 January 2014 and on 1 January of each subsequent year, all fees will be increased to reflect rises in the Consumer Price Index.

School education

The VRQA is responsible for registering all Victorian schools, government and non-government, non-school senior secondary course providers and students for home schooling. In addition, the VRQA directly conducts reviews of independent schools and audits non-school senior secondary course providers, assessing them against the minimum standards for registration. A range of organisations, including TAFE institutes, deliver senior secondary qualifications – the Victorian Certificate of Education (VCE) and Victorian Certificate of Applied Learning (VCAL) – in a non-school environment.

Reviews of the operations of non-government schools are conducted on a five-year cyclical basis. However, a school review can be required at any time to determine compliance with the minimum standards and other requirements for school registration.

The VRQA uses a differentiated review model to determine the types of reviews that will be undertaken each year. An initial assessment is undertaken of all the schools due for review in the coming year, to determine how the reviews should proceed. Schools are then requested to submit selected documents to further inform the initial VRQA assessment. Schools identified as not complying (or likely to be not complying) with the standards for registration are usually selected to undergo a full review and site visit.

In 2013, all schools under review are being checked for compliance with mandatory reporting and management of anaphylaxis.

The remaining schools are requested to submit further evidence to be reviewed via a desk audit, and the reviews are concluded via an attestation of compliance from the school's principal.

Key achievements

School and senior secondary

- A total of eight new schools were registered: three independent, one Catholic and four government schools. In addition, there were two government schools registered as a result of the amalgamation of existing schools.
- Six schools and five new non-school senior secondary providers were registered for senior secondary provision.
- Sixteen non-government schools were granted re-approval to deliver courses to international students.
- The VRQA assessed the Victorian Curriculum and Assessment Authority against the minimum standards and renewed its registration as an awarding body for a further five years. The accreditation of the VCE and the VCAL were also renewed for a further five-year period.
- The VRQA review of the evidence required to demonstrate compliance with the minimum standards for registration, which had commenced in 2011, was concluded and a new guide was published and distributed to all registered schools.

- The Victorian Bushfires Royal Commission Report recommended the VRQA should ensure that government and non-government schools are audited as part of their registration requirements, so that they have adequate bushfire safety procedures in place. In response to this recommendation, the VRQA developed *Guidelines for Registered Schools on Bushfire Preparedness*. These guidelines were revised and approved by the VRQA Board in October 2012 and apply to all registered schools in Victoria.
- The VRQA participated in the Australian Curriculum Assessment and Reporting Authority recognition process for alternative curricula.

Home schooling

- At 30 June 2013, a total of 3545 children from 2057 families were registered for home schooling. This represents an increase of 312 children from 30 June 2012.

School review

- School reviews are conducted on a calendar-year basis. In the 2012 cycle, there were 49 schools reviewed. Six of the 2012 reviews remained open at 30 June 2013.
- In the 2013 cycle, reviews of 46 schools commenced. Of these, 10 were identified as requiring a full review, including a site visit by a review team, and 36 underwent a desk audit. Six schools also underwent a financial health assessment. Forty-five of the 46 schools were tested for compliance with mandatory reporting, management of anaphylaxis and bushfire preparedness.
- At 30 June 2013, 41 of the 2013 reviews were in progress, including the 16 schools scheduled to undergo a site visit, and five school reviews had been satisfactorily concluded.
- In 2012–13, the VRQA imposed conditions on the registrations of five schools. As at 30 June, two of these schools still had conditions attached to their registration.
- Thirty-six schools were invited to respond to a survey on the review process in 2012. Eighteen schools responded commenting on timelines and the value of constructive feedback.

School registration activity, 2012–13

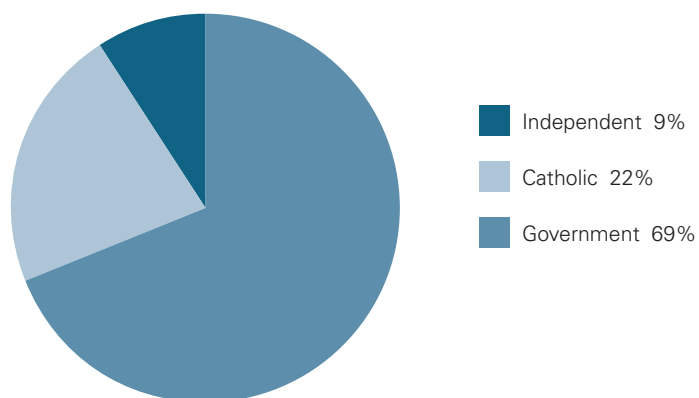
	Government	Catholic	Independent	Total
New school				
Primary	–	1	2	3
Secondary	–	–	–	–
Primary/secondary	2	–	–	2
Specialist	2	–	1	3
Amalgamation of schools				
Primary	1	–	–	1
Secondary	–	–	–	–
Primary/secondary	1	–	–	1
Specialist	–	–	–	–
Additional campus	14	1	3	18
Additional secondary year level	2	5	17	24
Additional primary year level	–	–	1	1
Relocation	9	–	2	11
Senior secondary registration	2	2	2	6

Number of registered schools, 30 June*

	2013	2012
Government	1,544	1,548
Catholic	486	486
Independent	210	215
Total	2,240	2,249

*DEECD's census date for registered schools is February; VRQA's census date is June. Unlike DEECD's data, VRQA data includes schools with temporary populations such as hospitals.

Registered schools by sector, 30 June 2013



Non-school senior secondary providers, 30 June

Organisation type	2013	2012
Community-based adult education provider	28	27
TAFE institute	18	18
Education/training business or centre	2	3
Adult education institution	1	1
Other	6	6
Total	55	55

International education

Education and training organisations that deliver courses to overseas students in Australia on student visas are required to be listed on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

The VRQA is the Designated Authority responsible for providers of school sector courses, including the VCE and the VCAL, to international students in Victoria. There are currently 104 non-government schools (Catholic and independent), and a number of universities and TAFE institutes registered to provide school sector courses. There is one CRICOS registration for government schools. The school sector has experienced a significant decline in international student enrolments; enrolments in non-government schools have halved in recent years but enrolments in government schools have remained steady.

Key achievements

- The re-approval process commenced for 29 schools whose CRICOS registration was due to expire at the end of 2013. An Education Services for Overseas Students review of four schools was scheduled as part of this process.
- Sixteen non-government schools, whose registration period for approval to provide courses to international students was due to expire at the end of 2012, were re-approved having demonstrated compliance with the *Education Services for Overseas Students Act 2000* (ESOS Act), the National Code, the *VRQA Guidelines on the Provision of VCAL Courses to Overseas Students* and the *Guidelines on Home-stay Accommodation for Overseas Students*.
- In October 2012, the VRQA Board approved the issuing of guidelines on the provision of VCAL courses to overseas students.
- The VRQA, in conjunction with the Commonwealth Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCS RTE), held an information session for all non-government schools registered on the Commonwealth Register of Institutions and Courses for Overseas Students in April 2013 on changes to the ESOS Act.

Overseas Secondary Student Exchange Organisations

The VRQA has the responsibility for approval of OSSEOs under the Act. The revised *VRQA Guidelines for Overseas Secondary Student Exchange Organisations* came into effect on 1 July 2012. The guidelines apply to all student exchange organisations providing programs in Victoria and reflect significant changes to national minimum standards.

At 30 June 2013, there were 25 student exchange organisations registered with the VRQA, comprising nine government schools, four non-government schools and 12 non-school organisations. In 2012–13, the VRQA issued documentation for 396 overseas students from over 20 countries to undertake a secondary student exchange program in Victoria. The major source countries for overseas exchange students in 2012–13 were Germany, Italy, France and Japan. Under reciprocal arrangements, an equivalent number of Victorian secondary students undertook exchange programs of up to one year at overseas schools.

Apprenticeships and traineeships

In June 2012, the *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012* amended the *Education and Training Reform Act 2006* to transfer apprenticeship regulation functions from the Victorian Skills Commission to the VRQA from 1 October 2012.

The VRQA Board delegated apprenticeship regulation functions back to the Higher Education and Skills Group, DEECD for the period between 1 October and 31 December 2012 to provide for a phased implementation while the necessary administrative processes were established. The VRQA assumed direct responsibility from 1 January 2013. The VRQA Board also delegated the administration of the apprentice accommodation allowance to the Higher Education and Skills Group on an ongoing basis as this is not a direct regulatory activity.

Key achievements

- In September 2012, the VRQA Board established an Apprenticeships and Traineeships Subcommittee to oversee the transfer, including the development of a VRQA Apprenticeships and Traineeships Compliance and Quality Assurance Policy.
- In December 2012, the VRQA Board approved the Apprenticeship and Traineeship Compliance and Quality Assurance Policy. This document, which outlines the VRQA's regulatory approach to apprenticeships and traineeships, was published on the VRQA website.
- In April 2012, the Apprenticeships and Traineeships Subcommittee approved a forward work plan in order to oversee:
 - the management of immediate risks, such as the ongoing maintenance and operation of the Direct Entry Level Training Administration database that supports the register of employers, apprentices and trainees
 - major changes, such as the move to a new system of regulated field services
 - review of processes and procedures for the major regulatory functions in Part 5.5 of the Act, such as employer approval, dispute resolution and approved training schemes.

Apprenticeship and traineeship regulatory field services

In October 2012, the VRQA Board endorsed a proposal to reform the provision of apprenticeship and traineeship regulatory field services and undertake a public tender process to market test alternative delivery models.

The tender process has been finalised and the Victorian Government Purchasing Board has approved the VRQA entering into a contract with Busy Inc trading as BUSY At Work to provide these services over four years (three plus an optional one-year extension). Regulatory activity under the reformed arrangements is expected to commence on 2 September 2013. Previously, these services have been provided by Apprenticeship Field Officers based in a number of 'host' TAFE institutes throughout Victoria.

The VRQA expects that the delivery of these services will be more streamlined and efficient under the new arrangements and targeted to Victorian apprentices and trainees most in need.

Printing and mail-out of correspondence to apprentices and trainees

In May and June 2013, the VRQA oversaw a public tender for mail-out services relating to correspondence issued by the VRQA to apprentices and trainees, their guardians (if any) and their employers in Victoria. The closing date for submissions was 13 June 2013.

Activity (October 2012 – June 2013)

There was a 50 per cent decrease in traineeship commencements between October and June (33,357 compared to 66,465 for the same period in 2012). Apprenticeship commencements increased by 5 per cent over the same period (14,293 compared to 13,582 in 2012).

Apprenticeship and traineeship activity

	October–June
Training contracts registered	53,170
Employer approvals	4902
Training schemes approved	12
Apprentice cancellations	7,717
Trainee cancellations	17,515
Formal disputes listed	1
Delegate as guardian on training contract	5
Apprenticeship reductions	1,695
Delegate ordered cancellations or withdrawals	4

Complaints

The role of the VRQA in investigating complaints is set out in the Education and Training Reform Regulations 2007. The VRQA investigates complaints about independent schools and education and training organisations delivering VET and OSSEOs. The Complaints Unit also handles complaints about the VRQA. The VRQA works with relevant school sector authorities, including DEECD and the Catholic Education Commission Victoria, in regard to complaints about government and Catholic schools.

Under the AQTF, all education and training organisations registered by the VRQA are required to have implemented complaints and grievances policies and procedures. The VRQA may only proceed with an investigation if it has been assured that the complainant has exhausted the local processes.

Complaints against RTOs are investigated against the AQTF. Complaints against independent schools are investigated against the prescribed minimum standards for school regulation. Complaints against OSSEOs are investigated against the *Guidelines, Conditions and Application Forms for the Approval of Overseas Secondary Student Exchange Organisations*.

Where complaints are received against the VRQA, they are assessed and investigated in the context of relevant VRQA policies, procedures and business rules. If complaints relate to individual staff they will also be investigated in relation to the public service code of conduct, and in the case of external contractors, the terms of the contract.

The VRQA received 123 complaints in 2012–13. This is a 21 per cent reduction overall in complaints registered with the VRQA. Complaints have decreased against all sectors in this reporting period. The VET sector, where the majority of complaints were received, experienced an 18 per cent reduction in the number of complaints from the previous year.

Three-quarters of complaints involved VET providers, while there were small numbers of complaints against other types of education provision.

Assessment of complaints against VET providers led to 25 per cent being formally investigated. Approximately 50 per cent were assessed as not being within the jurisdiction of the VRQA. Complaints outside the jurisdiction of the VRQA may relate to ASQA providers or to issues not covered by the regulatory standards or conditions.

Poor quality training, assessment, problems obtaining certificates, teacher/trainer conduct and bullying were the five largest complaint types.

Complaints received, 2012-13

	VET	Higher education	School	VRQA	Senior secondary	OSSEO	Home-school	Other	Total	2011–12
Number	93	1	17	2	2	2	2	4	123	156

Access to information

The VRQA's State Register provides consumer access to high-quality information about VRQA-registered providers. Provider information on the State Register includes registration details and the qualifications and courses they deliver. The State Register also provides information about VRQA-accredited courses and all registered government, Catholic and independent schools' annual reports.

Key achievements

- During the reporting period, the State Register received a total of 44,923 hits, including 25,864 new visitors.
- A new invoicing and online payment system was introduced in September 2012. This system was designed to make fee-processing easier by offering additional payment methods and automating the invoicing and payment process. Providers were contacted by letter and email before implementation to ensure that they had a valid email address in the new system. Providers can now pay their fees online by credit card using BPAY or Postbillpay on receipt of an invoice generated by the State Register.

Relationships with stakeholders

The VRQA strives to establish collaborative and productive relationships with stakeholders, which results in a shared commitment to high-quality education and training development in Victoria. In school education, the VRQA works with the Regional Services Group in DEECD, the Catholic Education Commission Victoria and Independent Schools Victoria to monitor the compliance of all Victorian schools with the minimum standards. The majority of communication with stakeholders is via the VRQA website and other forms of electronic communication. In addition, the VRQA maintains ongoing and effective relationships with key peak bodies through direct communication.

Key achievements

- The *Future direction for the Victorian Registration and Qualifications Authority* statement was endorsed by the Minister for Higher Education and Skills and the Minister for Education, as well as the VRQA Board. Key stakeholders, Board members and staff were consulted in the development of the statement that was launched in October 2012 through the VRQA E-news and the VRQA website. Letters informing all stakeholders of the statement were sent on behalf of the VRQA Chair.
- The annual stakeholder breakfast was held on 23 April 2013. The purpose of this event is to provide a forum for stakeholders to discuss their views with Board members on education and training regulation in Victoria. Input from key stakeholders contributed to the Board planning day.
- Online newsletter publications (E-news) were regularly sent out to stakeholders and are an important medium of communication. Each edition included key information about legislative changes and topical articles relevant to providers. In the reporting period, the number of subscribers to E-news increased to 3069.
- Three information sheets were developed and published on the VRQA website on trends in home schooling, registered schools and VET providers in Victoria.
- A copy of the revised Guide to the *Minimum Standards and other Requirements for School Registration* was posted to all schools and published on the VRQA website.
- Six information sessions were held for schools.
- The VRQA developed a fee calculator available on its website to give existing and prospective VET providers (including schools delivering VET and adult education providers) the opportunity to estimate costs prior to submitting applications for initial registration, re-registration, annual registration and extension to scope of registration.
- The VRQA held audit panel briefings in October 2012 and May 2013 that focused on issues and risks arising in 2012, the forward audit program for 2013 and outcomes of the review process. This process ensures that audit activity is performed in accordance with VET quality assurance policy and its accompanying procedures. A moderation activity was undertaken with auditors to support consistent findings.

- Four professional development workshops were held for the VRQA-appointed accreditation advisers.
- A list of cancelled and suspended RTOs, the reasons for cancellation or suspensions and the names of their senior managerial officers continued to be published on the VRQA website.
- The VRQA hosted a joint information session with DIICCS RTE on changes to the ESOS Act.
- Four information sessions and four financial management sessions were delivered to prospective VET providers.
- Re-registration audit outcomes for VET providers following attendance at pre-audit workshops were positive in that eight had minor non-compliances and two were fully compliant. Quarterly information sessions are conducted on the registration process and are reviewed and modified based on participant feedback.
- The VRQA initiated meetings with Commonwealth and State agencies, WorkSafe Victoria and the FairWork Ombudsman as the relevant authorities for the referral of issues impacting on employers, apprentices and trainees.
- Regular meetings were held with DIICCS RTE and Australian Apprenticeship Centres as the Commonwealth contracted agencies that support the administration of employer, apprentice and trainee training contracts.
- A workshop for government school principals and school leaders was conducted in May 2013, in conjunction with DEECD Regional Services Group, for schools undergoing the registration process.

Education provider and stakeholder survey

The VRQA conducts an annual survey that measures aspects of provider and stakeholder satisfaction, clarity of compliance requirements, ease of accessing information and adequacy of VRQA support.

In October 2012, the VRQA engaged Sweeney Research for the second year to conduct the annual survey. All responses were confidential and the VRQA did not have access to actual survey responses other than in a summary report.

The survey program comprised two phases of research:

- quantitative research with education providers, for which a total of 378 internet surveys were completed (53 per cent completion rate)
- qualitative research with VRQA stakeholders, for which a total of 15 telephone in-depth interviews were conducted (of 23 nominated contacts).

The results indicated a 53 per cent response rate demonstrating a high level of engagement with providers. Satisfaction with the management and operations of the VRQA was positive, with close to two-thirds of education providers being very/fairly satisfied with the VRQA and its services, which was identical to the 2011 study.

The VRQA website continued to be an important source of information, with 90 per cent of providers having accessed it in the six-month period before the survey took place. A dip was reported in terms of providers' attitudes towards the adequacy of information provided, particularly among VET providers. The research indicated that schools were generally more positive than VET providers.

Opportunities for improvement were identified, particularly in terms of auditors and how information is disseminated.

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Comprehensive operating statement for the financial year ended 30 June 2013

	Notes	2013 \$	2012 \$
Income from transactions			
Grants and other transfers	2 (c)	14,171,713	9,276,930
Interest	2 (a)	137,899	295,332
Registration and accreditation fees	2 (b)	1,196,571	1,144,731
Fair value of assets and services received free of charge or for nominal consideration	2 (d), 4	348,939	198,678
Other income	2 (e)	100	206,404
Total income from transactions		15,855,222	11,122,075
Expenses from transactions			
Administrative expenses	3 (a)	5,962,596	5,177,361
Depreciation and amortisation	3 (b)	785,460	564,144
Grants and other transfers	3 (c)	3,095,241	310
Supplies and services	3 (d)	4,155,495	5,685,620
Total expenses from transactions		13,998,792	11,427,435
Net result from transactions (net operating balance)		1,856,430	(305,360)
Net gain/(loss) on non-financial assets	7 (a)	–	(641,806)
Total other economic flows included in net result		–	(641,806)
Comprehensive result		1,856,430	(947,166)

The comprehensive operating statement should be read in conjunction with the accompanying notes included on pages 42–73.

Balance sheet as at 30 June 2013

	Notes	2013 \$	2012 \$
Assets			
Financial assets			
Cash and deposits		4,852,220	3,225,160
Receivables	5	190,696	203,850
Total financial assets		5,042,916	3,429,010
Non-financial assets			
Property, plant and equipment	6	10,597	15,082
Intangible assets	7	3,502,966	3,937,114
Total non-financial assets		3,513,563	3,952,196
Total assets		8,556,479	7,381,206
Liabilities			
Payables	8	898,526	1,425,683
Unearned revenue		346,000	500,000
Total liabilities		1,244,526	1,925,683
Net assets		7,311,953	5,455,523
Equity			
Accumulated surplus		5,899,334	4,042,904
Contributed capital		1,412,619	1,412,619
Net worth		7,311,953	5,455,523

The balance sheet should be read in conjunction with the accompanying notes included on pages 42–73.

Statement of changes in equity for the financial year ended 30 June 2013

	Contributed capital \$	Accumulated surplus \$	Total \$
Balance at 30 June 2011	1,412,619	4,990,070	6,402,689
Net result for the year	–	(947,166)	(947,166)
Balance at 30 June 2012	1,412,619	4,042,904	5,455,523
Net result for the year	–	1,856,430	1,856,431
Balance at 30 June 2013	1,412,619	5,899,334	7,311,953

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 42–73.

Cash flow statement for the financial year ended 30 June 2013

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts			
Receipts from Government		13,680,413	9,776,930
Receipts from other entities		1,572,698	1,439,234
Goods and Services Tax recovered from the ATO(i)		445,106	611,459
Interest received		137,899	295,332
Total receipts		15,836,116	12,122,955
Payments			
Payments of grants and other transfers		(3,095,241)	(310)
Payments to suppliers and employees		(10,766,988)	(12,383,767)
Total payments		(13,862,229)	(12,384,077)
Net cash flows from/(used in) operating activities	12	1,973,887	(261,122)
Cash flows from investing activities			
Payments for non-financial assets		(346,827)	(1,631,642)
Net cash flows from/(used in) investing activities		(346,827)	(1,631,642)
Net increase/(decrease) in cash and cash equivalents		1,627,060	(1,892,764)
Cash and deposits at the beginning of the financial year		3,225,160	5,117,924
Cash and deposits at the end of the financial year		4,852,220	3,225,160

Note:

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

The cash flow statement should be read in conjunction with the accompanying notes included on pages 42–73.

Notes to the Financial Statements

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Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Victorian Registration and Qualifications Authority (VRQA) for the period ended 30 June 2013. The purpose of the report is to provide users with information about the VRQA's stewardship of resources entrusted to it.

(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 AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 16.

These annual financial statements were authorised for issue by the Director on 29 August 2013.

(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.

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

These financial statements are presented in Australian dollars and prepared in accordance with the historical cost convention.

(C) Reporting entity

The financial statements cover the VRQA as an individual reporting entity.

The VRQA is a state owned public authority established under the *Education and Training Reform Act 2006* (the Act). The Act was proclaimed on 1 July 2007. As an independent public authority the VRQA is a separate legal entity and accountable for resources under its control. Section 4.2.8 of the Act requires the VRQA to maintain a fund to account for all money received and paid by the VRQA.

Its principal address is:

Victorian Registration and Qualifications Authority
Level 4, Casselden Place, 2 Lonsdale Street
Melbourne VIC 3000

Note 1 Summary of significant accounting policies

(continued)

(D) Objectives and funding

The VRQA's objectives are to ensure:

- high standards of education and training of Victorian registered providers
- information concerning the performance of education and training providers is publicly available
- decisions of the VRQA have regard to the interests of students and the public
- regulatory processes are procedurally fair.

The VRQA is economically dependent, predominantly on the Department of Education and Early Childhood Development (DEECD) in the form of grant funding. The VRQA charges fees and charges for registration of providers of education and training under the Act. The fees and charges are set by Ministerial order.

Changes in objectives

The Apprenticeships and Traineeships Division was transferred from Victorian Skills Commission to VRQA as a consequence of amendments to the Act effective on 1 October 2012. There were no assets or liabilities transferred to the VRQA. Total income and expenses for Apprenticeships and Traineeships Division for the period 1 October 2012 to 30 June 2013 included in these accounts are income: \$4,786,385, expenses: \$4,585,983.

(E) 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* and Amendments to *Australian system of government finance statistics, 2005* (ABS Catalogue No. 5514.0) (the GFS manual, refer to Note 16).

'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-current physical and intangible assets
- fair value changes of financial instruments and agricultural assets.

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.

Statement of changes in equity

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

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*.

Rounding of amounts

Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Please refer to the end of Note 16 for a style convention explaining that minor discrepancies in totals of tables are due to rounding.

(F) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

Grants and other transfers

Income from grants (other than contributions by owners) is recognised when the VRQA gains control over the contribution. For reciprocal grants, the VRQA is deemed to have gained control when the performance has occurred under the terms of the grants. For non-reciprocal grants, the VRQA is deemed to have gained control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Income from registration and accreditation fees

Income from registration and accreditation fees is recognised when:

- 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 transactions will flow to the VRQA.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Note 1 Summary of significant accounting policies

(continued)

Income from the supply of services

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to VRQA.

Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Interest income

Interest income includes interest received on bank deposits, interest from investments, and other interest received. 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 fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

The VRQA shares accommodation with DEECD, the cost of which is not charged to the VRQA. The value is recognised in the operating statement as an expense offset by an increase in income as resources received free of charge.

(G) Expenses from transactions

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

Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, other transfer payments made to State owned agencies, non-government schools, and community groups.

Administrative expenses

Administrative expenses relate to employee benefits for VRQA staff who are employees of DEECD. The VRQA reimburses DEECD 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.

Depreciation and amortisation

All assets, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate

The following estimated useful lives are used in the calculation of depreciation and amortisation:

	2013 Useful life years	2012 Useful life years
Intangible assets	5	5
Office equipment and furniture	5–10	5–10

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and services

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(H) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Impairment of non-financial assets

Intangible assets are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for financial assets (refer to Note 1(I)).

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 an other 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 significant 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 or destruction 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.

(I) Assets

Financial assets

Cash and deposits

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

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Receivables consist predominantly of debtors in relation to grants, regulatory fees and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables. Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Impairment of financial assets

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

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

Non financial assets

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of non-financial intangible assets constructed by the VRQA includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(l) Impairment of non-financial assets.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the VRQA.

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:

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

Note 1 Summary of significant accounting policies

(continued)

(J) Liabilities

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 VRQA prior to the end of the financial year that are unpaid, and arise when the VRQA becomes obliged to make future payments in respect of the purchase of those goods and services
- 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.

(K) Equity

Contributions by owners

Contributions received from DEECD from the 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 restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

(L) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 9) at their nominal value and inclusive of GST payable.

(M) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 10) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(N) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable 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 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.

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

(O) Events after reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VRQA and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the reporting date and the date the financial statements are authorised for issue where the events relate to conditions which arose after the reporting period and which may have a material impact on the results of subsequent years.

(P) AASs issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2013 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2013, the following AASs have been issued by the AASB but not effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Authority Financial Statements
AASB 9 <i>Financial Instruments</i>	This Standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required for assets measured using depreciated replacement cost.
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.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2012-13 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The two AASB Interpretations in the list below are also not effective for the 2012-13 reporting period and considered to have insignificant impacts on public sector reporting.

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.*
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*
- AASB 2010-10 *Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters.*
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements.*
- AASB 2011-14 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*
- AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure requirements.*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*

- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13.*
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*
- AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.*
- AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20.*
- AASB 2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities.*
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities.*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*
- AASB 2012-7 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*
- AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other amendments.*
- AASB 2012-11 *Amendments to Australian Accounting - Reduced Disclosure Requirements and Other Amendments.*
- AASB 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting requirements.*
- AASB 2013-2 *Amendments to AASB 1038 – Regulatory Capital.*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.*
- AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine.*
- AASB Interpretation 21 *Levies.*

Note 2 Income from transactions

	Notes	2013 \$	2012 \$
(a) Interest			
Interest on bank deposits		137,899	295,332
Total interest		137,899	295,332
(b) Registration and accreditation fees			
Registration and accreditation fees		1,196,571	1,144,731
Total registration and accreditation fees		1,196,571	1,144,731
(c) Grants and other transfers (other than contributions by owners)			
Department of Education and Early Childhood Development		11,583,713	6,486,930
Victorian Skills Commission		1,501,000	2,790,000
Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education		1,087,000	—
Total grants and other transfers		14,171,713	9,276,930
(d) Fair value of assets and services received free of charge or for nominal consideration:			
Accommodation	4	348,939	198,678
Total fair value of assets and services received free of charge or for nominal consideration		348,939	198,678
(e) Other income			
Other income		100	206,404
Total other income		100	206,404

Note 3 Expenses from transactions

	Notes	2013 \$	2012 \$
(a) Administrative expenses			
Employee benefits for VRQA staff employed by DEECD		5,962,596	5,177,361
Total administrative expenses		5,962,596	5,177,361
(b) Depreciation and amortisation			
Plant and equipment		4,485	3,413
Intangible asset		780,975	560,731
Total depreciation and amortisation		785,460	564,144
(c) Grants and other transfers			
Transfer payments to DEECD		310	310
Transfer payments to TAFEs		3,070,475	—
Transfer payments to individuals		24,456	—
Total grants and other payments		3,095,241	310
(d) Supplies and services			
Purchase of supplies and consumables		197,976	164,787
Contractors		2,411,144	3,862,426
Board members fees		162,775	220,256
Travel expenses		33,530	41,417
Printing		149,260	102,887
Phone and postage		185,631	14,287
Legal expenses		594,052	1,007,192
Insurance		28,612	29,898
Minor equipment purchases		3,074	15,923
Rental of buildings	4	348,939	198,678
Advertising		13,954	2,069
Audit fees	14	26,548	25,800
Total supplies and services		4,155,495	5,685,620

Note 4 Resources received free of charge

	2013 \$	2012 \$
Resources received free of charge		
Accommodation for 35 Spring Street, Melbourne	84,657	110,306
Accommodation for Level 4, Casselden Place, 2 Lonsdale Street, Melbourne	264,252	—
Accommodation for 41a St Andrews Place, East Melbourne	—	15,888
Accommodation for 157 Spring Street, Melbourne	—	5,913
Accommodation for 55 Collins Street, Melbourne	—	66,571
Total	348,939	198,678

Note: The amounts are recognised in the operating statement as an expense and offset to income as resources received free of charge from DEECD.

Note 5 Receivables

	2013 \$	2012 \$
Current receivables		
Contractual		
Sale of goods and services	135,622	161,947
	135,622	161,947
Statutory		
GST input tax credit recoverable	55,074	41,903
	55,074	41,903
Total receivables	190,696	203,850

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

Note 5(a) Ageing analysis of contractual receivables

Please refer to Table 11.3 in Note 11 for the ageing analysis of contractual receivables.

Note 5(b) Nature and extent of risk arising from contractual receivables

Please refer to Note 11 for the nature and extent of credit risk arising from contractual receivables.

Note 6 Plant and equipment

	2013 \$	2012 \$
Computers and peripherals		
At cost	5,242	5,242
Less: accumulated depreciation	(5,242)	(5,242)
	—	—
Office equipment and furniture		
At cost	25,610	25,610
Less: accumulated depreciation	(15,013)	(10,528)
	10,597	15,082
Total plant and equipment	10,597	15,082

Note 6(a) Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below.

	2013 \$	2012 \$
Opening balance	15,082	9,305
Additions	—	9,190
Depreciation	(4,485)	(3,413)
Closing balance	10,597	15,082

Notes:

- The useful lives of assets as stated in Policy Note 1 are used in the calculation of depreciation.
- All assets re classified primarily by the 'purpose' for which the assets are used. The purpose group for VRQA assets is education.

Note 7 Intangible assets

State Register	2013 \$	2012 \$
At cost	5,869,521	5,522,694
Less: accumulated amortisation	(1,577,563)	(796,588)
Less: accumulated impairment	(788,992)	(788,992)
Total intangible asset	3,502,966	3,937,114

Note 7 Intangible assets

(continued)

Note 7(a) Reconciliation

State Register	2013 \$	2012 \$
Gross carrying amount	4,454,805	2,505,752
Opening balance		
Transfers from Work in progress	1,414,716	1,949,053
Closing balance	5,869,521	4,454,805
Work in progress		
Opening balance	1,067,889	1,394,490
Additions	346,827	1,622,452
Transfers	(1,414,716)	(1,949,053)
Closing balance	—	1,067,889
Accumulated amortisation and impairment		
Opening balance	1,585,580	383,043
Amortisation of intangible produced assets	780,975	560,731
Impairment losses charged to net result	—	641,806
Closing balance	2,366,555	1,585,580
Net book value at end of financial year	3,502,966	3,937,114

Notes:

- The VRQA has capitalised expenditure for the development of the State Register software. The State Register can be viewed online and comprises all education and training organisations registered by the VRQA and the accredited courses they deliver. The carrying amount of the capitalised software development expenditure is \$3.50 million (2012: \$3.94 million).
- Work in progress represents current development expenditure which includes software enhancements and the final phase of the development of the State Register relating to a fee processing solution integrated with the VRQA's financial systems. This work was completed in September 2012.
- The VRQA Board has reviewed the useful life of the State Register and determined that from 2013 and going forward it should be 5 years from when it or parts thereof are completed and operational. The State Register will be fully amortised in 2017.
- Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement. The VRQA has not taken an impairment charge during the year associated with State Register development. An impairment charge was taken in 2012 (\$642k) with respect to functions no longer undertaken by the VRQA and with respect to an online fee/application process no longer required by the VRQA. This impairment was based on an independent evaluation of the State Register developments.

Note 8 Payables

	2013 \$	2012 \$
Current payables		
Contractual payables		
Supplies and services	133,720	168,351
Amounts payable to government	62,254	653,336
Other payables	702,552	603,996
Unearned revenue	346,000	500,000
Total contractual payables	1,244,526	1,925,683

Notes:

- Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.
- The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice.

8(a) Maturity analysis of contractual payables

Please refer to Note 11 for the maturity analysis of contractual payables.

8(b) Nature and extent of risk arising from contractual payables

Please refer to Note 11 for the nature and extent of risks arising from contractual payables.

Note 9 Commitments for expenditure

The following commitments relating to the State Register have not been recognised as liabilities in the financial statements:

	2013 \$	2012 \$
Commitments payable		
(i) Capital expenditure commitments		
Intangible assets		
Payable:		
Not longer than one year	–	302,929
Total capital expenditure commitments	–	302,929
(ii) Other expenditure commitments		
Payable – Maintenance agreement on State Register	48,400	48,400
Payable – AFO TAFE grant payments	345,000	–
Total other expenditure commitments	393,400	48,400
Total commitments for expenditure (inclusive of GST)	393,400	351,329

Note: The commitments are for less than one year.

Note 10 Contingent assets and contingent liabilities

There are no known contingent assets and contingent liabilities to be disclosed in the financial period. (2012: Nil)

Note 11 Financial instruments

11(a) Financial risk management objectives and policies

The VRQA's principal financial instruments comprise:

- cash and deposits
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

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

The main purpose in holding financial instruments is to prudentially manage the VRQA's financial risks in the government policy parameters. The VRQAs main financial risks include credit risk, liquidity risk and interest rate risk. The VRQA manages these financial risks in accordance with its financial risk management policy. The VRQA uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Audit and Risk Management Committee of the VRQA.

The carrying amounts of the VRQA's financial assets and financial liabilities by category are in Table 11.1 below.

Table 11.1: Categorisation of financial instruments

	2013 \$	2012 \$
Contractual financial assets		
Cash and deposits	4,852,220	3,225,160
Receivables	135,622	161,947
Total contractual financial assets	4,987,842	3,387,107
Contractual financial liabilities		
Supplies and services	133,720	168,351
Amounts payable to government and agencies	62,254	653,336
Other payables	702,552	603,996
Unearned revenue	346,000	500,000
Total contractual financial liabilities	1,244,526	1,925,683

Notes:

- The financial instruments are contractual financial assets/liabilities.
- Contractual financial assets/liabilities are designated at fair value through profit/loss and accompanying notes.
- The total amounts disclosed here exclude statutory receivables (eg amounts owing from Victorian Government and GST input tax credit recoverable).
- There are no net holding gains or losses on financial instruments.

Note 11 Financial instruments

(continued)

11(b) Credit risk

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

Credit risk associated with the VRQA's financial assets is minimal because the main debtor is the Victorian Government. For debtors, other than government the debtors are applying for registration and/or amendments to registration and their applications will not proceed without payment.

The VRQA does not engage in any hedging for its financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. The VRQA's policy is to use the whole of government bank arrangements.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the VRQA will not be able to collect a receivable. Objective evidence includes advice that the education provider will not be paying the fee, does not lodge an application prior to expiry or withdraws an application prior to assessment.

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 VRQA's maximum exposure to credit risk.

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

Table 11.2: Credit quality of contractual financial assets that are neither past due nor impaired

	Bank or other institutions (double-A minus credit rating) \$	Government agencies (triple-A credit rating) \$	Other (min triple-B credit rating) \$	Total \$
2013				
Cash and deposits	4,852,220	—	—	4,852,220
Other receivables	—	14,426	69,596	84,022
Total	4,852,220	14,426	69,596	4,936,242
2012				
Cash and deposits	3,225,160	—	—	3,225,160
Other receivables	—	34,555	24,103	58,658
Total	3,225,160	34,555	24,103	3,283,818

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

Table 11.3: Aging analysis of contractual financial assets

		Past due but not impaired			
	Carrying amount \$	Not past due and not impaired \$	Less than 1 month \$	1–3 months \$	3 months – 1 year \$
2013					
Other receivables	135,622	84,022	19,460	16,040	16,100
Total	135,622	84,022	19,460	16,040	16,100
2012					
Other receivables	161,947	58,658	9,850	93,439	–
Total	161,947	58,658	9,850	93,439	–

Note: The carrying amounts disclosed here exclude statutory amounts (eg amounts owing from Victorian government and GST input tax credit recoverable).

(c) Liquidity risk

Liquidity risk arises when VRQA is unable to meet its financial obligations as and when they fall due. The VRQA operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The VRQA's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The VRQA manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

The VRQA's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from at-call financial investments.

(d) Market risk

The VRQA's exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage interest rate risk are disclosed below. The VRQA's exposure to interest rate risk is set out in table 11.4.

Interest rate risk

The VRQA's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in table 11.2. Exposure arises from assets bearing variable interest rates. As at the reporting date there is no event to indicate that any of the financial assets are impaired. The VRQA has no interest bearing liabilities.

Note 11 Financial instruments

(continued)

Table 11.4: Interest rate exposure

			Interest rate exposure	
	Weighted average effective interest rate %	Carrying amount \$	Non-interest bearing \$	Variable interest rate \$
2013				
Financial assets				
Cash and deposits	2.96	4,852,220	—	4,852,220
Other receivables	—	135,622	135,622	—
Total financial assets	—	4,987,842	135,622	4,852,220
Financial liabilities				
Supplies and services	—	133,720	133,720	—
Amounts payable to government	—	62,254	62,254	—
Other payables	—	702,552	702,552	—
Unearned revenue	—	346,000	346,000	—
Total financial liabilities	—	1,244,526	1,244,526	—
2012				
Financial assets				
Cash and deposits	4.30	3,225,160	—	3,225,160
Other receivables	—	161,947	161,947	—
Total financial assets	—	3,387,107	161,947	3,225,160
Financial liabilities				
Supplies and services	—	168,351	168,351	—
Amounts payable to government	—	653,336	653,336	—
Other payables	—	603,996	603,996	—
Unearned revenue	—	500,000	500,000	—
Total financial liabilities	—	1,925,683	1,925,683	—

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

Sensitivity disclosure analysis and assumptions

The VRQA's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The VRQA cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 1 percentage points up and down in market interest rates (AUD) from year-end rates (2012: A movement of 1 percentage points up and down).

Table 11.4 discloses the impact on net operating result and equity for each category of financial instrument held by the VRQA at year-end as presented to key management personnel, if the above movements were to occur.

Table 11.5: Interest rate risk sensitivity

	Carrying amount \$	Interest rate risk	
		–1.0% Net result	+1.0% Net result
2013			
Financial assets			
Cash and deposits ^(a)	4,852,220	(48,522)	48,522
Other receivables	135,622	–	–
Financial liabilities			
Payables	1,244,526	–	–
Total impact		(48,522)	48,522
2012			
Financial assets			
Cash and deposits ^(a)	3,225,160	(32,252)	32,252
Other receivables	161,947	–	–
Financial liabilities			
Payables	1,925,683	–	–
Total impact		(32,252)	32,252

Notes:

^(a) Sensitivities of floating rate cash and cash equivalents are as follows:

- 2013 – impact on net result due to a 1 per cent movement in market interest rate is \$4,852,220 x [+/- 1 per cent] = \$48,522.
- 2012 – impact on net result due to a 1 per cent movement in market interest rate is \$3,225,160 x [+/- 1 per cent] = \$32,252.

Note 12 Cash flow information

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

	2013 \$	2012 \$
Net result	1,856,430	(947,167)
Non-cash movements:		
– Depreciation and amortisation expense	785,460	564,144
– Impairment of non-current assets	–	641,806
Movements in assets and liabilities:		
– (Increase)/decrease in receivables	13,154	112,843
– (Increase)/decrease in other current assets	–	30,215
– (Decrease)/increase in unearned revenue	(154,000)	500,000
– (Decrease)/increase in payables	(527,157)	(1,162,964)
Net cash flows from/(used in) operating activities	1,973,887	(261,122)

Note 13 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.

Names

The persons who held the positions of Ministers and Accountable Officers in the VRQA are as follows:

Minister for Higher Education and Skills	The Hon, Peter Hall, MLC	1 July 2012 to 30 June 2013
Minister for Education	The Hon, Martin Dixon, MP	1 July 2012 to 30 June 2013
Director	Lynn Glover	1 July 2012 to 30 June 2013
Chairpersons	Stuart Hamilton	1 July 2012 to 16 October 2012
	Timothy Smith	17 October 2012 to 30 June 2013
Board members	Elizabeth Alexander	1 July 2012 to 30 June 2013
	Christopher Bennett	1 July 2012 to 30 June 2013
	Richard Bolt	1 July 2012 to 30 June 2013
	Stephen Elder	1 July 2012 to 30 June 2013
	Patricia Neden	1 July 2012 to 30 June 2013
	Michael Perry	1 July 2012 to 30 June 2013
	Dianne Rule	1 July 2012 to 30 June 2013
	Timothy Smith	1 July 2012 to 16 October 2012
	Glenda Strong	1 July 2012 to 16 October 2012
	Richard Tudor	1 July 2012 to 30 June 2013
	Michonne van Rees	1 July 2012 to 30 June 2013
	Graham Spencer	20 February 2013 to 30 June 2013
	David Windridge	20 February 2013 to 30 June 2013

Note 13 Responsible persons

(continued)

Remuneration of responsible persons

The number of responsible persons whose emolument/remuneration fell within the following bands were:

	No 2013	No 2012
Income band		
\$0–\$9,999	5	7
\$10,000–\$19,999	8	9
\$20,000–\$29,999	1	—
\$40,000–\$49,999	—	1
\$250,000–\$259,999	1	1
Total	15	18
Total remuneration received, or due and receivable by responsible persons	\$415,340	\$478,587

The Director is an employee of DEECD.

Ministers are reported in the financial report of the Department of Premier and Cabinet.

Related party transactions included in the reconciliation amount:

Richard Bolt, Secretary, DEECD is an ex-officio member of the VRQA Board. As this role is ex-officio he receives no remuneration to perform these roles. Elizabeth Alexander is the Chancellor of The University of Melbourne, Christopher Bennett is a partner of PricewaterhouseCoopers and Stephen Elder is a Director of the Catholic Education Commission of Victoria.

Any transactions between DEECD, The University of Melbourne, Pricewaterhouse Coopers, Catholic Education Commission of Victoria and the VRQA are at arms length. Amounts received from DEECD are grants of \$11,583,713 (\$6,486,930 for 2012) and resources received free of charge of \$348,939 (\$198,678 for 2012) and transacted with The University of Melbourne are \$640 (\$20,321 for 2012), with PricewaterhouseCoopers are \$32,410 (\$259,304 for 2012) and with the Catholic Education Commission of Victoria are \$9,185 (\$10,675 for 2012).

Note 14 Remuneration of auditors

	2013 \$	2012 \$
Victorian Auditor-General's Office		
Audit of the financial statements	27,100	25,800
	27,100	25,800

Note 15 Subsequent events

The Authority is not aware of any event that will have a material impact on its financial operations over subsequent years.

Note 16 Glossary of terms and style conventions

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Commitments

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

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.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Effective interest method

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

Financial asset

A financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual or statutory 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

Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (ie 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 2007), which means it may include the main financial statements and the notes.

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.

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.

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Intangible produced assets

Refer to produced assets in this glossary.

Interest income

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

Net result from transactions /net operating balance

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

Note 16 Glossary of terms and style conventions

(continued)

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes plant and equipment and intangible assets.

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-financial physical and intangible assets. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

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

Produced assets

Produced asset includes intangible assets. Intangible produced assets relate to computer software, which does not include the start-up costs associated with capital projects.

Receivables

Includes amounts owing from government through grants receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services and fees from regulatory services. User charges includes sale of goods and services income.

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 VRQA.

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 (eg 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.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

– zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x–0x year period

The financial statements and notes are presented based on the illustration for a government department in the *2012-13 Model Report for Victorian Government departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VRQA's annual reports.



**Victorian Registration &
Qualifications Authority**

Accountable officer's and chief finance and accounting officer's declaration

The attached financial statements for the Victorian Registration and Qualifications Authority have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Victorian Registration and Qualifications Authority at 30 June 2013.

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

We authorise the attached financial statements for issue on 29 August 2013.

D Bastas, CPA
Chief Finance and Accounting Officer
Victorian Registration and Qualifications Authority

Melbourne

29 August 2013

T Smith
Chairperson
Victorian Registration and Qualifications Authority

Melbourne

29 August 2013

L Glover
Director
Victorian Registration and Qualifications Authority

Melbourne

29 August 2013



Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Registration and Qualifications Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Victorian Registration and Qualifications Authority which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

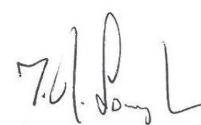
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Registration and Qualifications Authority as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Registration and Qualifications Authority for the year ended 30 June 2013 included both in the Victorian Registration and Qualifications Authority's annual report and on the website. The Board Members of the Victorian Registration and Qualifications Authority are responsible for the integrity of the Victorian Registration and Qualifications Authority's website. I have not been engaged to report on the integrity of the Victorian Registration and Qualifications Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
30 August 2013


for John Doyle
Auditor-General

Appendices

Appendix 1 Wider policy frameworks

The VRQA operates within the financial, asset, human resource and information technology policy frameworks of DEECD.

Staffing guidelines

The VRQA applies the standards issued by the Public Sector Standards Commissioner, which set out the essential requirements for managers and principals to apply the public sector values and employment principles, under the *Public Administration Act 2004*.

The standards stipulate that:

- employment decisions are based on merit
- public sector employees are treated fairly and reasonably
- equal employment opportunity is provided
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment
- a career in public service is fostered in the case of the public service bodies.

The VRQA's human resources policies go beyond the minimum requirements set by these standards and reflect best practice, consistent with the Commissioner's non-binding guidelines.

The VRQA is committed to developing and supporting its workforce by:

- building leadership capacity
- building the future workforce through enhancing workforce capacity
- actively shaping supply and managing employee relations
- creating and supporting a culture of health, safety and wellbeing
- creating and supporting a performance and development culture
- implementing robust human resource management systems.

VRQA staff and managers are committed to the VRQA RITE values that provide an operational focus for the principles set out by the Board in the VRQA Strategic Plan. The values complement the DEECD CORE values and reflect the VRQA's role as regulator:

- respect and diversity
- integrity
- transparency
- empowerment.

Freedom of information

This section is published to conform with the requirements of Section 7 of the *Freedom of Information Act 1982* (FOI Act). During 2012–13, five requests were received for documents under the Act. Of these:

- one request was provided with full access
- one request was provided in part
- two were not proceeded with
- one request was outstanding at the end of the reporting period.

One valid request was carried over from 2011–12 and settled in 2012–13.

Queries about the availability of, and charges for, other material prepared under Part 2 of the FOI Act should be directed to the authorised officer:

Freedom of Information Officer
PO Box 2317
Melbourne Victoria 3001
Telephone (03) 9032 1532

The following are the general categories of documents maintained by the VRQA:

- correspondence, administrative and policy documents
- paper records maintained on registered files
- minutes, agenda and papers.

Freedom of information access arrangements, including links to whole-of-government guidelines, are provided on the VRQA website at www.vrqa.vic.gov.au.

Accounting records

Accounting records are maintained on the DEECD computerised accounting system. The records deal with general ledger entries, accounts payable, and payroll and other accounting functions. Paper records are also kept as registered files.

Building Act 1993

As part of its service provision mandate, DEECD is committed to providing safe and secure buildings for all facilities owned and operated by DEECD. A critical part of this commitment is the development of a Building Compliance Assessment strategy for all facilities for which DEECD has a responsibility.

The VRQA is committed to providing a safe and secure building for staff and visitors, and full compliance with the provisions of the *Building Act 1993* has been maintained.

Occupational health and safety

The VRQA operates within DEECD infrastructure and abides by DEECD occupational health and safety policies and procedures. (See the DEECD annual report 2012–13 for more information.)

National Competition Policy

The review of fees and charges indicated that the VRQA did not add any restrictions on competition between providers of accredited courses.

Fees and charges

Section 5.2.13 of the *Education and Training Reform Act 2006* enables the Minister/s to fix fees and charges. The fees for schools and VET providers were increased on 1 January 2013. Further details of fees and charges are available on the VRQA website.

Major consultancies and contracts

There were no major consultancies over \$10,000 and no contracts over \$10,000,000 let by the VRQA for the period 1 July 2012 – 30 June 2013.

The VRQA engaged no consultancies at a cost of less than \$10,000 each during 2012–13. There were no contracts related to the Victorian Industry Participation Policy. Details of contracts that have been disclosed can be viewed at www.contracts.vic.gov.au.

Appendix 2 *Protected Disclosures Act 2012*

The *Protected Disclosures Act 2012* (PD Act) came into operation on 10 February 2013 and replaces the *Whistleblowers Act 2001*. The PD Act encourages and facilitates people making disclosures of improper conduct by public officers and public bodies and any detrimental action taken in reprisal for a person making a disclosure under the Act. The PD Act provides protection to people who make disclosures and the people who may suffer detrimental action in reprisal for those disclosures. It also provides for the confidentiality of the content of those disclosures and the identity of the people making the disclosures.

Under the PD Act disclosures made to the VRQA about improper or corrupt conduct are no longer protected. A disclosure that wishes to be protected must be made to the Independent Broad-based Anti-corruption Commission (IBAC).

The VRQA Board does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety, or the environment.

The VRQA Board will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

Disclosures of improper conduct or corrupt conduct by the VRQA Board or its employees must be made directly to the IBAC or to the Ombudsman for the disclosure to be protected pursuant to sections 13 and 16 of the PD Act.

IBAC

Street address

Level 1, North Tower, 459 Collins Street
Melbourne Victoria 3000

Postal address

GPO Box 24234
Melbourne Victoria 3001
Toll Free: 1800 735 135
Website: www.ibac.vic.gov.au

The Ombudsman Victoria

Level 9, 459 Collins Street (North Tower)
Melbourne Victoria 3000
Telephone: (03) 9613 6222
Toll Free: 1800 806 314
Website: www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au

Disclosures of detrimental action taken in reprisal for the making of a protected disclosure by the VRQA Board or its employees as established under Part 2 of the PD Act may be made to the following officer.

The Protected Disclosure Coordinator

Victorian Registration and Qualifications Authority
Department of Education and Early Childhood Development
GPO Box 2317
Melbourne Victoria 3001

Procedures under the Protected Disclosures Act

The current procedures established by the VRQA Board under Part 9 of the PD Act relating to the protection of persons from detrimental action in reprisal for the making of a protected disclosure are available upon request.

The VRQA Board made no disclosures to IBAC and received no disclosures under the *Whistleblowers Act 2001* during the financial year.

Appendix 3 Risk and insurance attestation compliance statements

Attestation for compliance with the Australian/New Zealand Risk Management Standard

I, Timothy F Smith, certify that the Victorian Registration and Qualifications Authority has risk management processes in place consistent with AS/NZS ISO 31000:2009 (or an equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of the Victorian Registration and Qualifications Authority has been critically reviewed within the last 12 months.



Timothy F Smith
Chair
Victorian Registration and Qualifications Authority

29 August 2013

Attestation for compliance with the Ministerial Standing Direction 4.5.1 – Insurance

I, Timothy F Smith, certify that the Victorian Registration and Qualifications Authority has complied with Ministerial Direction 4.5.5.1 – Insurance with the exception of maintaining a current register of all indemnities.



Timothy F Smith
Chair
Victorian Registration and Qualifications Authority

29 August 2013

Appendix 4 Disclosure index and additional information

The annual report of the VRQA is prepared in accordance with all relevant Victorian legislation. This index was prepared to facilitate identification of the VRQA's compliance with statutory disclosure requirements.

Ministerial Directions

- Procedures for Government School Closures, July 2007
- VET Guidelines, September 2009
- Government School Performance Summaries, November 2009
- Financial Health Assessments of RTOs, December 2009
- Delegation of Ministerial Powers to Mandate the Collection of Annual Reports to the School Community, June 2011
- Delegation of Ministerial Powers to the VRQA Director to grant exemptions to the principal purpose requirement, January 2012
- Sharing of Information and Documents, September 2012

Report of operations

Legislation	Requirement	Page
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Ministers	5
FRD 22C	Objectives, functions, powers and duties	5–8
FRD 22C	Nature and range of services provided	5
Management and structure		
FRD 22C	Organisational structure	16
Financial and other information		
FRD 8A	Budget portfolio outcomes	n/a
FRD 10	Disclosure index	83
FRD 12A	Disclosure of major contracts	79
FRD 15B	Executive Officer disclosures	68
FRD 22C	Summary of the financial results for the year	17
FRD 22C	Significant changes in financial position during the year	17
FRD 22C	Operational and budgetary objectives and performance against objectives	n/a
FRD 22C	Major changes or factors affecting performance	n/a
FRD 22C	Subsequent events	69
FRD 22C	Application and operation of the <i>Freedom of Information Act 1982</i>	78
FRD 22C	Statement on National Competition Policy	79
FRD 22C	Application and operation of the <i>Protected Disclosures Act 2012</i>	80
FRD 22C	Details of consultancies over \$10,000	79
FRD 22C	Details of consultancies under \$10,000	79
FRD 22C	Statement of availability of other information	85

Legislation	Requirement	Page
Financial and other information		
FRD 22C	Occupational health and safety	78
FRD 24B	Reporting of office-based environmental impacts	n/a
FRD 25A	Victorian Industry Participation policy disclosures	79
FRD 29	Workforce data disclosures	15
SD 4.2(g)	General information requirements	5–36
SD 4.2(j)	Sign-off requirements	(frontice)

Financial Statements

Financial Statements required under Part 7 of the *Financial Management Act 1994*

Legislation	Requirement	Page
Charter and purpose		
SD 4.2(b)	Operating statement	38
SD 4.2(b)	Balance sheet	39
SD 4.2(b)	Statement of changes in equity	40
SD 4.2(b)	Statement of cash flows during the year	41
SD 4.2(a)	Compliance with Australian Accounting Standards and other authoritative pronouncements	43
SD 4.2(c)	Accountable Officer's declaration	74
SD 4.2(d)	Rounding of amounts	45
SD 4.2(f)	Model financial report	37–73

Other disclosures 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	67–68
FRD 102	Inventories	n/a
FRD 103D	Non-current physical assets	57
FRD 104	Foreign currency	n/a
FRD 106	Impairment of assets	57–58
FRD 107	Investment properties	n/a
FRD 109	Intangible assets	57–58
FRD 110	Cash flow statements	41, 66
FRD 112B	Defined benefit superannuation obligations	n/a
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	n/a
FRD 114A	Financial instruments – general government entities and public non-financial corporations	61–65
FRD 119	Contributions by owners	n/a

Legislation

Audit Act 1994

Building Act 1993

Education and Training Reform Act 2006

Financial Management Act 1994

Freedom of Information Act 1982

Public Administration Act 2004

Victorian Industry Participation Act 2003

Whistleblowers Protection Act 2001

Protected Disclosures Act 2012

Additional information available on request

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

- publications produced by the VRQA
- shares held beneficially by senior officers as nominees of a statutory authority or subsidiary
- declarations of pecuniary interests
- changes in prices, fees, charges, rates and levies
- major external reviews
- research and development activities undertaken
- overseas visits undertaken
- major promotional, public relations and marketing activities
- OHS assessments and measures
- industrial relations issues
- workforce data and equity matters
- details of consultancies and contractors.

Enquiries regarding details of this information should be made to:

Manager
Governance and Corporate Services
VRQA
GPO Box 2317
Melbourne Victoria 3001
Telephone: (03) 9032 1532

Acronyms and abbreviations

AQTF	Australian Quality Training Framework
ASQA	Australian Skills Quality Authority
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DEECD	Department of Education and Early Childhood Development
DIICCSRTE	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
ELICOS	English Language Intensive Courses for Overseas Students
IBAC	Independent Broad-based Anti-corruption Commission
NSSC	National Skills Standards Council
OHS	Occupational health and safety
OSSEO	Overseas Secondary Student Exchange Organisation
RIS	Regulatory Impact Statement
RTO	Registered Training Organisation
TAFE	Technical and Further Education
TEQSA	Tertiary Education Quality and Standards Agency
VCAL	Victorian Certificate of Applied Learning
VCE	Victorian Certificate of Education
VET	Vocational Education and Training
VRQA	Victorian Registration and Qualifications Authority

