



2017-18 Annual Report

TAFE SA

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To The Hon John Gardner MP
 Minister for Education

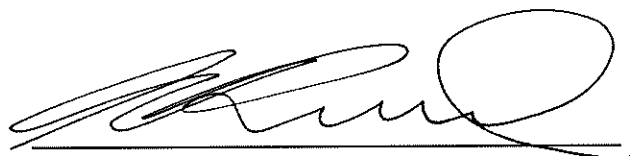
This annual report is presented to Parliament to meet the statutory reporting requirements of the *Public Corporations Act 1993* and the *Public Sector Act 2009* and meets the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

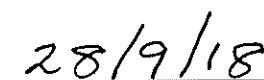
Submitted on behalf of TAFE SA by:

Alexandra Reid

INTERIM CHIEF EXECUTIVE, TAFE SA

A handwritten signature in black ink, consisting of a series of loops and a large circular flourish at the end, positioned above a horizontal line.

Signature

A handwritten date '28/9/18' in black ink, positioned above a horizontal line.

Date

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Section A: Reporting required under the *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987*

Agency purpose or role

TAFE SA is a statutory corporation of the Government of South Australia and is the largest vocational education and training provider in the state.

The *TAFE Act 2012*¹ prescribes the functions of TAFE SA to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- undertake or provide for the development or use, for commercial community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister.

TAFE SA plays a major role in the development of South Australia's future workforce and in building the state's skill base. TAFE SA supports the state's economic priorities by working with industry and local communities to deliver relevant and accessible high-quality training linked to employment outcomes.

TAFE SA's core business is the design and facilitation of high quality teaching and learning programs and services to a diverse customer base – locally, nationally and internationally.

TAFE SA was proclaimed a statutory corporation on 1 November 2012 to which the provisions of the *Public Corporations Act 1993*² (other than section 35) apply. Consequently, TAFE SA is subject to control and direction by the Minister as provided for in the *Public Corporations Act 1993*.

Pursuant to section 12 of the *Public Corporations Act 1993*, a Charter was prepared by the Minister and the Treasurer after consultation with the TAFE SA Board. The Charter articulates the key requirements for TAFE SA as the government's public provider of VET and its role in assisting the government in meeting its strategic objectives for technical and further education and sets out the nature and scope of its commercial and non-commercial services. It clarifies the relationship between TAFE SA, the Minister and the Treasurer by defining and limiting the functions, powers and operations of TAFE SA, all of which are outlined broadly in the legislation.

Objectives

TAFE SA aims to deliver higher education and vocational training that meets the rapidly changing needs of South Australia's workforce and economic priorities. TAFE SA's vision is to be recognised as Australia's best vocational education and training provider, and its mission






¹ <https://www.legislation.sa.gov.au/LZ/C/A/TAFE%20SA%20ACT%202012.aspx>

² <https://www.legislation.sa.gov.au/LZ/C/A/Public%20Corporations%20Act%201993.aspx>

is to transform people's lives by delivering high-quality and financially sustainable training and education in a competitive environment.

Pursuant to section 13 of the *Public Corporations Act 1993*, a Performance Statement sets out the various performance objectives for TAFE SA to pursue in the financial year. The following provides information on the performance of TAFE SA against the financial and non-financial performance measures and targets set out in the Performance Statement.

Financial Performance 2017-18





Performance Objective	Annual Target (\$'Million)	FYTD Actual Result (\$'Million)	FYTD Variance to Target (\$'Million)	Forecast Achievement of Full Year Target
2017-18 Net Operating Result	2.8	(16.3)	(19.1)	
2017-18 Total External Income	109.5	96.9	(12.6)	
2017-18 External Income - Student fees	39.1	33.4	(5.7)	
2017-18 External Income - Fee for service	61.8	52.3	(9.5)	
2017-18 External Income - Other	8.4	11.2	2.8	

Quarter 4 Commentary – Financial Performance

- The Net Operating Result for the financial year 2017-18 was reported as an operating deficit of \$(16.3) million, representing an unfavourable variance of \$(19.1) million compared to the annual target. The unfavourable variance is due to \$(12.6) million lower than targeted external income, \$(1.0) million unfavourable salary costs, and \$(5.5) million unfavourable goods and services expenses – the combined consequence of an Australian Skills Quality Authority (ASQA) audit, which necessitated implementation of quality systems, deferred efficiency measures and impacted external income.
- Total External Income unfavourable variance of \$(12.6) million comprises unbudgeted Other Revenue of \$2.6 million offset by \$(5.7) million unfavourable student fees revenue and \$(9.5) million unfavourable Fee for Service revenue.
- External Income - Student Fees reported a \$(5.7) million unfavourable variance to the target. This was primarily due to lower student volumes than targeted as well as product mix.

- External Income - Fee for Service revenue reported a \$(9.5) million unfavourable variance to budget:
 - \$(5.0) million Commonwealth revenue due to the lower Adult Migrant English Program/ Skills for Education and Employment program revenue as a result of lower student numbers and stricter policy regarding paid attendance hours
 - \$(2.8) million unfavourable Short Course revenue and \$(1.0) million unfavourable Industry and Enterprise revenue as resources were focussed on quality improvements following the ASQA audit findings
 - \$(0.9) million unfavourable Global Engagement and Export Strategy behind target, predominantly due to shortfall in revenue expected from the Dubai contract.
- External Income - Other is \$2.8 million higher than target:
 - \$2.8 million of unbudgeted revenue includes \$2.6 million recognised for the Shared Service SA service (free of charge). This is offset by an equivalent amount of unbudgeted expenses. Cabinet approved the cessation of the Intra-Government charging model for services provided by SSSA to general government sector. Effective from 2017-18 financial year, the revenue to cover the contribution of services provided by SSSA is disclosed in the other revenue.

Non-Financial Performance 2017-18

Performance Objective	Target/ Budget	Actual FY Result	FY Variance to Target/ Budget	Forecast Achievement of Full Year Target
Cost per Hour ³	\$25.04/Hour	\$32.66/Hour	- \$7.62	
Priority Service Index (PSI) ⁴	67 (out of 100)	66	1	
Number of people participating in government funded VET in SA through TAFE SA ⁵	45,300	38,095	-7,205	
Load Pass Rate (Government Funded Activity) ⁶	87.0%	85.3%	-1.7%	





³ The Cost per Hour target is based on the Revenue and Paid Hours set out in the Memorandum of Administrative Arrangement for Non-Commercial Services 2017-18 (MAA for NCS). The Cost per Hour measure is calculated by dividing Revenue of \$225.88m (received by TAFE SA from Department for Industry and Skills (DIS)) by paid hours of 9.0 million. The target is \$25.05 per Hour.

⁴ The Priority Service Index (PSI) measures TAFE SA's delivery profile against public value courses. The PSI Target is calculated by multiplying the planned payment hours for each course (MAA for NCS 2017-18) by a priority score between 0 and 100. The Actual PSI is based on the actual course profile and priority score.

⁵ The "number of people participating in government funded VET in SA through TAFE SA" measures the number of people participating in government funded VET in SA through TAFE and other government providers (NCVER does not publish TAFE information separately). Data sourced from the 2017 NCVER government funded students and courses data slicer (South Australia, TAFE and Other Govt., Students).

⁶ The "Load Pass Rate (Government Funded Activity)" measures competencies with a pass or RPL result divided by the total resulted competencies. It is calculated on a calendar year basis.

Non-Financial Performance 2017-18

Performance Objective	Target/Budget	Actual FY Result	FY Variance to Target/Budget	Forecast Achievement of Full Year Target
Employment Outcomes: Measure 1 – “% of TAFE SA VET graduates in further study after training” ⁷ (% of TAFE SA VET graduates employed or in further study after training)	36.9% (84.5% - 2016 result))	85.3%	0.8%	
Employment Outcomes: Measure 2 – “(% TAFESA VET graduates who improved their employment circumstances after training” ⁸ (% of government funded graduates with improved employment status after training))	60.0%	56.4%	(3.6%)	
Student Satisfaction (Annual measure) ⁹	90%	90.1%	0.1%	
FTE Cap (as at 30 June 2018) ¹⁰ (Annual measure)	2,046	2,201	(155)	
Industry Responsiveness Measure	TBA	-	-	-

Quarter 2 Commentary – Non-Financial Performance

- Cost per Hour:
 - the 2017-18 cost per hour was \$32.66 compared to a target of \$25.04. During 2017-18 TAFE SA generated 6.9 million paid hours against a target of 9.0 million. The variance of \$7.62 (30%) is due to the shortfall in paid hours (2.1 million)

⁷ Data to report against the measure “% of TAFE SA VET graduates in further study after training” was not available. Consistent with the TAFE SA Agency Statement (Draft 2018-19) the measure “% of TAFE SA VET graduates employed or in further study after training” has been reported. Data sourced from the 2017 NCVER Student Outcomes Survey data (South Australia, TAFE and Other Govt., Graduates).

⁸ Data to report against the measure “% of TAFE SA VET graduates who improved their employment circumstances after training” was not available. Consistent with the TAFE SA Agency Statement (Draft 2018-19) the measure “% of government funded graduates with improved employment status after training” has been reported. Data sourced from the 2017 NCVER Student Outcomes Survey data (South Australia, TAFE and Other Govt., Graduates).

⁹ The “Student Satisfaction” measures the % of graduates rating their satisfaction with the quality of training as 4 (agree) or 5 (strongly agree) on a scale of 1 to 5. Data sourced from the 2017 NCVER Student Outcomes Survey data (South Australia, TAFE and Other Govt., Graduates). The target is based on trend NCVER Students Outcomes Survey data (South Australia, TAFE and Other Govt., Graduates).

¹⁰ The FTE Cap is as per the DTF approved budget for 30 June 2018.

- the shortfall of 2.1 million paid hours was due to the following:
 - o a higher number of unresulted hours. In 2017-18 there were circa 650,000 hours delivered but unresulted hours. Taking this into account TAFE SA generated circa 7.55 million paid hours at a Cost per Hour of \$29.85
 - TAFE SA declines have occurred across all fields of education, notably:
 - o Education (-27%) (e.g. CIV in Training and Assessment)
 - o Creative Arts (-14%)
 - o Health (-12%).
 - following the 2017 ASQA audit, usual activities were diverted to unit of competence remediation and review. This reprioritisation of resources to compliance activities affected TAFE SA's delivery capacity.
- Number of people participating in government funded VET in SA through TAFE SA:
 - the variance of 7,205 in the number of people participating in government funded VET through TAFE SA in 2017 is largely due to changes in the NCVER counting rules which applied to the 2017 data
 - the effect of the change in counting rules was to reduce the number of people reported by 6,160 (10% of all 2017 people)
 - TAFE SA internal reporting shows South Australian government funded VET activity student numbers to be circa 45,000, which is comparable to the target of 45,300
 - the decline in delivered hours, noted above, compared to relatively unchanged student numbers occurred due to a decrease in the average hours a student undertook.
 - Employment Outcomes: Measure 1 (% of TAFE SA VET graduates employed or in further study after training):
 - NCVER does not publish the measure '% of TAFE SA and other Government provider's VET graduates in further study after training'
 - to align with the 2017-18 Agency Statement (draft), the measure '% of TAFE SA and other Government provider's VET graduates employed or in further study after training' has been reported
 - whilst the 2017 employment outcome of 85.3% is below target it is an improvement on the 2016 result of 84.5%.
 - Employment Outcomes: Measure 2 (% of government funded graduates with improved employment status after training) - the employment outcome achieved in 2017 was 56.4%. Whilst the result was below target it was an improvement on the 2016 result of 49.3%.
 - FTE Cap – a (155) FTE unfavourable variance to the FTE Cap for June 2018. This resulted from delayed plans for staff reductions. Additional staff were required to implement Quality Systems in response to the ASQA audit.
 - Industry Responsiveness Measure - data for the Industry Responsiveness survey is sourced from the NCVER survey of all employers for all students. This is a biennial survey with data next available in November 2019.

Key strategies and their relationship to SA Government objectives

Key Strategy	SA Government Objective
Provide high-quality training and skills development targeted to South Australia's economic priorities and workforce needs that are linked to employment opportunities	<ul style="list-style-type: none"> ▪ <u>A Fresh Start for TAFE and Training in SA</u> ▪ <u>20,800 New Apprenticeships and Traineeships</u> ▪ <u>Defence Jobs to Stay in SA</u> ▪ <u>Changing Attitudes Towards Skilled Careers</u> ▪ <u>Establishing New Industry Skills Councils</u>
Attract students from a variety of backgrounds , including from regional and remote communities and groups experiencing disadvantaged	<ul style="list-style-type: none"> ▪ <u>A Fresh Start for TAFE and Training in SA</u>
Diversify the Corporation's income stream through expansion into new markets internationally with a greater focus on partnerships with industry	<ul style="list-style-type: none"> ▪ <u>A Fresh Start for TAFE and Training in SA</u> ▪ <u>Education as an Export</u>

Agency programs and initiatives and their effectiveness and efficiency

Program name	Indicators of performance/ effectiveness/ efficiency	Outcome for South Australia
Compliance Monitoring – Civil Aviation Safety Authority - CASA	<ul style="list-style-type: none"> ▪ TAFE SA was audited in early 2017 by the Civil Aviation Safety Authority (CASA), as part of the regulators normal auditing process and it was identified that there were 18 non-compliances within the program primarily relating to administrative matters. Safety was not identified at any stage as an issue. ▪ As a precautionary measure TAFE SA voluntarily suspended its Maintenance Training Organisation (MTO) accreditation and, therefore, its delivery of Exclusions Removal Training and conduct of licensing examinations, from May until September 2017. ▪ TAFE SA worked closely with CASA and affected 	<ul style="list-style-type: none"> ▪ In April 2018, CASA undertook a follow-up audit, as standard practice, to its audit of March 2017, which assessed the progress of actions undertaken to remediate the non-compliances. ▪ CASA's report arising from the follow-up audit identified some minor procedural and administrative areas for further improvement which TAFE SA is in the process of addressing. TAFE SA has responded to CASA with its progress on these matters. ▪ CASA auditors acknowledged TAFE SA for its efforts to achieve a good outcome and noted

Program name	Indicators of performance/ effectiveness/ efficiency	Outcome for South Australia
	<p>students and set about rectifying the non-compliances identified and in September 2017 received approval from CASA for partial reinstatement of its MTO status.</p> <ul style="list-style-type: none"> ▪ TAFE SA was approved by CASA for reinstatement of its full MTO status in November 2017. ▪ As remediation was a top priority, no new enrolments were taken for Semesters 1 and 2, 2018. This time was also used to review all course materials and assessment tools associated with the four aviation courses on offer. 	<p>the positive attitude of staff towards compliance.</p>
Compliance Monitoring – Australian Skills Quality Authority – ASQA	<ul style="list-style-type: none"> ▪ An audit conducted by the Australian Skills Quality Authority (ASQA) in May 2017, found 16 TAFE SA qualifications to be non-compliant. ▪ In December 2017, ASQA approved 2 qualifications with a notice of intention to suspend other qualifications from accepting new enrolments¹¹. ▪ The issues ASQA identified were in the area of assessment and were not critical of TAFE SA's teaching, course delivery or infrastructure. ▪ TAFE SA submitted its Reconsideration Submission to ASQA in March 2018 and in April 2018, ASQA completed its review of TAFE SA's application for reconsideration in response to the previous audit and revoked its December 2017 decision meaning that no 	<ul style="list-style-type: none"> ▪ TAFE SA takes matters of compliance seriously and will continue work on a quality framework and high-quality assessment tools to support a consistent approach to assessment across the organisation. ▪ As a result of the CASA and ASQA audits, the former government commissioned two independent reviews into TAFE SA, namely: <ul style="list-style-type: none"> – Quality Review of TAFE SA undertaken by NOUS Group – TAFE SA Strategic Capability Review undertaken by Terry Moran AC and Kim Bannikoff. ▪ The Quality Review of TAFE SA report was released in April 2018 and is available here -

¹¹ 4 of the audited qualifications were superseded.

Program name	Indicators of performance/ effectiveness/ efficiency	Outcome for South Australia
	<p>suspensions have been, or will be, imposed by ASQA.</p> <ul style="list-style-type: none"> ASQA issued a written direction to TAFE SA to rectify a small number of minor non-compliances and these issues were all addressed within the certified time period of 20 working days. 	<p><u>Quality Review of TAFE SA</u></p>
Quality System Project	<ul style="list-style-type: none"> In response to the Australian Skills Quality Authority (ASQA) Audit in 2017, a Quality System Project was established to commence the development of a quality system focusing initially on assessment. The new quality system is intended to position TAFE SA to respond to future audits from ASQA and other regulators. Beyond the implementation of the quality system, a new set of policies and procedures will be developed that detail the frequency with which assessment tools should be reviewed and updated. This activity will commence in Semester 2, 2018. A key component of TAFE SA's quality approach is the skills and knowledge of the organisation's trainers and assessors. To this end, during 2017-18, TAFE SA worked to ensure all staff who deliver training and assess students meet the requirements of the <i>2015 Standards for RTOs</i>. 	<ul style="list-style-type: none"> TAFE SA should set the benchmark for quality in vocational education and training in the state. The new comprehensive quality system will drive improvements in the quality and consistency of learning and assessment materials across TAFE SA, and represents an excellent opportunity for the corporation to take its industry recognised training and migrate the assessment materials onto a common framework.

Program name	Indicators of performance/ effectiveness/ efficiency	Outcome for South Australia
Provide high-quality training and skills and complimentary indicators of performance and outcomes	<ul style="list-style-type: none"> ▪ In 2017-18 training activity was lower than expected, largely as a result of the quality system improvements taking place following the 2017 ASQA audit. ▪ TAFE SA will be represented separately in the 2018-19 State Budget which will contain activity and performance indicators that are unique to TAFE SA. The performance indicators will measure TAFE SA's objective to deliver higher education and vocational training that meets the rapidly changing needs of South Australia's workforce and economic priorities. 	<ul style="list-style-type: none"> ▪ An increase in training activity prioritised by industry and in support of South Australia's workforce needs.
Transformation of TAFE SA's Educational Delivery	<ul style="list-style-type: none"> ▪ During 2017-18, TAFE SA has, and will continue to transform its educational delivery with the aim of aligning delivery to demand consistent with training market depth, maximising productivity, releasing capacity and meeting quality objectives while engaging with industry, the community and other stakeholders to identify partnerships and collaboration opportunities. ▪ TAFE SA implemented a Digital Campus Learning Environment during 2017-18 at Adelaide and Regency campuses to provide a vibrant, secure and conducive environment that enhances campus life and the learning experience. ▪ TAFE SA was named a key partner in the new Naval Shipbuilding College which will connect students to endorsed providers to train thousands of workers for the 	<ul style="list-style-type: none"> ▪ TAFE SA is committed to the provision of high-quality, flexible, demand-driven courses and training options that meet the needs of students, employers and the industries of the future and aims to ensure this training is delivered in fit for purpose facilities or by creative educational online delivery methods that meet student and industry demand. ▪ The Digital Campus Learning Environment enables students to acquire the skills and experiences required for a modern workforce and to prepare them for the evolving advanced technology environments required by industry. ▪ The Welder Training Facility will up-skill tradespeople and boost supply of welding

Program name	Indicators of performance/ effectiveness/ efficiency	Outcome for South Australia
	<p>warship and submarine projects.</p> <ul style="list-style-type: none"> TAFE SA also partnered with Weld Australia to establish an Intelligent Welder Training Facilities at Regency campus, fully equipped with the latest augmented reality simulators and welding systems. 	<p>graduates to the local defence shipbuilding industry.</p>
International Student Recruitment and Transnational Engagement	<ul style="list-style-type: none"> During 2017-18 TAFE SA has, and will continue to, pursue international student recruitment and transnational engagement revenue, including exporting expertise through partnerships with industry overseas. TAFE SA's diversity of skills training and its track record in delivering cost-effective and reliable training assists in working with countries in: <ul style="list-style-type: none"> offshore delivery licensing learning materials and auspice arrangements hosting study tours training trainers in Australia and in their home country partnering with reputable institutions to provide student pathways from their studies in-country to training in Australia international consultancies. 	<ul style="list-style-type: none"> This work supports the state's economic priority to increase internal student enrolments by exporting services to overseas markets. TAFE SA's focus for 2018-19 will be in attracting new business to the organisation from China, Sri Lanka, Nepal, Indonesia, Malaysia, South Korea and India.

Legislation administered by the agency

Regulations under the *TAFE SA Act 2012*.

Organisation of the agency

TAFE SA Board

Under the *TAFE SA Act 2012*, the independent Board of Directors governs TAFE SA on behalf of the state government and reports on its performance to the Minister for Education. The Board of Directors is charged with building the TAFE SA brand, growing the reputation for quality, and achieving specific targets and outcomes.

As stipulated in the *TAFE SA Act 2012*, the Board includes people who together have the abilities and experience required for the effective performance of TAFE SA's functions and the proper discharge of its business and management obligations.

From July 2017, members of the TAFE SA Board, as appointed by the Governor of South Australia, included:

- Mr Peter Vaughan (Chair)
- Mr John Branson AM
- Ms Noelene Buddle
- Ms Joanne Denley
- Ms Annette Hurley
- Dr Susan Mitchell
- Ms Miriam Silva
- Ms Virginia Simmons AO
- Mr Trevor Smith.

Mr Vaughan was removed as Chair in December 2017 by the Governor of South Australia and replaced by Ms Denley.

In April 2018, the TAFE SA Board was dissolved pursuant to section 8(3) of the *TAFE SA Act 2012*, with an Interim Board appointed by the Governor of South Australia as follows:

- Mr Rick Persse (Chair)
- Mr Tim Goodes
- Mr John Chapman
- Ms Tammie Pribanic
- Ms Lucinda Byers
- Mr John King
- Ms Joanne Denley.

The TAFE SA Board has established an active committee structure that capitalises on the skills and experiences of individual members to assist the Board in meeting its corporate governance responsibilities. The committees of the Board prior to March 2018 were:

- Audit and Risk
- Finance
- Human Resources
- Strategy.

Following the appointment of new Board members in April 2018, the committees were:

- Audit and Risk
- Finance
- Human Resources (as needed)
- Nominations.

The Higher Education Academic Board also reports through to the TAFE SA Board.

A new Academic Board will be established early in the 2018-19 financial year following the TAFE SA Strategic Capability Review. It is envisaged the Academic Board will have a critical role in ensuring that the expectations of industry are being met, through its engagement with the new Industry Skills Councils.

TAFE SA Executive Team

Operational management of TAFE SA is delegated by the TAFE SA Board through Ms Alexandra Reid as Interim Chief Executive¹², to the executive team. The Executive team consists of:

- Chief Executive
- Chief Financial Officer
- Executive Director, Education
- Executive Director, Business Development
- Executive Director, Facilities, ICT and Procurement Services
- Executive Director, Quality, Teaching and Learning
- Director, Human Resources and Organisational Development
- Director, Governance and Research.

Other agencies related to this agency (within the Minister's area/s of responsibility)

Department of Education

Employment opportunity programs

Program name	Result of the program
Jobs4Youths Traineeship Program	TAFE SA had a total of seven participants – five females and two males. Traineeships are due for completion by October 2018.

¹² Ms Alexandra Reid replaced Mr Robin Murt as Chief Executive in December 2017.

Agency performance management and development systems

Performance management and development system	Assessment of effectiveness and efficiency
TAFE SA's Performance Management and Development process is implemented across all areas of the business every financial year	<p>TAFE SA had a total of 2201 permanent and contract staff as at 30 June 2018. A total of 1164 staff completed a performance conversation with their manager (53% completion rate) in the 2017-18 financial year.</p> <p>TAFE SA's Human Resources and Organisational Development directorate is managing the Performance Management and Development (PMD) process to ensure a higher take-up of PMD in 2018-19 financial year including implementation of PMD online to improve accessibility, follow up and reporting.</p>

Work health, safety and return to work programs of the agency and their effectiveness

Program name	Effectiveness
WHS – improvement project	Forensic analysis of all elements to the TAFE SA safety and injury management system undertaken resulting in a detailed safety improvement project being implemented during 2018-19. 45 elements identified in the new system will align to Australian Standard 4801 and recently published International Standard 45001.
Management of mental health – wellbeing initiative	Resulting from a detailed analysis of mental health and wellbeing an improved Employee Assistance Program (EAP) program was developed. Regular site visits from the organisation's EAP provider resulted in improved mitigation of negative psychological outcomes. Internally developed Well-being and Resilience workshops have and continue to be run which have been well attended. Ongoing psychological indicators are systematically monitored and reported with Chief Executive and Senior Executive team engagement before and during organisational change.
Management of significant agency risk - contractors	A new contractor safety management system has been developed and implemented to remove inherited external contractor management risks. The system resulted in a significant reduction to WHS litigation where contractors are undertaking work.
Safety in Plant and Equipment	A review of the pilot 'plant and equipment safety' in early 2018 resulted in a revised plant and equipment strategy. A dedicated project resource (two years) has been approved and is being recruited to drive the improved strategy. This will result in significant improvement of 'whole of life' plant and equipment management and safety in plant and equipment through education delivery integration.

Program name	Effectiveness
Emergency Response, Business Continuity and Security – improvement project	Resulting from the emergency response project new detailed site-specific Emergency Manuals have been developed. Extensive training of all TAFE SA emergency personnel in the new manuals and contemporary emergency practices is rolling out across every campus. Emergency equipment and new signage is being installed. This has resulted in improved management in emergency situations.
WHS Strategy – continuous improvement program	A new WHS Strategy 2017-19 has been developed and is driving WHS continuous improvement projects centred in 'positive safety behavior' methodology. The program has resulted in a rewrite of the Audit Verification System – action plan and focuses all activities in outcomes at the risk site. The new strategy is intended to result in less injuries and their severity.
Return to Work – improvement program	Two extensive audits were undertaken to identify areas of improvement with return to work rates and their sustainability. Identified areas of improvement were captured in action plans and the actions have been 90% completed. A new contract with improved accountability and performance targets has been set between TAFE SA and Return to Work Services, Department of Treasury. These actions are already seeing improvements in less harm, costs and sustainable return to work of injured workers.

Work health and safety and return to work performance

	2017-18	2016-17	% Change (+ / -)
Workplace injury claims			
Total new workplace injury claims ¹³	33	23	43% (+)
Fatalities	0	0	0%
Seriously injured workers ¹⁴	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	6.36	3.98	59.8% (+)

¹³ increase in number of new claims contributed by claims occurring in the previous financial year only being added in 2017-18 due to administrative matters

¹⁴ number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the *Return to Work Act 2014* (Part 2, Division 5)

	2017-18	2016-17	% Change (+ / -)
Work health and safety regulation			
Number of notifiable incidents (WHS Act 2012, Part 3)	7 ¹⁵	8 ¹⁶	12.5% (-)
Number of provisional improvement, improvement and prohibition notices (WHS Act 2012 Sections 90, 191 and 195)	0	1	100% (-)
Return to work costs¹⁷			
Total gross workers compensation expenditure (\$)	1,144,543	1,104,518	3.6% (+)
Income support payments – gross (\$)	376,955	378,302	0.4% (-)
Medical Expenses (\$)	285,457	326,422	12.5% (-)
Actuarial Liability (30 June) (\$)	2,847,019	4,258,093	33.1% (-)

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-whs-historical-trend>

Fraud detected in the agency

Category/ nature of fraud	Number of instances
Theft of computer equipment	1

Strategies implemented to control and prevent fraud

TAFE SA has implemented the following strategies to control and prevent fraud:

- Establishment of an Audit and Risk Committee which reports through to the TAFE SA Board
- Fraud and Corruption Policy and Procedure
- Fraud control plan
- Fraud awareness training
- Fraud risk assessments
- Internal control framework
- Internal and external audit.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-fraud-historical-trend>

¹⁵ Staff x 2; Student x 3; Incident only - no person effected x 2

¹⁶ Staff x 2; Student x 1; Contractors x 1; Incident only - no person effected x 4

¹⁷ before third-party recovery

Whistle-blowers' disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the <i>Whistle-blowers' Protection Act 1993</i>	1
--	---

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-whistleblowers-historical-trend>

Executive employment in the agency

Executive classification	Number of executives	Remuneration//Bandwidth
EMC	2	\$139,266
SAES 1	16	\$161,537 – \$248,518
SAES 2	5	\$223,667 – \$372,779

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-executive-employment-historical-trend>

The Office of the Commissioner for Public Sector Employment has a data dashboard for further information on the breakdown of executive gender, salary and tenure by agency.

Consultants

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken and the total cost of the work undertaken.

Consultant	Purpose	Value ¹⁸
Quorum Australia Pty Ltd	Professional services and advice relating to the ASQA audit of TAFE SA, professional development of TAFE SA lecturers and the review of TAFE SA Quality System	\$138,916.48
Deloitte Risk Advisory Pty Ltd	Fees for professional services to deliver the Emergency Preparedness Plans, advisory on best practice and alignment to the standard.	\$78,762.06
Nous Group	Fees for professional services rendered in accordance with the Statement of Work for the TSA01 Contract variation for the TAFE SA Quality Review	\$23,479.17
Bold IT Pty Ltd	External classification and reclassification assessment of role descriptors.	\$18,694.77
Total		\$259,852.48

¹⁸ Excluding GST

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-consultants-historical-trend>

See also the Consolidated Financial Report of the Department of Treasury and Finance <http://treasury.sa.gov.au/> for total value of constancy contracts across the SA Public Sector.

Contractors

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken and the total cost of the work undertaken.

Contractor	Purpose	Value ¹⁹
Androgogic Pty Ltd	Technology services for workforce development platform	\$517,727.28
Escient Pty Ltd	Quality System project management	\$409,798.75
Blackbocks Pty Ltd	Production and development of artwork for the new student recruitment campaign	\$209,052.50
Hobsons Aust Pty Ltd	Enquiry management, and lead and offer conversion services for prospective international students	\$203,669.97
Anson Group Investments P/L	Undertake WHS plant and machinery risk assessments at Regency campus	\$142,400.00
Astal	Business analyst services to support the Adult Migrant English Program	\$134,600.00
Auslan Services	Interpreting Services	\$112,754.50
Insync Solutions Pty Ltd	Design and build of TAFE SA Identity Management System to automatically create student network login accounts based on their records in the Student Information System	\$109,400.00
St Patrick's Technical College	Certificate II provision of courses as per Auspice Agreement for Semester 1 2017	\$104,724.50
M.J. Johnson and Associates	Provision of services to TAFE SA to build teacher capability in developing assessment tools and related documents	\$97,325.76
Quantum Information	Installation of student placement system for students on vocational placement	\$90,865.00
Talent International (SA) P/L	Hire of temporary contract staff	\$83,366.85
Delaney Associates Pty Ltd	Provision of services to TAFE SA to build teacher capability in developing assessment tools and related documents	\$73,543.62

¹⁹ Excluding GST

Contractor	Purpose	Value ¹⁹
Tutoring Australasia	Online Tutoring program: Marketing and Communication, technical support and training	\$71,000.00
Leadenhall Corporate Advisory	Review of Child Care Centres	\$70,931.25
Spredfast	Social media Management services	\$66,500.00
Tasman Human Resource	HR services provided in relation to an international partnership project	\$64,320.00
Square Holes	Surveying services: Questionnaire session, focus group, online survey and analysis/reporting	\$64,250.00
Learning Information Systems	Services provided for digital platform for international students	\$60,850.00
TB Rural Services Pty Ltd	Shearing training provided to TAFE SA students at various regional locations	\$53,850.90
Hays Specialist Recruitment	Outsourced recruitment services	\$53,526.02
Ltg Pty Ltd	Review of the audit findings for Aeroskills qualifications at Parafield campus	\$51,340.15
SMS Consulting Group Ltd	Application Maintenance/ CRM Managed Service	\$50,761.00
SA Power Networks	Provision of courses relating to Powerline Construction	\$48,400.00
Macsmith and Associates	Provision of services to TAFE SA to build teacher capability in developing assessment tools and related documents	\$46,414.09
Quorum QA Australia Pty Ltd	Staff professional development and review of internal audit processes	\$37,927.09
Bee Squared Consultants	Business improvement consultancy services for review of program management and development of report	\$34,500.00
Molten Studios Pty Ltd	2019 Course Guide: illustrations, initial concepts and revised concepts	\$34,081.10
D2v Entertainment Pty Ltd	Marketing Services - Be Yourself Campaign	\$33,141.83
Johansen International P/L	Engagement of contractor for compliance, mapping and validation of existing units work within the Advanced Building Studies Group.	\$32,215.95
Motiv Brand Design	Logo/branding services	\$30,744.00
Aarnet Pty Ltd	Telecommunication services: service agreement between APL and TAFE SA in relation to the provision of telecommunication services	\$30,000.00
Oranje	Marketing services for advertisement purposes	\$29,662.92

Contractor	Purpose	Value¹⁹
E-oz Energy Skills Australia	e-Profiling Registration Database Management	\$25,219.07
Choreographers Organization	Repertory services	\$24,000.00
Gartner Australasia	Independent ICT research and advisory services to support the development and implementation of the TAFE SA ICT Strategy	\$23,597.00
Mark Hunwicks Education	Review of curriculum for an international partnership project	\$22,730.03
Finesse Model Agency	Fashion Graduates Parade – Agency and Model Fees	\$20,909.20
Algo Mas Marketing	Creative services: Graphic design and photo shoot	\$19,599.64
Klevar	Project scoping and development for a 4 unit online skill set in the interpreting and translating field	\$19,500.00
Wwlearn	Delivery of Pest Management courses	\$18,630.00
Michels Warren Pty Ltd	Professional fees for Public Relations services	\$17,495.00
Dept of Home Affairs	Translating and interpreting services	\$17,155.89
Virginia Fenelon Consulting	Support for workshop, assessment and finalisation of ASQA audit	\$16,643.68
BMP Consulting Pty Ltd	Provision of professional services to undertake project work for METBAC	\$16,000.00
A2Z Services	Cleaning services for six remote campuses	\$15,960.60
Paradigm Management Consulting	Aboriginal Access Centre – Certificate IV in Community Development - Training contract to up-skill DECD Aboriginal Education Officers within schools	\$15,858.60
Procurement Partners	Creation of a Procurement Profile Report for TAFE SA incorporating purchasing data from TAFE SA accounts payable systems	\$15,500.00
Paxus Australia P/L	Technology recruitment services	\$15,454.63
Brightcookie P/L	Server Hosting services: Totara product subscription	\$15,107.00
Griffith University	Development of an action research methodology program across TAFE SA	\$15,023.20
Codium Pty Ltd	Maintenance of Microsoft Access Database	\$14,800.00
Adexis Pty Ltd	Technology services: UEV and Direct Access GPO, Computer replace process script and documentation updates	\$12,780.00
HCI Professional Services	Professional recruitment services	\$12,600.00
Ildance	Choreography services	\$12,000.00

Contractor	Purpose	Value ¹⁹
Randstad P/L	ICT Project Management	\$11,442.77
Toyota Motor Corporation	TNT Apprentice program	\$10,900.00
Martemio International	Child and education care conference held in March 2018 for the sector, hosted by Martemio	\$10,232.38
Adelaide AV Hire and Sales	Supply of equipment and labour for 2017 TAFE fashion show filming of fashion parade	\$10,188.59
Jon Halpin	Rehearse and direct to performance the production of Woyzeck in collaboration with the choreographer and musical director	\$10,000.00
Total		\$3,692,972.31

The details of all South Australian Government-awarded contracts for goods, services and works are displayed on the SA Tenders and Contracts website [here](#).

The website also provides details of across government contracts [here](#).

Financial performance of the agency

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audit financial statements for 2017-18 are attached to this report.

The TAFE SA annual financial statements for 2017-18 presented to the Auditor General reflect a total comprehensive result for the year ended 30 June 2018 of a \$(16.2) million operating loss. This represents an unfavourable movement of \$(22.3) million to the 2016-17 TAFE SA comprehensive result of \$6.1 million.

Total expenses increased by \$(37.8) million. Supplies and services increased by \$(25.5) million, including \$(22.3) million for increased infrastructure charges for Renewal SA and \$(1.3) million of additional utilities charges due to government contract changes. Employee benefits increased \$(11.9) million due to extra TVSP payments of \$(5.7) million, enterprise agreement impacts, long service leave and workers compensation provision revaluations.

Income increased by \$15.5 million with additional funding for increased Renewal SA infrastructure charges of \$22.3 million, extra TVSP payments of \$5.6 million, offset by reduced training and support funding from Department for State Development (DSD) of \$(9.1) million, reduced student fees and grants of \$(2.7) million, reduced other funding from DSD of \$(3.2) million, partially offset by \$2.6 million for recognition of services provided by Shared Services SA (SSSA) free of charge under new direct-funding arrangements.

TAFE SA faced difficult operating conditions during the second half of 2017-18 as a result of the impact of the ASQA review findings and associated remediation focus.

The following table²⁰ provides details of the 2018 operating result compared to 2017.

²⁰ Should be read in conjunction with the accompanying notes within the 2017-18 financial statements.

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<u>Expenses</u>			
Employee benefits (including annual leave)	3	225 502	213 641
Supplies and services	5	127 468	101 954
Grants and subsidies		75	75
Depreciation and amortisation	6	5 005	4 835
Net loss from disposal of non-current assets	12	61	95
Other expenses	7	1 260	988
Total expenses		359 371	321 588
<u>Income</u>			
Grants and subsidies from Department of State Development	8	246 211	230 572
Commonwealth grants	9	1 437	879
Student and other fees and charges	10	88 735	91 906
Other grants and contributions	11	2 046	2 738
Investment income		5	2
Resources received free of charge	13	2 619	-
Other income	14	2 056	1 563
Total income		343 109	327 660
Net cost of providing services		(16 262)	6 072
Total comprehensive result		(16 262)	6 072

The net result and total comprehensive result are attributable to the SA Government as owner.

Other financial information

As part of the machinery of government changes in March 2018, TAFE SA will be represented separately in the 2018-19 State Budget. The Agency Statement will contain, for the first time, Activity and Performance Indicators that are unique to TAFE SA.

Other information requested by the Minister(s) or other significant issues affecting the agency or reporting pertaining to independent functions

Nil to report.

Section B: Reporting required under any other act or regulation

<p>Name and date of act or regulation <i>Public Corporations Act 1993</i></p>
<p>Section/ regulation number and reporting requirement specified (extracts straight from act or regulation)</p> <p>Pursuant to Section 13 (extract from Act):</p> <p>“13—Performance statements</p> <ol style="list-style-type: none"> 1) <i>The corporation's Minister and the Treasurer must, when preparing the charter for a public corporation, also prepare, after consultation with the corporation, a performance statement setting the various performance targets that the corporation is to pursue in the coming financial year or other period specified in the statement and dealing with such other matters as the Minister and the Treasurer consider appropriate.</i> 2) <i>The corporation's Minister and the Treasurer must, after consultation with the corporation, review the performance statement when reviewing the corporation's charter.</i> 3) <i>The corporation's Minister and the Treasurer may, after consultation with the corporation, amend the performance statement at any time.”</i>
<p>Report as per requirement</p> <ul style="list-style-type: none"> ▪ TAFE SA has a Charter in place which outlines the Government’s strategic objectives, priorities and requirements for TAFE SA and sets out the nature and scope of TAFE SA’s commercial and non-commercial activities. Due to the change in government, the 2016-17 Charter was rolled over and applied for the 2017-18 financial year. ▪ A Performance Statement was developed and in place for the 2017-18 financial year which set out the various performance targets the corporation was to pursue including: <ul style="list-style-type: none"> – financial performance: <ul style="list-style-type: none"> ○ net operating result ○ external income – student fees; fee for service; other – non-financial performance: <ul style="list-style-type: none"> ○ cost per hour ○ priority service index ○ number of people participating in government funded VET in SA through TAFE SA ○ load pass rate ○ employment outcomes ○ student satisfaction ○ FTE cap ○ industry responsive measure. ▪ Additional information is available within the Objectives section.

Reporting required under the *Carers' Recognition Act 2005*

TAFE SA supports and encourages staff with carer responsibilities to discuss their circumstances and working arrangements needs with their manager. As well, TAFE SA promotes the Carer Charter and the *Carers Recognition Act 2005* on its website to help raise awareness of carers' needs across the organisation -

<http://www.tafesa.edu.au/services/disability-support>

Section C: Reporting of public complaints as requested by the Ombudsman

Summary of complaints by subject

Public complaints received by the Office of the Chief Executive, TAFE SA	
Category of complaints by subject	Number of instances
Service Quality/ Delivery	35
Behaviour of Staff	3
Fees	19
Policies/ Processes	4
Facilities	3
Other	16
Total	80

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/tafe-sa-complaints-historical-trend>

Complaint outcomes

TAFE SA will launch its Customer Management Team (CMT) in July 2018 to support customers and staff in resolution of complaints and recording feedback through the Talk, Tell, Transform feedback process. The CMT will act as a single conduit for external agencies such as the Office of the Training Advocate, Equal Opportunity Commission and Ombudsman SA.

The CMT will closely support TAFE SA staff in handling escalated complaints or disputes to ensure that TAFE SA is adhering to the required Australian Standards and associated policy, compliance and regulatory requirements as a public provider. A new framework has been established to meet the expectations of the State Government and the Ombudsman SA to lift customer service standards across the public sector by 2019.

An improved feature of Talk, Tell, Transform is that customers can now lodge feedback or make a complaint online. Escalated complaints are now case managed by dedicated resolution officer/s based within the Governance and Research portfolio reporting to the Interim Chief Executive. The CMT will provide regular reports to management through TAFE SA Executive and the future Academic Board to assist in decision making concerning customer service improvements based on TAFE SA's customer feedback. This includes all members of the public, industry, schools and communities that access TAFE SA services.

An effective complaints management system aligns with the following TAFE SA strategic goals: build a high performance culture; meet our customers' expectations; and grow flexible external income through customer retention and return rates.

Appendix: Audited financial statements 2017-18



Our ref: A18/465

20 September 2018

Mr R Persse
Chair
TAFE SA Board
GPO Box 1872
ADELAIDE SA 5001

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State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Dear Mr Persse

Audit of TAFE SA for the year to 30 June 2018

We have completed the audit of your accounts for the year ended 30 June 2018. Three key outcomes from the audit are the:

- 1** Independent Auditor's Report on your agency's financial report
- 2** opinion on your financial controls
- 3** audit management letters recommending you address identified weaknesses.

1 Independent Auditor's Report

We are returning the financial statements for TAFE SA, with the Independent Auditor's Report. This report is unmodified.

My annual report to Parliament indicates that we have issued an unmodified Independent Auditor's Report on your financial statements.

2 Opinion on financial controls

In my opinion, the controls exercised by TAFE SA in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for:

- controls around the hiring of, and payments to, hourly paid instructors could be improved
- review or approval of key payroll documents was not prompt
- no formal independent reviews were undertaken of altered grades
- a charter and performance statement, required by the *Public Corporations Act 1993*, were not formally approved

are sufficient to provide reasonable assurance that the financial transactions of TAFE SA have been conducted properly and in accordance with law.

For official use only

Audit management letter

During the year, we sent you audit management letters detailing the weaknesses we noted and improvements we considered you need to make.

Significant matters related to controls over hiring and processing payments for hourly paid instructors and lack of timely review of payroll reports.

We have received responses to our letters and will follow these up in the 2018-19 audit.

I have also included summary comments about these matters in my annual report. These identify areas we assessed as not meeting a sufficient standard of financial management, accounting and control.

What the audit covered

Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- expenditure and accounts payable
- payroll processing
- revenue, including funding from the DSD, student revenue and accounts receivable
- cash management, including bank reconciliations
- general ledger processing.

Particular attention was given to employee benefits liability and expenses due to the transition from the Empower payroll system to CHRIS 21 in November 2017 and funding arrangements with the Department of State Development. We concluded that the financial report was prepared in accordance with the financial reporting framework in this respect.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson

Auditor-General

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INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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www.audit.sa.gov.au

To the Chair TAFE SA Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the financial report of TAFE SA for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of TAFE SA as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, TAFE SA Board, the Interim Chief Executive and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of TAFE SA. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Interim Chief Executive and the TAFE SA Board for the financial report

The Interim Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The TAFE SA Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

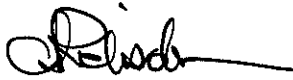
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Interim Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Interim Chief Executive and the Chair, TAFE SA Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

20 September 2018

TAFE SA

Financial Statements

For the year ended 30 June 2018

TAFE SA
Certification of the Financial Statements
for the year ended 30 June 2018

We certify that the attached general purpose financial statements for TAFE SA:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Corporation
- present a true and fair view of the financial position of TAFE SA as at 30 June 2018 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by TAFE SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Rick Persse
Chair, TAFE SA Board

14 September 2018



Alex Reid
Interim Chief Executive
September 2018



John O'Dea
Chief Finance Officer

14 September 2018

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<u>Expenses</u>			
Employee benefits	3	225 502	213 641
Supplies and services	5	127 468	101 954
Grants and subsidies		75	75
Depreciation and amortisation	6	5 005	4 835
Net loss from disposal of non-current assets	12	61	95
Other expenses	7	1 260	988
Total expenses		359 371	321 588
<u>Income</u>			
Grants and subsidies from Department of State Development	8	246 211	230 572
Commonwealth grants	9	1 437	879
Student and other fees and charges	10	88 735	91 906
Other grants and contributions	11	2 046	2 738
Investment income		5	2
Resources received free of charge	13	2 619	-
Other income	14	2 056	1 563
Total income		343 109	327 660
Net cost of providing services		(16 262)	6 072
Total comprehensive result		(16 262)	6 072

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

TAFE SA
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
<u>Current assets</u>			
Cash and cash equivalents	15	54 801	69 958
Receivables	16	19 876	19 373
Inventories	21	838	1 000
Total current assets		75 515	90 331
<u>Non-current assets</u>			
Receivables	16	62	55
Property, plant and equipment	18	16 468	15 685
Intangibles	19	10 564	10 588
Total non-current assets		27 094	26 328
Total assets		102 609	116 659
<u>Current liabilities</u>			
Payables	22	16 645	16 404
Employee benefits	23	20 732	16 002
Provisions	24	886	1 528
Unearned revenue	25	2 869	2 249
Other current liabilities		259	222
Total current liabilities		41 391	36 405
<u>Non-current liabilities</u>			
Payables	22	4 789	4 984
Employee benefits	23	40 754	42 573
Provisions	24	2 056	2 816
Total non-current liabilities		47 599	50 373
Total liabilities		88 990	86 778
Net assets		13 619	29 881
<u>Equity</u>			
Retained earnings		(8 185)	8 077
Revaluation surplus		1 352	1 352
Contributed capital		20 452	20 452
Total equity		13 619	29 881

Total equity is attributable to the SA Government as owner.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2018

	Revaluation surplus	Retained earnings	Contributed capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2016	1 352	2 005	20 452	23 809
<u>Net result for 2016-17</u>	-	6 072	-	6 072
Balance at 30 June 2017	1 352	8 077	20 452	29 881
<u>Net result for 2017-18</u>	-	(16 262)	-	(16 262)
Balance at 30 June 2018	1 352	(8 185)	20 452	13 619

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2018

		2018 (Outflows) inflows \$'000	2017 (Outflows) inflows \$'000
<u>Cash flows from operating activities</u>	Note		
Cash outflows			
Employee benefit payments		(225 132)	(220 359)
Payments for supplies and services		(135 602)	(109 777)
Payments of grants and subsidies		(75)	(75)
Other payments		(409)	(209)
Cash used in operations		(361 218)	(330 420)
Cash inflows			
Commonwealth grants		1 437	879
Grants and subsidies from Department of State Development		245 881	232 447
Student and other fees and charges		91 999	87 680
Other grants and contributions		2 536	3 202
Interest received		5	2
GST recovered from the Australian Taxation Office		8 726	4 782
Other receipts		1 302	1 031
Cash generated from operations		351 886	330 023
Net cash used in operating activities	29	(9 332)	(397)
<u>Cash flows from investing activities</u>			
Cash outflows			
Purchase of property, plant and equipment		(3 764)	(1 843)
Purchase of intangibles		(2 068)	(344)
Cash used in investing activities		(5 832)	(2 187)
Cash inflows			
Proceeds from sale of property, plant and equipment		7	43
Cash generated from investing activities		7	43
Net cash used in investing activities		(5 825)	(2 144)
Net (decrease) in cash and cash equivalents		(15 157)	(2 541)
Cash and cash equivalents at the beginning of the period		69 958	72 499
Cash and cash equivalents at the end of the period	15	54 801	69 958

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

TAFE SA

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1. Basis of financial statements

1.1 Reporting entity

TAFE SA (the Corporation) is a statutory corporation of the state of South Australia, established pursuant to the *TAFE SA Act 2012*.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Corporation in its own right.

The Corporation has a 20% interest in the South Australian Tertiary Admissions Centre SATAC.

SATAC is an arrangement between the three South Australian universities, the Minister for Education and Charles Darwin University in the Northern Territory. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

The interests in this associate are not considered material to the Corporation's core activities. Consequently as per AASB 128 *Investments in Associates and Joint Ventures*, they have not been taken up in the accounts on an equity basis.

1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Corporation has applied Australian Accounting Standards that are applicable to not-for-profit entities as the Corporation is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2018.

1.3 Basis of preparation

The financial statements have been prepared based on a 12 month period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Significant accounting policies are set out in the notes.

1.4 Taxation

The Corporation is not subject to Income Tax and has been exempted from income tax equivalent requirements by the Treasurer for 2016-17 and 2017-18. The Corporation is liable for Payroll Tax, Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

TAFE SA

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1.4 Taxation (continued)

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2 Objectives and activities

2.1 Objectives

TAFE SA was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012* (the Act). The Corporation is responsible to the Minister for Education.

The primary objectives of the Corporation are to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidental to, the provision of technical and further education
- undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister.

The *Public Corporations Act 1993* applies to TAFE SA and requires a Charter and Performance Statement to be prepared for TAFE SA by the Minister and Treasurer after consultation with TAFE SA.

2.2 Activities

In achieving its objectives, the Corporation provides a range of services classified into the following activity and sub-activities:

Employment and Skills Formation

To deliver high quality training and skills development targeted to South Australia's economic priorities, economic transformation and jobs.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

2.2 Activities (continued)

Sub-activities

Vocational Education and Training

TAFE SA provides secondary & post-secondary Vocational Education and Training (VET) through:

- providing innovative training to individuals and employers to develop workforce skills that are linked to employment opportunities
- building foundation skills through vocational and community education, providing career advice, skills recognition and employment services that prepare people for training/and or job opportunities
- supporting the economic priority to be recognised as the knowledge state by exporting services to overseas markets through the global engagement and export strategy
- 99.51% (2017: 99.13%) of expenditure and 99.51% (2017: 99.97%) of revenue relates to Vocational Education and Training.

International and Higher Education

The Corporation:

- supports the development of Adelaide as a centre for education, international education and South Australian education exports including providing marketing services, analysis and student and community support.
- provides high level strategic policy advice to the Minister on higher education policy and planning.

2.3 Funding

The Corporation is predominantly funded by the Department of State Development.

In addition income is generated from sales and fee for service. These include:

- student fees and charges
- fee for service – industry and enterprises
- global engagement and export
- international student recruitment.

The financial activities of the Corporation are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance (DTF) pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by the *WorkReady* program from DSD, Commonwealth grants and revenues from fees and charges.

As a public provider, the Corporation aims to operate effectively and efficiently in a competitive market for vocational education and training to:

- deliver technical and further education efficiently and cost effectively at high standards of quality, while at all times ensuring the financial viability of the Corporation
- build alliances and cooperation with other service providers to ensure quality and relevant course availability and delivery in the most efficient manner
- strengthen the Corporation's position in technical and further education through the provision of fee for service activities, including quality training for overseas students
- targeted international activity
- ensure a safe work and learning environment for staff, students and the community.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Employee benefits

	2018	2017
	\$'000	\$'000
Salaries and wages (including annual leave)	181 438	180 634
Targeted voluntary separation payments	9 218	3 860
Long service leave	4 786	910
Skills and experience retention leave	919	665
Employment on-costs - superannuation*	17 935	17 635
Employment on-costs - Other	10 308	9 972
Board and committee fees	395	511
Workers compensation	(152)	(1 089)
Other employee related costs	655	543
Total employee benefits expenses	225 502	213 641

* The superannuation employment on-cost charge represents the Corporation's contributions to superannuation plans in respect of current services of current employees.

Targeted voluntary separation packages (TVSPs)

	2018	2017
	\$'000	\$'000
Amounts paid to these employees:		
TVSPs	9 218	3 860
Leave paid to those employees	3 698	1 639
	12,916	5,499

Funding from the Department of Treasury and Finance (through the Department of State Development)

Net cost to TAFE SA

	9 344	3 775
	3 572	1 724

The number of employees who were paid TVSPs during the reporting period was:

112	51
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Key management personnel

Key management personnel of TAFE SA include the Minister for Education, the Chief Executive and Interim Chief Executive, six members of the Executive Team and fifteen non-executive board members who have, or during the year have had, responsibility for the strategic direction and management of TAFE SA.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Education receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Employee benefits (continued)

	2018	2017
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	2 120	1 930
Post-employment benefits	182	215
Other long-term employment benefits	240	78
Termination benefits	-	95
Total compensation	2 542	2 318

There were no transactions with key management personnel and other related parties.

Remuneration of employees

The number of employees whose remuneration received or receivable is \$147,000 or more falls within the following bands:

	2018	2017
	Number	Number
\$147 000 to \$149 000*	N/A	3
\$149 001 to \$159 000	8	10
\$159 001 to \$169 000	5	2
\$169 001 to \$179 000	2	1
\$179 001 to \$189 000	4	5
\$189 001 to \$199 000	1	-
\$199 001 to \$209 000	3	1
\$209 001 to \$219 000	1	2
\$219 001 to \$229 000	1	1
\$229 001 to \$239 000	-	1
\$239 001 to \$249 000	1	-
\$259 001 to \$269 000	1	-
\$269 001 to \$279 000	1	1
\$279 001 to \$289 000	-	1
\$289 001 to \$299 000	-	4
\$299 001 to \$309 000	1	-
\$309 001 to \$319 000	1	-
\$339 001 to \$349 000	-	1
\$349 001 to \$359 000	1	-
\$369 001 to \$379 000	-	1
\$399 001 to \$409 000	-	1
\$559,001 to \$569,000	1	-
Total number of employees	32	35

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2016-17

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages (including termination payments), superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$6.7 million (2017: \$7.3 million).

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2017-18 financial year were:

TAFE SA Board to 12 April 2018

P Vaughan (Chair)

J Branson AM

N Buddle

J Denley

A Hurley

S Mitchell

M Silva

V Simmons AO

TW Smith

Audit and Risk Committee

to 12 April 2018

J Branson AM (Chair)

N Buddle

A Hurley

S Mitchell

M Silva

Human Resources Committee to 12 April 2018

J Denley (Chair)

A Hurley

T W Smith

P Vaughan

Finance Committee

to 12 April 2018

N Buddle (Chair)

J Branson AM

S Mitchell

M Silva

V Simmons AO

Strategy Committee to 12 April 2018

P Vaughan (Chair)

J Denley

V Simmons AO

TAFE SA Board from 13 April 2018

R Persse (Chair)^

L Byers^

J Chapman^

J Denley

T Pribanic^

T Goodes^

J King^

Audit and Risk Committee

from 13 April 2018

J Denley (Chair)

J Chapman^

L Byers^

Finance Committee

from 13 April 2018

T Goodes (Chair)^

J Chapman^

T Pribanic^

Human Resources Committee

from 13 April 2018

J Denley (Chair)

R Persse^

L Byers^

^In accordance with the Premier and Cabinet Circular No. 16, government employees did not receive any remuneration for board/committee duties during the financial year.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4 Remuneration of board and committee members (continued)

The number of members whose remuneration from the entity falls within the following bands is:

	2018	2017
\$0 - \$9,999	6	-
\$40 000 - \$49 999	8	-
\$50 000 - \$59 999	-	8
\$70 000 - \$79 999	1	-
\$100 000 - \$109 999	-	1
	<u>15</u>	<u>9</u>

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$0.4 million (2017: \$0.6 million).

Amounts paid to a superannuation plan for board/committee members was \$34,207 (2017: \$44 602).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

5 Supplies and services

	2018 \$'000	2017 \$'000
Infrastructure recharges paid to Department of State Development	54 168	31 896
Funding to external vocational education and training providers	465	233
Printing and consumables	6 762	6 890
Minor works, maintenance and equipment	9 469	9 940
Information technology infrastructure and communication	11 726	10 284
Fees - contracted services (including consultants)	13 498	12 982
Utilities	8 386	7 077
Cleaning	7 093	6 869
Vehicle and travelling expenses	4 019	4 027
Rentals and leases	316	539
Books, materials and copyright	11 203	10 898
Other	363	319
Total supplies and services	<u>127 468</u>	<u>101 954</u>

Infrastructure charges increased by \$22.2 million due to the full year impact of changed ownership arrangements

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

5 Supplies and services (continued)

Consultants

The number of consultancies and dollar amount paid/payable (included in supplies and services) to consultants fell within the following bands:

	2018 Number	2018 \$'000	2017 Number	2017 \$'000
Below \$10 000	3	20	2	10
\$10 000 or above	4	260	5	873
Total paid / payable to the consultants engaged	7	280	7	883

6 Depreciation and amortisation

	2018 \$'000	2017 \$'000
Depreciation		
Plant and equipment	1 776	1 829
Library collection	931	910
Leasehold improvements	206	135
Total depreciation	2 913	2 874
Amortisation		
Intangibles	2 092	1 961
Total amortisation	2 092	1 961
Total depreciation and amortisation	5 005	4 835

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as library collections and plant and equipment.

Useful life

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Plant and Equipment	1 - 45
Library Collection	3 - 15
Leasehold Improvements	10
Intangibles	5 - 10

Revision of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

7 Other expenses

	2018	2017
	\$'000	\$'000
Other **	506	456
Allowance for doubtful debts and debt write-offs (refer note 16)	754	532
Total other expenses	1 260	988

*Audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act were \$267 700 (2017: \$298 300). No other services were provided by the Auditor-General's Department.

8 Grants and subsidies from the Department of State Development

	2018	2017
	\$'000	\$'000
VET subsidies	113 913	137 908
Community services	12 101	11 806
VET capital	4 289	4 575
TVSP reimbursement	9 344	3 775
Other funding	106 564	72 508
Total grants and subsidies from the Department of State Development	246 211	230 572

9 Commonwealth grants

	2018	2017
	\$'000	\$'000
Aboriginal projects	607	607
Other specific Commonwealth revenue	830	272
Total Commonwealth grants	1 437	879

2017–18 Commitments

Aboriginal projects including the Aboriginal Torres Strait Islander Rural and Remote Aged Care Training Project contributed \$0.6 million in grants revenue during 2017-18 (2017: \$0.6 million).

\$0.8 million in Other Specific Commonwealth Grants were received in 2017-18 (2017: \$0.3 million).

10 Student and other fees and charges

	2018	2017
	\$'000	\$'000
Sales/fee for service revenue	48 156	46 897
Student enrolment fees and charges	35 714	39 817
Other user fees and charges	4 865	5 192
Total student and other fees and charges received / receivable	88 735	91 906

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

11 Other grants and contributions

	2018	2017
	\$'000	\$'000
Grants and subsidies revenue	1 854	2 055
Grants from other entities within the SA Government	125	581
Miscellaneous contributions	45	92
Donations	22	10
Total other grants and contributions	2 046	2 738

12 Net (loss) from disposal of non-current assets

	2018	2017
	\$'000	\$'000
<u>Plant and equipment</u>		
Proceeds from disposal	7	43
Less net book value of assets disposed	(68)	(138)
Net (loss) from disposal of plant and equipment	(61)	(95)
<u>Total assets</u>		
Proceeds from disposal	7	43
Less net book value of assets disposed	(68)	(138)
Total net (loss) from disposal of non-current assets	(61)	(95)

Gains/losses on disposal are recognised at the date at which control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

13 Resources received free of charge

	2018	2017
	\$'000	\$'000
Services received free of charge - Shared Services SA	2 619	-
Total resources received free of charge	2 619	-

On the 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2017-18, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies. Under AASB 1004, *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in fees- contracted services reflected in Note 5.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

14 Other income

	2018	2017
	\$'000	\$'000
Recoup of salaries	66	107
Sundry income	1 990	1 456
Total other income	2 056	1 563

15 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Special deposit account with the Department of Treasury and Finance	54 789	69 944
Cash on hand	12	14
Total cash and cash equivalents	54 801	69 958

Special Deposit Account with the Department of Treasury and Finance

This is the Corporation's primary operating account. It includes funds received from Department of State Development.

Interest rate risk

Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represents nominal value.

16 Receivables

	2018	2017
	\$'000	\$'000
<u>Current</u>		
Student and other fees and charges receivable	16 532	17 652
Less allowance for doubtful debts	(2 144)	(2 231)
	14 388	15 421
Prepayments	1 412	1 445
GST recoverable from ATO	4 049	2 480
Other receivables	27	27
Total current receivables	19 876	19 373
<u>Non-current</u>		
Workers' compensation receivable	62	55
Total non-current receivables	62	55
Total receivables	19 938	19 428

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

16 Receivables (Continued)

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	2 231	1 874
Increase/(decrease) in the allowance	754	531
Amounts written off	(841)	(174)
Carrying amount at the end of the period	2 144	2 231

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debt is raised when there is objective evidence that the Corporation will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 30 for further information on risk management.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

17 Non-Current Assets

Revaluation of non-current assets

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised in the Statement of Comprehensive Income as an expense, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

Library collection

A valuation appraisal by a Certified Practising Valuer is performed for Library collection at least every six years.

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2014 by AON Risk Solutions, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

Plant and equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

Leasehold Improvements

Following initial recognition, leasehold improvements are carried at cost less any accumulated amortisation and any accumulated impairment losses.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

18 Property, plant and equipment

	2018 \$'000	2017 \$'000
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	29 936	29 301
Accumulated depreciation	(17 988)	(17 161)
Total plant and equipment	11 948	12 140
<u>Library collection</u>		
Library collection at fair value	16 341	16 231
Accumulated depreciation	(15 584)	(14 653)
Total library collection	757	1 578
<u>Leasehold improvements</u>		
Leasehold improvements at cost (deemed fair value)	3 382	1 642
Accumulated amortisation	(418)	(212)
Total leasehold improvements	2 964	1 430
<u>Work in progress</u>		
Capital work in progress at cost	799	537
Total work in progress	799	537
Total property, plant and equipment	16 468	15 685

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, that is, the amount recorded by the transferor public authority immediately prior to the restructure.

Items under \$10 000 are expensed in the Statement of Comprehensive Income in the accounting period in which they are acquired.

Valuation of property

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, and have not been revalued in accordance with APFIII *Asset Accounting Framework* and AASB 13 *Fair Value Measurement*. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their value, except for management assumptions about the asset's condition and remaining useful life.

The library collection was valued at depreciated replacement cost (a proxy for fair value) as at 30 June 2014 by AON Risk Solutions.

Leasehold improvements are valued at cost.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

18 Property, plant and equipment (continued)

Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and value in use. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the revaluation surplus.

There were no indications of impairment of property and plant and equipment assets at 30 June 2018.

Reconciliation of property, plant and equipment assets

The following table shows the movement of property, plant and equipment assets during 2017-18:

	Plant and equipment	Library collection	Leasehold improvements	Work in progress	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	12 140	1 578	1 430	537	15 685
Additions	1 652	110	-	2 002	3 764
Disposals	(68)	-	-	-	(68)
Capitalisation	-	-	1 740	(1 740)	-
Depreciation / amortisation	(1 776)	(931)	(206)	-	(2 913)
Carrying amount at the end of the period	11 948	757	2 964	799	16 468

The following table shows the movement of property, plant and equipment assets during 2016-17:

	Plant and equipment	Library collection	Leasehold improvements	Work in progress	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	13 340	2 273	1 084	169	16 866
Additions	609	215	-	1 019	1 843
Disposals	(138)	-	-	-	(138)
Write off	(12)	-	-	-	(12)
Capitalisation	170	-	481	(651)	-
Depreciation / amortisation	(1 829)	(910)	(135)	-	(2 874)
Carrying amount at the end of the period	12 140	1 578	1 430	537	15 685

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2018

19 Intangible assets

	2018 \$'000	2017 \$'000
<u>Computer software</u>		
Internally developed computer software	6 951	6 561
Accumulated amortisation	(2 357)	(1 663)
Total computer software	4 594	4 898
<u>Externally developed computer software</u>		
Externally developed computer software	14 220	13 233
Accumulated amortisation	(9 437)	(8 038)
Total externally developed computer software	4 783	5 195
<u>Intangible work in progress</u>	1 187	495
Total intangibles	10 564	10 588

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Corporation only has intangible assets with finite lives. The amortisation period for the intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount is greater than or equal to \$10 000. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

The externally developed computer software predominantly relates to the Corporation's Student Information System (SIS).

The Corporation has no contractual commitments for the acquisition of intangibles assets.

Impairment

There were no indications of impairment of intangible assets at 30 June 2018.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2017-18:

	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
2018			
Carrying amount at the beginning of the period	10 092	496	10 588
Additions	-	2 068	2 068
Capitalisations	1 377	(1 377)	-
Amortisation	(2 092)	-	(2 092)
Carrying amount at the end of the period	9 377	1 187	10 564

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19 Intangible assets (continued)

The following table shows the movement of intangible assets during 2016-17:

	Intangibles	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
2017			
Carrying amount at the beginning of the period	11 463	742	12 205
Additions	-	344	344
Capitalisations	590	(590)	-
Amortisation	(1 961)	-	(1 961)
Carrying amount at the end of the period	10 092	496	10 588

20 Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Corporation classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Audit and Risk Committee at each reporting date.

In determining fair value, the Corporation has taken into account the characteristic of the asset (for example, condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is, physically possible, legally permissible, financially feasible).

The Corporation's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Corporation did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value' at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 18 and 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Corporation categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

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20 Fair value measurement (continued)

The Corporation had no valuations categorised into level 1 and level 2. All valuations are categorized as Level 3 and the values are as outlined in Note 18.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017-18. The Corporation's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Reconciliation of fair value measurements – level 3

The reconciliation of movements for the level 3 assets is provided in note 19.

21 Inventories

	2018	2017
	\$'000	\$'000
<u>Current</u>		
Inventories held for sale	148	166
Inventories held for distribution	690	834
Total current inventories	838	1 000
Total inventories	838	1 000

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventories held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

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22 Payables

	2018	2017
	\$'000	\$'000
<u>Current</u>		
Creditors	4 457	4 752
Accrued expenses	8 247	6 483
Employment on-costs [^]	3 895	5 139
Other	46	30
Total current payables	16 645	16 404
<u>Non-current</u>		
Creditors	68	68
Employment on-costs [^]	4 721	4 916
Total non-current payables	4 789	4 984
Total payables	21 434	21 388

[^] Employment on-costs include payroll tax, workers' compensation levies and superannuation contributions. The Corporation makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken as leave has not changed from the 2017 rate (61%) and the average factor for the calculation of employer superannuation cost on-costs changed from the 2017 rate of 10.1% to 9.9%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in current financial year is a decrease in the employment on-cost of \$90,442. The estimated impact on 2019 and future years cannot be reliably estimated.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Refer to note 30 for further information on risk management.

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23 Employee benefits liability

	2018 \$'000	2017 \$'000
<u>Current</u>		
Annual leave	7 129	6 354
Long service leave	2 578	2 696
Skills and experience retention leave	1 788	1 635
Accrued salaries and wages	4 704	1 069
Non-attendance days	4 533	4 248
Total current employee benefits	20 732	16 002
<u>Non-current</u>		
Long service leave	40 754	42 573
Total non-current employee benefits	40 754	42 573
Total employee benefits	61 486	58 575

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, wages, annual leave, skills and experience retention leave, non-attendance days and sick leave.

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Non-attendance days are accrued annually for employees engaged under the TAFE SA Act but are non-cumulative.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the education sector across government.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has remained the same in 2018 (2.50%).

There has been no net financial effect given the yield has remained the same. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability and 3% for annual leave, non-attendance days, and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate for long service leave liability.

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23 Employee benefits liability (continued)

Long service leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from CHRIS21 payroll system. Long service leave entitlement data for HPIs is only updated in CHRIS21 once actual leave requests have been manually verified against Human Resource records on a case by case basis.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months based on the average long service leave taken annually over the previous 2 years.

24 Provisions

	2018 \$'000	2017 \$'000
<u>Current</u>		
Workers compensation	886	1 528
Total current provisions	886	1 528
<u>Non-current</u>		
Workers compensation	2 056	2 816
Total non-current provisions	2 056	2 816
Total provisions	2 942	4 344
Carrying amount at the beginning of the period	4 344	6 717
(decrease) in provisions recognised	(1 402)	(2 373)
Carrying amount at the end of the period	2 942	4 344

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Corporation is responsible for the payment of workers' compensation claims.

25 Unearned revenue

	2018 \$'000	2017 \$'000
Unearned revenue SA Government entities	44	48
Unearned revenue non-SA Government entities	2 825	2 201
Total unearned revenue	2 869	2 249

Unearned revenue relates to international students including those currently pending visa approval and domestic students' course fees paid in advance that have yet to commence.

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26 Unrecognised contractual commitments

Commitments include operating and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments are disclosed on a gross basis.

Other commitments

	2018	2017
	\$'000	\$'000
Within one year	10 156	9 674
Later than one year and not later than five years	1 229	6 774
Total other commitments	11 385	16 448

TAFE SA's other commitments relate to cleaning contracts, security contracts and other procurement commitments.

Operating leases commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2018	2017
	\$'000	\$'000
Within one year	57 602	57 651
Later than one year and not later than five years	231 869	238 621
Later than five years	573 421	622 653
Total operating lease commitments	862 892	918 925

The Corporation has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases.

The Corporation's operating leases are for campuses, office accommodation, equipment and motor vehicles. The leases are non-cancellable with some leases having the right of renewal. TAFE SA campuses are leased from Department of State Development under a Memorandum of Administrative Arrangement (MAA). Rent is payable in advance. Motor vehicles are leased from South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

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27 Contingent liabilities and contingent assets

The estimated cost of rectification/remediation training of Aviation Engineering Maintenance students who have been impacted by the Civil Aviation Safety Authority audit is \$1,070,000. TAFE SA anticipates that most of this amount will be reimbursed by our insurer, SAicorp.

28 Related party transactions

TAFE SA was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012*. TAFE SA is responsible to the Minister for Education.

Related parties of TAFE SA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

Significant transactions with government related entities have been disclosed under note 34.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between TAFE SA and other SA Government controlled entities are disclosed at note 33.

Compensation of Key Management Personnel is disclosed as note 3.

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29 Cash flow reconciliations

	2018 \$'000	2017 \$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	54 801	69 958
Balance as per the Statement of Cash Flows	54 801	69 958
<u>Reconciliation of net cash (used in) operating activities to net cost of providing services</u>		
Net cash used in operating activities	(9 332)	(397)
<u>Add / (less) non-cash items</u>		
Depreciation and amortisation	(5 005)	(4 835)
Net (loss) from disposal of non-current and other assets	(61)	(95)
Assets written off	-	(12)
Resources received free of charge	2 619	-
Other expenses	(43)	-
Supplies and services	(2 619)	-
Decrease in employee benefits	(2 911)	4 131
<u>Movement in assets and liabilities</u>		
Increase/(decrease) in receivables	510	5 653
Increase/(decrease) in inventories	(162)	(166)
(Increase)/decrease in payables	(3)	(940)
(Increase)/decrease in unearned revenue	(620)	576
(Increase)/decrease in other liabilities	(37)	(216)
(Increase)/decrease in provisions	1 402	2 373
Net revenue (cost) of providing services	(16 262)	6 072

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30 Financial risk management / financial instruments

Financial risk management

Risk management is managed by TAFE SA's corporate services section. TAFE SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*. TAFE SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

TAFE SA is funded principally from Department of State Development.

TAFE SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The carrying amount of financial liabilities recorded in table 30.1 represents TAFE SA's maximum exposure to financial liabilities.

Credit and market risk

TAFE SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

TAFE SA does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. TAFE SA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

No collateral is held as security and no credit enhancements relate to financial assets held by TAFE SA.

Refer to notes 15 and 16 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities. TAFE SA's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

Table 31.1 Categorisation and maturity analysis of financial assets and liabilities

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

The carrying amounts of each of the following categories of financial assets and liabilities: receivables and financial liabilities measured at cost are detailed below:

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30 Financial risk management / financial instruments (continued)

TAFE SA does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 16 Receivables and 22 Payables).

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities
			Current
			\$'000
<u>Financial assets</u>			
Cash and cash equivalents	15	54 801	54 801
Receivables ⁽¹⁾⁽²⁾	16	14 415	14 415
Total financial assets		69 216	69 216
<u>Financial liabilities</u>			
Financial Liabilities at cost ⁽¹⁾	22	12 541	12 541
Total financial liabilities		12 541	12 541

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2017 Contractual maturities
			Current
			\$'000
<u>Financial assets</u>			
Cash and cash equivalents	15	69 958	69 958
Receivables ⁽¹⁾⁽²⁾	16	15 448	15 448
Total financial assets		85 406	85 406
<u>Financial liabilities</u>			
Financial Liabilities at cost ⁽¹⁾	22	11 035	11 035
Total financial liabilities		11 035	11 035

⁽¹⁾ Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

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31 Impact of standards and statements not yet implemented

The Corporation did not voluntarily change any of its accounting policies during 2017-18.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2018. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation, except as outlined below.

AASB 9 Financial Instruments

The revision to AASB 9 *Financial Instruments* applies to reporting periods beginning on or after 1 January 2018, i.e. to financial statements as 30 June 2019. AASB 9 *Financial Instruments* provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

The impact of AASB 9 *Financial Instruments* on the classification and measurement of financial assets is not known.

The Agency will be adopting the simplified approach under AASB 9 *Financial Instruments* and measure lifetime expected credit losses on all trade receivables and contract assets using a provision matrix approach in the first half of 2018-19.

AASB 15 Revenue from Contracts with Customers and AASB 1058 income of Not-for-Profit Entities

These standards will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The Agency has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

All commercial contracts with customers will need to be assessed for specific performance obligations in order to allocate consideration to obligations. The Corporation will commence its analysis of all commercial contract arrangements in response to AASB 15 *Revenue from Contracts with Customers* in the first half of 2018-19.

AASB 16 Leases

This standard will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The standard supersedes AASB 117 *Leases* and unlike AASB 117 *Leases*, AASB 16 *Leases* introduces a single lease accounting model for lessees, eliminating the distinction between operating and finance leases. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 *Leases* allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. The Agency will apply the 'cumulative approach', and will not need to restate comparative information.

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31 Impact of standards and statements not yet implemented (continued)

Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The Corporation has not yet quantified the exact impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 *Leases* to its current operating leases, including the extent of additional disclosures required. The exact impact will not be known until the year of transition.

The Corporation will commence its analysis of current lease arrangements in response to AASB 16 *Leases*.

It is anticipated that there will be a marginal impact each year on net result due to recognition of depreciation and interest on lease liabilities as expenses. There will be no impact on the total net result over the life of the lease.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Agency's current operating lease commitments note (see Note 26) provides an indication of the amounts to be recognised 'on-balance sheet' at transition (an expected increase in lease liabilities with a corresponding right-of-use asset). The reclassification between supplies and services expense and depreciation/interest has not yet been estimated.

32 Events after the reporting period

There have been no events after the reporting period.

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33 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2018	2017	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Expenses</u>							
Employee benefits	3	10 564	10 110	214 938	203 531	225 502	213 641
Supplies and services	5						
Infrastructure recharges to							
Department of State Development		54 168	31 896	-	-	54 168	31 896
Funding to external vocational							
education and training providers		-	-	465	233	465	233
Printing and consumables		-	-	6 762	6 890	6 762	6 890
Minor works, maintenance and							
equipment		7 890	7 908	1 579	2 032	9 469	9 940
Information technology infrastructure							
and communication		2 527	3 239	9 199	7 045	11 726	10 284
Fees - contracted services		4 094	4 653	9 404	8 329	13 498	12 982
Utilities		1 248	1 523	7 138	5 554	8 386	7 077
Cleaning		1 139	879	5 954	5 990	7 093	6 869
Vehicle and travelling expenses		1 641	1 628	2 378	2 399	4 019	4 027
Rentals and leases		1	2	315	537	316	539
Books, materials and copyright		-	-	11 203	10 898	11 203	10 898
Other		53	-	310	319	363	319
Grants and subsidies		75	75	-	-	75	75
Depreciation and amortisation	6	-	-	5 005	4 835	5 005	4 835
Net loss from disposal of non-current assets	12	-	-	61	95	61	95
Other expenses	7						
Audit fees		277	298	-	158	277	456
Other		-	-	229	-	229	-
Allowance for doubtful debts							
and debt write-offs		-	-	754	532	754	532
Total expenses		83 677	62 211	275 694	259 377	359 371	321 588

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33 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2018	2017	2018	2017	2018	2017
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Income</u>							
Grants and Subsidies from Department of State Development	8	246 211	230 572	-	-	246 211	230 572
Commonwealth grants	9	-	-	1 437	879	1 437	879
Student and other fees and charges	10						
Sales/fee for service revenue		851	1 140	47 305	45 757	48 156	46 897
Student enrolment fees and charges		-	982	35 714	38 835	35 714	39 817
Other user fees and charges		633	215	4 232	4 977	4 865	5 192
Other grants and contributions	11	125	581	1 921	2 157	2 046	2 738
Investment income		-	-	5	2	5	2
Resources received free of charge	13	2 619	-	-	-	2 619	-
Other income	14						
Recoup of salaries		66	107	-	-	66	107
Sundry income		-	-	1 990	1 456	1 990	1 456
Total income		250 505	233 597	92 604	94 063	343 109	327 660
<u>Financial assets</u>							
Receivables	16						
Student and other fees and charges receivable		1 117	756	15 415	16 896	16 532	17 652
less: allowance for doubtful debts		-	-	(2 144)	(2 231)	(2 144)	(2 231)
Prepayments		-	-	1 412	1 445	1 412	1 445
GST recoverable from Australian Taxation Office		-	-	4 049	2 480	4 049	2 480
Workers compensation receivable		-	-	62	55	62	55
Other receivables		-	-	27	27	27	27
Total financial assets		1 117	756	18 821	18 672	19 938	19 428
<u>Financial liabilities</u>							
Payables	22						
Creditors		892	519	3 633	4 301	4 525	4 820
Accrued expenses		2 932	1 871	5 315	4 612	8 247	6 483
Employment on-costs		4 236	4 319	4 380	5 736	8 616	10 055
Other		-	-	46	30	46	30
Total financial liabilities		8 060	6 709	13 374	14 679	21 434	21 388