



ANNUAL
REPORT
2012

Hon Nick McKim MP
Minister for Education & Skills
Parliament House

Dear Minister

I am pleased to submit for your information and presentation to Parliament this Annual Report for the Tasmanian Skills Institute from 1 July 2011 to 30 June 2012, in accordance with the requirements of Sections 28 and 29 of the Education and Training (Tasmanian Skills Institute) Act 2008.

The financial statements of the Tasmanian Skills Institute and the Auditor-General's report are included.

Yours sincerely



Dr James Cretan
Chairman

ABOUT US

The purpose of the Tasmanian Skills Institute (TSI) is to provide and promote education and training to employed persons for the purposes of developing skills in the workforce.

The TSI is a Statutory Authority set up under the Education and Training (Tasmanian Skills Institute) Act 2008. The organisation is also an agency under the State Service Act 2000 for the purpose of employing staff, all of who are public sector employees.

Operations are based from training hubs and facilities at Burnie, Devonport, Launceston and Hobart.

The employment-based learning sector is characterised by apprenticeships, traineeships and the deepening of skills of existing workers through skill sets and qualifications. TSI operates across a broad range of industry sectors and provides services to employers and their workforces in all parts of the State. As a Government-owned training provider, TSI seeks to offer an enduring and high-quality service.

A significant portion of TSI's work is in training trade apprentices, funded by the State Government, under a purchaser-provider agreement with Skills Tasmania. This accounts for 69% of total revenue. The remaining 31% of revenue is earned through tender opportunities, competitive bids, commercial fee-for-services and student fees.

At a glance...

The number of students enrolled in 2011 was 23,463 compared with 24,320 in 2010.

The Annual Student Contact Hours delivered in 2011 was 3,325,106 compared with 3,160,209 in 2010.

The 2012 independent EMRS Learner and Employer client survey reported:

EMRS Learner Survey outcome:

Overall, I am satisfied with the training: – 93% agreed or strongly agreed
I would recommend TSI to others: – 94% agreed or strongly agreed
Trainers had excellent knowledge: – 94% agreed or strongly agreed

EMRS Employer Survey outcome:

Overall, we are satisfied with the training: – 86% agreed or strongly agreed
We would recommend TSI to others: – 87% agreed or strongly agreed
The training focussed on relevant skills: – 90% agreed or strongly agreed

The National Centre for Vocational Education & Research Student Outcomes Survey 2011 reported:

	TSI	All VET Aust
Reasons for taking training – Employment related outcomes	88.1%	80.3%
Satisfied with overall quality of training	91.8%	89.3%
Fully or partly achieved main reason for doing the training	93.1%	85.7%

CONTENTS AND TABLES

Contents

About Us	2
Chair's Foreword	4
CEO's Message	5
Corporate Plan Summary	6
Governance	7
Senior Officers	9
Organisational Structure	10
Training Statistics	11
Workforce Information	15
Performance Management	17
Compliance Reporting	18
Operations Report	20
Workplace Health, Safety & Wellbeing	24
Financial Information	25

Tables

1	Meetings of Directors	8
2	Total Enrolment Data	11
3	Number of Annual Hours Curriculum by Industry Group	11
4	Number of Enrolments (Qualifications) by Industry Group	11
5	Number of Annual Hours of Contact by Fund Source	12
6	Competency Enrolments by Fund Source	12
7	Participants (Student) by Age Group and Gender	12
8	Indigenous Students as a Percentage of Total Enrolments	12
9	Contracts of Training	13
10	Language, Literacy and Numeracy Support	13
11	Employer Satisfaction – VET National (NCVER)	13
12	Employer Satisfaction – The Skills Institute (EMRS)	14
13	Summary of NCVER Student Outcomes December 2011	14
14	Skills Institute Learner Survey 2012 (EMRS)	14
15	Employee Head Count by Age Group and Gender	15
16	Persons Employed by the Number of Years Employed	15
17	Persons Employed by Employment Status and Gender	15
18	Persons Employed in Regions of Tasmania	15
19	Employee Head Count by Status and Full/Part Time for Gender	16
20	Separations (all Employment Status Types)	16
21	Employee Head Count by Salary Range and Gender	16
22	Awarded Procurements \$50,000 and Over	19
23	Exemptions Approved for 2011-2012	18
24	Workers Compensation Claims	24

CHAIR'S FOREWORD

The last 12 months of activity for the Skills Institute (TSI) has once again been characterised by challenging economic conditions and the need for the organisation to significantly reduce its operating expenditure. In addition, the Simmons Review into Tasmania's public Vocational Education and Training was delivered to the Minister, and the majority of its recommendations adopted by Government. In essence there will be a process of transition to a single provider of public VET (TasTAFE) in the State, starting with the drafting of new VET legislation. Both of these factors have had a significant role on TSI from a governance and operational perspective, and I will elaborate on these below.

At the outset I am pleased to report that the training activity of the Skills Institute has remained high and our relationships with industry and enterprises have been a continued top priority. Apprentice numbers in particular, while not at record levels, have been stable in most areas, with some numbers, particularly in the service industries, showing growth. We are proud of our achievements and mindful of the importance of our work for the Tasmanian community. The Board very much appreciates the effort and commitment of TSI staff, headed by our CEO Malcolm White, in achieving these outcomes, and it is fitting that Malcolm will provide further information about some of TSI's achievements in his foreword.

I would like to give an overview of the key issues of the last 12 months and the Board's priorities and strategic responses.

Firstly, TSI has been travelling through an economic downturn which has negatively impacted on the availability of both public and private funds for training.

Funding for TSI has reduced in real terms as a result of the downturn, and at the same time there has been an escalation in costs, including input costs such as consumables and other business costs, but most significantly in salaries and wages. At the beginning of 2012, the Board agreed a financial management plan with key Government stakeholders, which for reasons of absolute necessity included an employee separations program. This management plan has been implemented by senior management and the Board is closely monitoring its progress against agreed targets. I am pleased to say that these targets are being achieved. The Board recognises that the implementation has not been comfortable for either the organisation as a whole nor staff members individually, and thanks staff for their understanding through this period.

Secondly, industry relationships, as highlighted above, remain a critical part of our business and will continue to be so. We have been mindful of the need to maintain and build upon these relationships as the most effective way of ensuring our training is of the highest quality and relevant to the needs of learners, their employers and the Tasmanian economy.

Finally, the Board welcomes the outcome of the Simmons Review. Our view is that the consolidation of public VET training effort in Tasmania into a single organisation will, through structural reform, address a number of strategic issues that have been outside of the scope of TSI to deal with.

The Board has communicated its position with staff and has done everything it can (and will continue to do so) to assist the transition process.

In responding to these changes the Board has modified its Corporate Plan with the aim of handing TSI to the new organisation in an educationally, operationally and financially sound position.



Dr James Cretan
Chair

CEO'S MESSAGE

Two significant events occurred during the year. Firstly, the implementation of a staff reduction program to achieve cost reductions and secondly, the decision by Government to introduce legislation early in 2013 to bring together the Tasmanian Polytechnic and the Skills Institute to form TasTAFE, as discussed by the Chair in his foreword.

A reduction in budget allocation and the softening of the market for commercial training required firm action to address a forecast budget deficit. With the support of the Board, a program of chiefly voluntary staff reductions was commenced in February with separations costs supported by a loan, repayable over 3 years, from the Department of Treasury and Finance. The program, together with the release of contract staff and natural attrition, is expected to decrease staff numbers, including teachers, support staff and managers, by approximately 20% when concluded in early 2013.

A further strengthening of industry focus at the Skills Institute was in evidence this year with high levels of customer service and responsiveness particularly to employer clients. This shift is vital in the increasingly competitive training market in which we operate. Both employers and learners provided very good feedback in independent surveys across a range of indicators including customer satisfaction, relevance of training, skills and knowledge of teachers and quality.

Relationships with employers large and small were enhanced by the work of Customer Relations Managers. This group of staff act as a pivot point between customers and teaching teams in attracting new business, maintaining important relationships and solving problems. This work has led to highly productive relationships with a variety of companies and employer groups such as Caterpillar Underground Mining, Australian Mechanical Contractor's Association and the National Centre for Dairy Education.

New initiatives included working closely with Aurora Energy to support the roll-out of the National Broadband Network in Tasmania. The Skills Institute was also commissioned to conduct demonstration programs in rural Tasmania highlighting the NBN's capability to support eLearning. The innovative partnership with the OzHelp Foundation continued to provide and demonstrate a highly successful model of student support including the delivery of 'skills for life' training modules.

With the completion of stimulus construction projects in Tasmania some trade apprentice numbers decreased over the course of the year to pre-stimulus levels. However some sectors such as plumbing continued at high levels of training in response, in part, to changed licensing requirements. Modest growth was experienced in agriculture, particularly dairy, and horticulture. Safety related skill-sets also had good demand. Although quite competitive, the Human Services sector including Child Care, Aged Care and Disability Services, remained strong for the Skills Institute.

In summary, a tough year, yet a creditable result, given the level of change in budget expectations, rising costs and movements in demand. The hard decisions taken during the year and the outcomes achieved will underpin a changed future service delivery model suited to different financial times.

Throughout the period of adjustment the Skills Institute continued to provide training services that were highly valued by students and clients. This achievement was recognised at the 2012 Tasmanian Training Awards where the Skills Institute won a number of student and organisational awards, including Large Training Provider of the Year. Such results are entirely attributable to the quality of teaching and support staff.



Malcolm White
CEO

CORPORATE PLAN SUMMARY

Cognisant of the Government's decision to implement a single public VET provider, TasTAFE, effective July 2013, the Board of the Skills Institute have issued a supplementary corporate plan.

VISION

Our vision is that we play a leading role in developing a Tasmanian workforce that has the skills and qualifications that contribute to personal success, the success of industry and help deliver economic and social opportunity for the people of Tasmania.

ROLE OF THE BOARD

The role of the Board of the Tasmanian Skills Institute is to successfully operate the organisation until 30 June 2013, to hand over the operations in good order to TasTAFE and to wind up the affairs of the Statutory Authority in due course.

PRIORITIES

The priorities are:

- Maintain teaching effort
- Meet quality and regulatory requirements
- Ensure financial viability
- Further build industry relationships
- Support our staff through change
- Advance TasTAFE

GOVERNANCE

The Skills Institute's Board of Directors are appointed by the Minister for Education and Skills.

Dr James Cretan – Chair

James was a Director of TAFE Tasmania from 2004 and Chair from January 2006 to May 2008 before becoming the inaugural Chair of the Skills Institute formed as part of the Tasmania Tomorrow reforms.

James is Chair and executive director of a family company that owns and operates a number of businesses in Tasmania. He is also a director and Chair of Plastic Fabrications Pty Ltd and an owner and director of Intuit Technologies.

He is Deputy Chair of the Tourism Industry Council of Tasmania and a board member of both The Friends School and TasICT, the peak body for the State's ICT industry.

Mr Richard Crawford

Richard was co-founder of the multi award winning Henry Jones Art Hotel on Hobart's waterfront, while other former business interests include Tas Vacations and Thrifty Car Rental, Tasmania. Richard is a Board member of the Fahan School, he is spokesperson and treasurer for the Hobart Waterfront Business Community Inc, and has previously been Director of Tennis Tasmania and the Tourism Industry Council Tasmania. Richard operates a consultancy business, providing commercial and marketing services to private and public sector clients in Tasmania.

Dr Suzanne Martin

Suzanne Martin holds a Bachelor of Veterinary Science from Sydney University and has over twenty years post-graduate experience in the agricultural sector in Australia and overseas. She has worked as a rural veterinarian in both the private and public sectors, with a particular interest in livestock health and production. She has also worked with the dairy, beef and sheep industries in New Zealand and United Kingdom, and is a graduate of the Tasmanian Leaders Program.

Mr Neville Smith

Neville is currently in a consulting role with the Gunns Ltd Pulp Mill Project – based in Launceston – and has held senior management positions at a number of leading forest industry and manufacturing organisations around Tasmania and Australia. Neville is a former TAFE Tasmania Board director.

Ms Caroline Rockefeller

Caroline has held senior roles in Wholesales Funds Management and in Client Service, Relationship Management and Marketing in the Deutsche Bank and the Macquarie bank. Her roles have included product development, market research, portfolio management, relationship management and client marketing. Caroline is also a Board member of the Motor Accident Insurance Board and the Public Trustee. Caroline is a former TAFE Tasmania Board director.

Mr Fritz Shoemaker

Fritz is currently working as the Chief Operating Officer for the PFG Group Pty Ltd, a diversified plastic manufacturing business. Fritz is also a board member for BlueLine Laundry and Employment and Hexcyl Systems. He has a Masters in Business Administration is a Fellow of the Australian Human Resources Institute and a member of the Australian Institute of Management.

Ms Diane Edgerton

Diane Edgerton has a strong business background and is currently the CEO of SERS Sheetmetal and Roofing Services, a business that employs more than 50 people. Diane has been an active member of several Boards and sub-committees over the years and was also one of the Tasmanian Finalists for the Telstra Business Women's Awards in 2003. Diane concluded her Board appointment on 30th September 2011.

Ms Kathryn Thomas

Kathryn has a global role with IBM and leads teams that develop and deliver professional development and educational programs for IBM staff.

Kathryn's background is in education. She has previously held roles as a teacher, Vice-Principal and a Global Learning Leader for PriceWaterhouseCoopers. She is currently Director of the Tasmanian Early Years Foundation and formerly a Director of the Tasmanian Leaders Program, where she remains a Leadership Champion. She was formerly a director of the Tasmanian Polytechnic and Interim Chair from May 2010 to May 2011. Kathryn is also a National Speakers Ambassador for the National Breast Cancer Foundation. Kathryn filled a Board vacancy on 1st October 2011.

MINISTERIAL DIRECTIVES

For the period 1 July 2011 – 30 June 2012, no directives were received.

INITIATIVES

During the course of 2011-12 the Board:

- Conducted a performance assessment of the CEO
- Amended the Audit Committee Charter
- Reviewed Probity Requirements of Directors
- Considered Board Succession

MEETINGS OF DIRECTORS

During the reporting period, nine Board meetings, four Audit Committee meetings, and four Finance Committee Meetings were held.

Table 1: Number of meetings of the Skills Institute Board of Directors and each of the Board Committees held during the year ended 30 June 2012 and the number of meetings attended by each Director:

	Board Meetings held	Board Meetings attended	Audit Committee meetings held	Audit Committee meetings attended	Finance Committee meetings held	Finance Committee meetings attended
James Cretan	9	9	N/A	N/A	4	4
Caroline Rockefeller	9	7	N/A	N/A	4	4
Neville Smith	9	9	4	4	4	4
Suzanne Martin	9	8	N/A	N/A	N/A	N/A
Richard Crawford	9	7	N/A	N/A	N/A	N/A
Diane Edgerton *	2	1	N/A	N/A	N/A	N/A
Fritz Shoemaker	9	8	4	4	4	4
Kathryn Thomas **	7	5	N/A	N/A	N/A	N/A

* Term expired 30 September 2011

** Appointed 1 October 2011

SENIOR OFFICERS

Senior Officers as at 30 June 2012 were:

Chief Executive Officer	Malcolm White
General Manager Operations	Gail Eaton-Briggs
Senior Finance Manager	Lee Leon
Manager Learning & People Development	Kim Foss
Manager Business Development & Marketing	Jan Edwards

SENIOR STRUCTURE

To help us deliver services effectively and efficiently to our customers, our organisational structure is based on four discrete but complementary functions.

EXECUTIVE SERVICES

Working with the Board, Executive Services plans the strategic direction of the Skills Institute, aligning it to the expectations of the Government, customers and the market. Executive Services supports the Minister and the Board in their roles, and guides how we engage with major stakeholders within the public sector and externally.

OPERATIONS – TRAINING DELIVERY

The core business of training delivery is conducted in this division. The work of the teaching delivery units is supported by a number of functions including Organisational Development, Continuous Improvement, Compliance, Product and Professional Development.

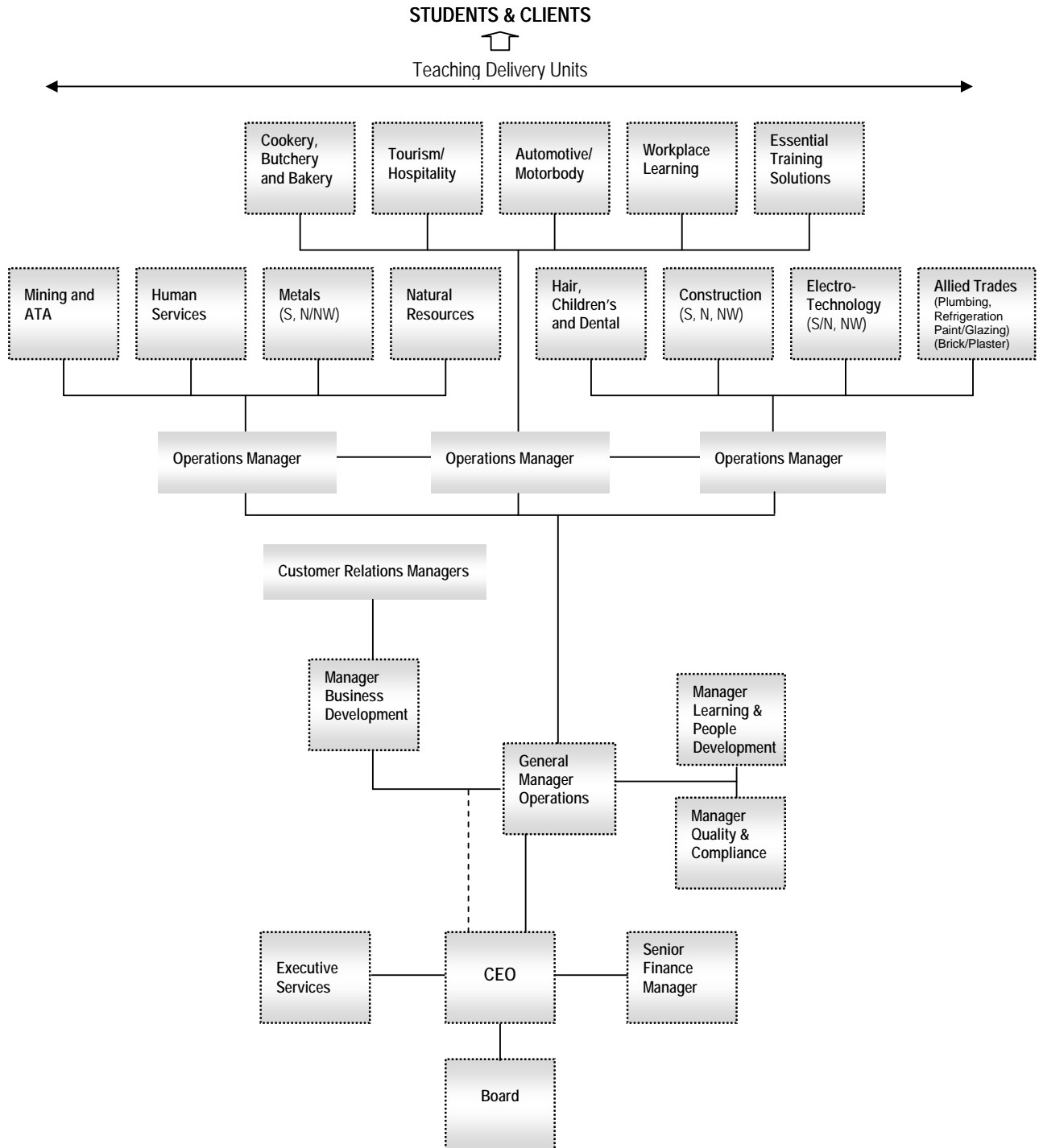
BUSINESS DEVELOPMENT & MARKETING

The Business Development & Marketing group (formerly Sales & Marketing) has the role of building business through sales of training and ensuring that customer needs are met throughout their engagement with us. The group is responsible for overall direction and advice about growth opportunities, general marketing activities and public relations.

FINANCIAL CONTROL

The Senior Finance Manager controls the finances of the Skills Institute and manages corporate functions including protocols with the Department of Education for the provision of certain corporate services.

ORGANISATIONAL STRUCTURE



TRAINING STATISTICS

ENROLMENT DATA

Table 2: Total Enrolment Data

	Total	Male	Female
Number of Annual Hours of Contact	3,325,106	2,406,611	918,495
Number of Students	23,463	17,213	6,250
Number of competency units (module enrolments)	124,415	93,753	30,662
Number of qualifications (qualification enrolments)	29,071	21,628	7,443

SOURCE: 2011 TSI AVETMISS* Data Collection.

* Training Organisations that receive government funding for VET training have national and state/territory reporting obligations. The Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) is a nationally agreed set of rules that facilitates the collection of consistent and accurate information on the vocational education and training (VET) sector.

Table 3: Number of Annual Hours Curriculum by Industry Group

Industry Group	Total	%	Male	%	Female	%	Accredited Training	%	Non-Accredited Training	%
Allied Trades	278,552	8%	277,174	100%	1,378	0%	278,005	100%	547	0%
Automotive	293,181	9%	290,343	99%	2,838	1%	292,874	100%	307	0%
Business	462,525	14%	251,861	54%	210,664	46%	459,865	99%	2,660	1%
Construction	393,545	12%	386,232	98%	7,313	2%	391,874	100%	1,671	0%
Electrotechnology	192,748	6%	190,686	99%	2,062	1%	184,346	96%	8,402	4%
Hair & Beauty	64,702	2%	1,944	3%	62,758	97%	64,702	100%	-	0%
Human Services	519,243	16%	65,228	13%	454,015	87%	517,981	100%	1,262	0%
Metals & Manufacturing	329,501	10%	324,541	98%	4,960	2%	318,357	97%	11,144	3%
Mining	74,942	2%	70,627	94%	4,315	6%	35,732	48%	39,210	52%
Natural Resources	419,868	13%	377,004	90%	42,864	10%	419,198	100%	670	0%
Tourism, Hospitality & Food	263,174	8%	148,836	57%	114,338	43%	258,736	98%	4,438	2%
Workplace Learning & Development	33,125	1%	22,135	67%	10,990	33%	33,125	100%	-	0%
	3,325,106	100%	2,406,611	72%	918,495	28%	3,254,795	98%	70,311	2%

SOURCE: 2011 TSI AVETMISS* Data Collection.

Table 4: Number of Enrolments (Qualification) by Industry Group

Industry Group	Total	%	Male	%	Female	%	Accredited Training	%	Non-Accredited Training	%
Allied Trades	1,768	6%	1,760	100%	8	0%	1,731	98%	37	2%
Automotive	1,425	5%	1,395	98%	30	2%	1,331	93%	94	7%
Business	3,450	12%	2,153	62%	1,297	38%	3,307	96%	143	4%
Construction	4,812	16%	4,645	97%	167	3%	4,592	95%	220	5%
Electrotechnology	2,124	7%	2,077	98%	47	2%	1,544	73%	580	27%
Hair & Beauty	395	1%	12	3%	383	97%	395	100%	-	0%
Human Services	3,227	11%	547	17%	2,680	83%	3,011	93%	216	7%
Metals & Manufacturing	2,400	8%	2,350	98%	50	2%	2,286	95%	114	5%
Mining	1,575	5%	1,474	94%	101	6%	268	19%	1,307	83%
Natural Resources	3,662	13%	3,254	89%	408	11%	3,615	99%	47	1%
Tourism, Hospitality & Food	4,118	14%	1,897	46%	2,221	54%	3,529	86%	589	14%
Workplace Learning & Development	253	1%	159	63%	94	37%	253	100%	-	0%
	29,209	100%	21,723	74%	7,486	26%	25,862	89%	3,347	11%

SOURCE: 2011 TSI AVETMISS* Data Collection.

NOTE: These figures are slightly inflated as they are derived from individual team figures. Some students are enrolled in the same qualification with different teams. The numbers of individual qualification enrolments is 29,071.

Table 5: Number of Annual Hours Curriculum by Fund Source - Purchase Agreement and Other (Commercial)

Fund Source	Total	Male	Female	Accredited Training	Non-accredited Training
Purchase Agreement	1,380,174	1,215,763	164,411	1,380,174	-
Other	1,944,932	1,190,848	754,084	1,874,621	70,311
Total	3,325,106	2,406,611	918,495	3,254,795	70,311

SOURCE: 2011 TSI AVETMISS* Data Collection.

Table 6: Competency Enrolments by Fund Source - Purchase Agreement and Other (Commercial)

Fund Source	Total	Male	Female	Accredited Training	Non-accredited Training
Purchase Agreement	55,760	50,286	5,474	55,760	-
Other	68,655	43,467	25,188	64,910	3,745
Total	124,415	93,753	30,662	120,670	3,745

SOURCE: 2011 TSI AVETMISS* Data Collection.

Table 7: Participants (Students) by Age Group and Gender

Age Group	Total	Male	Female
14 & under	39	14	25
15 - 19	4,470	3,298	1,172
20 - 24	3,844	2,929	915
25 - 29	2,532	1,883	649
30 - 34	2,079	1,551	528
35 - 39	2,411	1,768	643
40 - 44	2,217	1,538	679
45 - 49	2,204	1,560	644
50 - 54	1,798	1,261	537
55 - 59	1,134	823	311
60 - 64	576	459	117
65+	142	119	23
Not Stated	17	10	7
Total	23,463	17,213	6,250

SOURCE: 2011 TSI AVETMISS* Data Collection.

- NOTES:
- Hours calculations exclude Carry Over (CO) and Credit Transfer (CT) results.
 - Student and qualification calculations include CO and CT results.
 - Competency enrolment calculations include CO results and exclude CT results.

Table 8: Indigenous Students as a Percentage of Total Enrolments

Indigenous Status	2011			2010			2009		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
Identify as Indigenous	239	514	753	192	583	775	139	407	546
Total Students	6,250	17,213	23,463	6,262	19,637	25,903	5,139	14,577	19,718
Indigenous students as a % of total	3.82%	2.99%	3.21%	3.07%	2.97%	2.99%	2.70%	2.79%	2.77%

SOURCE: Skills Institute Data

Table 9: Contracts of Training

	2012 Active	2011 Active	2010 Active	2009 Active	2012 Commence- ments	2011 Commence- ments	2010 Commence- ments	2009 Commence- ments
Allied Trades	823	904	846	597	183	202	271	181
Automotive	630	715	688	769	153	150	155	183
Business	430	381	319	338	121	204	131	138
Construction	884	1091	1218	1238	170	247	377	239
Electrotechnology	614	730	810	873	132	138	168	152
Hairdressing	255	281	285	273	106	59	107	70
Human Services	481	399	299	232	149	130	165	143
Metals	693	786	791	819	196	212	181	170
Mining	176	249	258	335	32	53	8	37
Natural Resources	323	338	340	196	134	116	169	131
Tourism & Hospitality	552	586	729	754	196	210	228	232
Workplace Learning & Development	56	35	56	160	14	18	6	35
TOTALS	5917	6495	6639	6584	1586	1739	1966	1711

SOURCE: The Apprenticeship Unit, Skills Institute

NOTES: • Active as at 30 June each year

- Covers Government funded Apprentices and Trainees under a purchaser-provider agreement with Skills Tasmania (MoU funding), User Choice, Productivity Places Program and some commercial contracts.

Table 10: Language, Literacy and Numeracy Support (LLN)

Support Category	Measure
Total number of apprentices/trainees that received LLN support	120
Number of apprentices/trainees North West	30
Number of apprentices/trainees North	43
Number of apprentices/trainees South	47
Total number of support hours provided	1805
Literacy only - number of learners and support hours	27 apprentices*/428 hours
Numeracy only - number of learners and support hours	66 apprentices/719 hours
Combined literacy/numeracy	23 apprentices/539 hours
Study Skills and ICT (information and communications technology)	6 apprentices/119 hours
Number of recipients - intensive support (50-99 hours support)	5 apprentices
Number of recipients - moderate support (20-49 hours support)	23 apprentices
Number of recipients - light support (1-19 hours support)	92 apprentices

SOURCE: Additional Tutorial Assistance Report 2011

*Apprentices is a reference to combined trainees and apprentices.

EMPLOYER & LEARNER SURVEY DATA

Table 11: Employer Satisfaction - VET National (NCVER 2011 and 2009) Employers who are satisfied that training is meeting their skill needs

	2011 Satisfied	2009 Satisfied
Employers using nationally accredited training	88.5%	85.8%
Employer satisfaction for VET apprenticeship/ Traineeship training	82.7%	83.2%

Table 12: Employer Satisfaction Skills Institute (EMRS)

Area of focus	2012 Satisfied (agree or strongly agree)	2011 Satisfied (agree or strongly agree)
Overall we are satisfied with the training	86%	91%
The training focused on relevant skills	90%	95.9%
Our employees gained the skills they needed from this training	84%	93.9%
Our employees gained the knowledge they needed from this training	86%	94.9%

Results from 310 respondents in 2012 and 392 respondents in 2011

Table 13: Summary of NCVER Student Outcomes December 2011

Outcome	Skills Institute	TAFE Australia	VET Providers Tasmania	VET Providers Australia
Employed after training	90.6%	77.1%	81.2%	77.4%
Employed or further study After Training	93.2%	87.4%	88.2%	87%
Satisfied with the overall quality of the training	91.8%	89.7%	90.6%	89.3
Fully or partially achieved main reason for doing the training	93.1%	85.8%	89.0%	85.7%
Those not employed before training, that were employed after training	55.7%	41.5%	42.2%	44.0%

SOURCE: NCVER Student Outcomes 2011

Table 14: Skills Institute Learner Survey (EMRS)

Statement	2012 Agree or Strongly Agree (%)	2011 Agree or Strongly Agree (%)
I developed the skills expected from this training	94%	94%
I developed the knowledge expected from this training	93%	95%
The training focussed on relevant skills	94%	94%
Overall I am satisfied with the training	93%	94%
The training was flexible enough to meet my needs	95%	96%
I would recommend the training to others	95%	95%

Results from 3,000 respondents in 2012 and 2,031 respondents in 2011

WORKFORCE INFORMATION *(TSI Staff)*

Table 15: Employee Head Count by Age Group and Gender:

Age	Female		Male		June 11 total		Female		Male		June 12 total	
15-24	2	100%			2	1%	2	100%			2	1%
25-34	17	74%	6	26%	23	6%	14	82%	3	18%	17	5%
35-44	37	39%	59	61%	96	25%	29	41%	41	59%	70	22%
45-54	48	35%	91	65%	139	37%	46	36%	83	64%	129	41%
55-64	25	23%	86	77%	111	29%	26	29%	64	71%	90	29%
65+	1	11%	8	89%	9	2%	1	17%	5	83%	6	2%
Total	130	34%	250	66%	380	100%	118	38%	196	62%	314	100%

SOURCE: Corporate Services HR Records

Table 16: Persons Employed by the Number of Years Employed

Less than 1	1
1 to less than 3	19
3 to less than 5	47
5 to less than 10	113
10 to less than 15	44
15 to less than 20	30
20 and over	60
TOTAL	314

SOURCE: Corporate Services HR Records

Table 17: Persons Employed by Employment Status and Gender

	15-24	25-34	35-44	45-54	55-64	65+	Total
Allied Health Professional							
Education Facility Attendant				1	3		4
Operational							
Officers				1	1		2
Teacher Aide							
Teaching Service		8	55	96	65	5	229
TSSA General	2	9	15	31	21	1	79
TSSA Professional							
Total	2	17	70	129	90	6	314
Jun-11	2	23	96	139	111	9	380

SOURCE: Corporate Services HR Records

Table 18: Persons Employed in Regions of Tasmania

Tasmania Skills Institute	North	100
	NW	73
	South	141
Tasmania Skills Institute Total		314

SOURCE: Corporate Services HR Records

Table 19: Employee Head Count by Status and Full/Part Time for Gender

		Female		Male		Jun-11	Female		Male		Jun-12
Permanent	Full Time	65	24%	203	76%	268	59	26%	168	74%	227
	Part Time	46	65%	25	35%	71	43	73%	16	27%	59
<i>Permanent Total</i>		111	32%	228	68%	339	102	33%	184	59%	286
Fixed term	Full Time	6	27%	16	73%	22	8	57%	6	43%	14
	Part Time	12	80%	4	20%	15	7	58%	5	42%	12
<i>Fixed term Total</i>		18	47%	20	53%	38	15	58%	11	42%	26
SES/HoA Contracts		1	33%	2	67%	3	1	50%	1	50%	2
Total		130	34%	250	66%	380	118	38%	196	62%	314

SOURCE: Corporate Services HR Records

Table 20: Separations (all Employment Status Types)

Category	Reason	Head Count	FTE
Fixed Term	Early Termination of Contract	2	2.00
	End of Contract	7	6.22
	Resignation	2	1.50
Permanent	Deceased	1	1.00
	End of Contract	2	1.00
	Redundancy	20	18.52
	Resignation	8	7.00
	Retirement	11	8.85
Grand Total		52	46.09

SOURCE: Corporate Services HR Records

Table 21: Employee Head Count Salary Profile by Gender

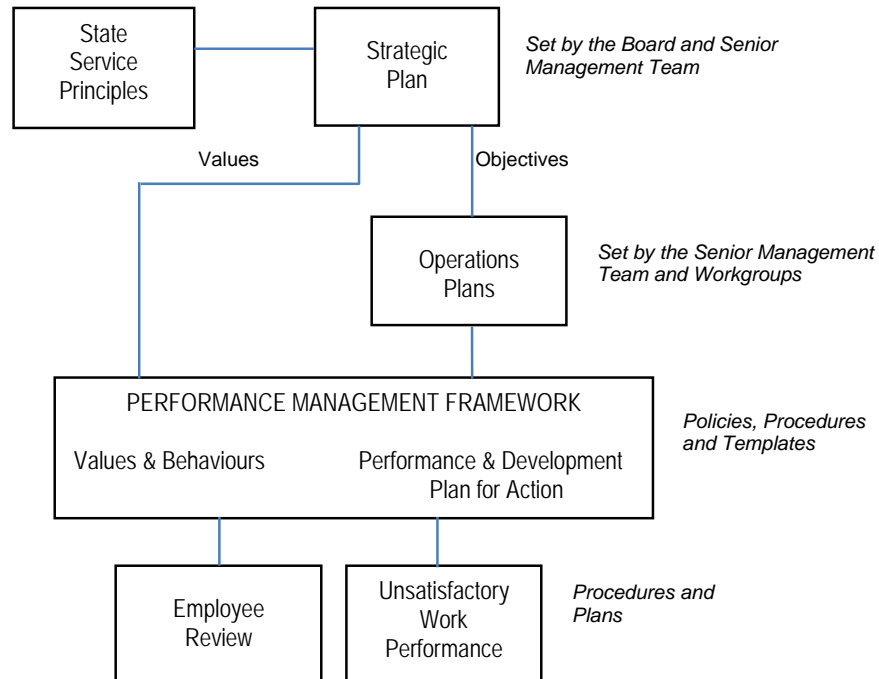
Annual Salary* (\$)	Female	Male	Jun11	Female	Male	Jun12	Variation
10,000 – 19,999	4	2	6	3	1	4	2
20,000 – 29,999	10	6	16	5	4	9	7
30,000 – 39,999	22	7	29	17	4	21	8
40,000 – 49,999	33	21	54	21	11	32	22
50,000 – 59,999	4	14	18	20	15	35	17
60,000 – 69,999	16	27	43	15	11	26	17
70,000 – 79,999	13	95	108	10	86	96	12
80,000 – 89,999	20	68	88	21	59	80	8
90,000 – 99,999	3	2	5	1	1	2	3
100,000 – 109,999	4	6	10	2	3	5	5
110,000 – 119,999				2		2	2
120,000 – 129,999							
130,000 – 139,999		1	1			0	1
Over \$140,000	1	1	2	1	1	2	0
Total	130	250	380	118	196	314	66

SOURCE: Corporate Services HR Records

PERFORMANCE MANAGEMENT

Ministerial Direction 26 requires agencies to report in their Annual Report on activities and effectiveness of their Performance Management System in relation to three key categories below.

Alignment - The diagram below outlines the policy and process framework for managing staff performance at the Skills Institute.



Operation of the Performance Management System

Policies, procedures and templates are in place for:

- planning and review of employee performance and career development; and
- management of underperformance

Performance management is linked through the annual strategic and operational planning cycles of the organisation. Expectations of managers to implement and sustain the performance management program are set in the internal 'Blueprint for Operational Effectiveness' document. Staff have reported that they value the opportunity to clarify expectations of the organisation and receive feedback on their performance from their manager.

Quantitative Indicators

Participation: Approximately 86% of permanent and fixed term staff participated in a performance and career development discussion with their manager during the last 12 months.

Three performance improvement discussions were held during the 12 month period.

Training: Mandatory 2 day Performance Management training workshops were conducted for all managers during October and November 2011.

COMPLIANCE REPORTING

RIGHT TO INFORMATION REQUESTS

During the period 1 July 2011 – 30 June 2012, no requests were received under the Right To Information Act 2009.

Source: Skills Institute data

PUBLIC INTEREST DISCLOSURES

The Skills Institute is committed to the aims and objectives of the Public Interest Disclosure Act 2002. The Skills Institute recognises the value of transparency and accountability in its administrative and management practices.

From 1 July 2011 to 30 June 2012 there were no public interest disclosure matters.

Source: Skills Institute data

ENERGY CONSERVATION

We acknowledge the need to lead by example in environmental sustainability and an excellent example of this is the new Sustainable Tourism and Hospitality Training Centre in Launceston which was opened in July 2011.

Our facility provides a sustainably better environment outcome especially in the areas of:

- Energy Consumption Reduction in lighting and energy consumption from current levels
- Water Usage – recycled rain water through toilets and irrigation systems
- Waste minimisation reduction through direct on-site re-use and waste segregation for offsite recycling
- Transportation – the site can be easily accessed by public transport. Dedicated secure bicycle parking is provided along with change and shower facilities to encourage students and staff to use bicycle transport
- Natural lighting levels to reduce the need for electric lighting and linked to automatic controls to maintain safe working levels

Natural ventilation has been used reducing air conditioning in classrooms and offices. As an example of the savings, the old Tourism and Hospitality building used 401,394.364 KWH costing \$79,527 in the 2010/2011 financial year compared to the new Green Training Centre at 135,245.309 KWH, costing \$32,111 in 2011/2012.

We encourage our students to participate in modules of sustainability such as:

- Participate in environmentally sustainable work practices
- Implement and Monitor environmentally sustainable work practices
- Develop workplace policy and procedures for sustainability.

Such modules ensure that the learner is able to identify and integrate environmentally sustainable practices into their work practices in doing this they follow predetermined procedures along with improvement of environmental and resource efficient work practices and incorporate principles of environmental sustainability into their workplace. With our encouragement we have seen an increase of 67% of Tourism and Hospitality learners adding at least one of these units to their training program compared with 2010 figures.

Our Construction Green Skills Centre of Excellence at Alanvale, also opened in July 2011, maximises natural lighting to reduce the need for artificial lighting with energy efficient lighting installed throughout. The building management system controls heating and cooling to achieve optimum efficiency and reduce operational costs. Rainwater is harvested to supply the toilet facilities while landscaping of the site utilises drought tolerant plantings that, when established, will survive on natural rainfall.

CONSULTANTS AND CONTRACTORS

The Skills Institutes policy on procurement of goods and services reflects the principle contained in the Tasmanian Government's Buying for Government website, relevant Treasurer's Instructions (TI). Climate change considerations are factored into procurement decisions.

Table 22: Awarded Procurements \$50,000 and over for the period 1 July 2011 30 June 2012

Contractor/s	Location of Contractor	Description of Contract	Period of Contract	Total Contract Value	Number of Bids	Number of Tasmanian Bids
Nil						

Table 23: Exemptions Approved for 20112012

Goods and Services Exemption – TI 1107				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Goods and Services Exemption – TI 1106				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Disposal Exemption				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Exemption – from TI 1112				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Building and Construction and Roads and Bridges Exemption				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Contract Extension TI 1115				
Date of Request	Supplier	Description	Estimated Value	Date of Decision
Nil				

Source: Tasmanian Government Tenders website and Skills Institute data

OPERATIONS REPORT

The focus of Operations is to ensure the Skills Institute (TSI) has the capability to develop and provide products and services that our customers need at the standard, time and place that they require. To this end, Operations use a framework to guide the development of operating strategies, tactics and actions that build and assure capability and quality. These are our Building Blocks.

The following areas are located in Operations:

- Delivery unit and Industry Skills Groups
- Learning Support
- People Development
- Operations Managers
- Quality and Compliance
- Business Development and Marketing
- Customer Relations Managers
- Data and Payment Coordination



OPERATIONAL HIGHLIGHTS

Our People

Staff Support and Engagement

In a period of strong focus on restructuring the organisation to staffing levels that are in alignment with current training demand and budget, staff have been supported in many ways including extensive use of Employee Assistance Programs, and regular updates from the CEO. Other engagement strategies have included Staff Consultative Groups convened regularly in each region by the CEO and extensive consultation with teaching staff prior to the Post Year 10 Industrial Agreement negotiations commencing.

During the year the Skills Institute implemented an internal training program for its administration staff: Leading Excellence in Administration Practice Program (LEAPP). Primary aims included consistent application of policies, procedures, processes, all tasks completed the “TSI way” and accurate data entry. All participants have had a Personal Action Learning and Doing Plan with many changes in practice are evident as a result of this program.

A Health and Wellbeing Committee implemented and oversaw a range of initiatives such as Health & Wellbeing Plan, Corporate Health Insurance with MBF, Employee Assistance Program, Mental Health Workshops, Corporate Challenge (Hydrawalk) and Staff discounts at Uni Gym at University of Tasmania.

Professional development for teachers has occurred in a range of areas including training plan negotiation, application of co-assessment, credit transfer and recognition arrangements and new National VET Regulatory arrangements. Additionally we have worked with Level 9 teaching staff with the aim of building capability and organisational capacity.

The Skills Institute sponsored Customer Relations Manager, Melinda Thomas, to participate in the highly acclaimed Tasmanian Leaders Program. Melinda reported:

“The lessons I learned from my fellow graduates will be critical in my own personal and professional development. Interactions through the Leaders Program have enabled me to understand what makes people achieve and how to assist them to develop their full potential”.

Teaching & Learning

Support for Learners (OzHelp program)

The OzHelp Skills for Life Student Support Program provided counselling and support services to learners to help manage workplace and personal issues, and increase retention and completion outcomes. OzHelp counsellors’ observations, learner/participant feedback and external evaluation reveal that the main issues arising for learners remain fairly constant and are in line with many of the national studies in this regard with the areas of relationships, finance, anxiety, apprenticeship/employment issues. All of which present as challenges and impact on participation and completion. External evaluation of the support program conducted by the University of Tasmania highlighted that the early identification of problems (or potential problems) was identified as a significant benefit of the program.

Retention and Participation 15–19 year olds

In 2010 and 2011, the Skills Institute has contributed to the State targets for the Youth Attainment and Transitions National Partnership (YATNP) through its Life Skills program, provided by OzHelp. This program has assisted 15 – 19 year olds to stay in training and the Skills Institute has received payments for assisting Tasmania to reach its targets.

Innovation

TSI is driving innovation through the Mobile Training Centre (MTC), by trialling the provision of accessible training solutions for apprentices, trainees and employers in remote locations. Through the “Speed on Wheels” project, the MTC was trialled in the first round National Broadband Network sites and enabled a virtual classroom approach which included simultaneous audio and video streaming to enable live streaming which gives students and trainers the opportunity for live questioning, virtual blackboards, workplace simulations and live linkups with industry experts.

To view firsthand the MTC being used with Skills Institute students in remote locations across Tasmania, please visit the following link: <http://vimeo.com/audaciousmedia/review/41822097/d886421878>

Working in partnership with industry the Skills Institute received funding for the ELearning Innovations (Australian Flexible Learning Framework) projects:

My Profiling meets Hairdressing (2011) – partner with Stephen Roney Hairdressing, Kamelon Hair and Beauty Salon, Duo’s Hair and Beauty Salon; and,
Partners in Plastering (2011) – partnering with HiLite Plaster.

Literacy and Numeracy

Support for trainees and apprentices is provided by specialist teachers at the Skills Institute under the Additional Tutorial Assistance (ATA) program. In 2011 the Skills Institute provided support for 120 apprentices and provided 1805 hours of funded support.

Of the 120 apprentices, 22% accessed literacy support only, 20% accessed numeracy support only and 58% accessed a combination of literacy and numeracy support. The majority of support was provided to apprentices in the Automotive, Construction, Electrotechnology and Metals trades.

The Skills Institute also supports workplace literacy through many projects funded through the Commonwealth Workplace English Language & Literacy (WELL) program including projects with Petuna Seafoods, LION Nathan, Harvest Moon, Harding Hotmix and BreakO’Day Council.

Support for Teachers

The Skills Institute staff intranet includes a Navigation Wheel which has been revised and updated to ensure that teachers are aware of recent changes to teaching and learning policy and practice and, are able to access a teacher’s handbook, relevant policies, procedures and related documentation, forms and templates.

Higher Education Learning Pathways

In 2012 the Skills Institute collaborated with University of Tasmania to offer three scholarships to individuals who had completed a Certificate III, IV, Diploma or Advanced Diploma level within the last 3 years. Recipient Elleke Leurs who had completed a Certificate III Aged Care will study a Bachelor of Health Science and stated “the opportunity you have given me has changed my life”. Tannille Hartog who completed Certificate III in Hairdressing will study Nursing and Daly Hayers, who has completed Certificate III/Certificate IV in Plumbing, will study Engineering.

The Skills Institute teachers actively encouraged apprentices to participate in WorldSkills Australia with the great majority of World Skills Medal Winners being trained by the Skills Institute and selected in the Tasmanian team that compete nationally. Customer Relations Manager, Tony McKinlay says “The Skills Institute invests in a Competitor Mentoring Program which builds the platform for competitors to feel confident about themselves, not only while competing at WorldSkills events but gaining lifelong skills and self esteem that will serve them well throughout their life.”

Recognition of Prior Learning

The 3 year program has concluded in the Children’s Services sector. Of the 135 recognition candidates who worked through the recognition process, 28 have now completed the Diploma of Children’s Services, whilst other candidates achieved one or more units through RPL and the majority are now well on their way to completing the Diploma through a training pathway. Sixty two child care centres from across the state participated in the program, including remote areas such as Queenstown, Circular Head, Scottsdale, Bridport, St Helens, St Marys, Bicheno, Tasman and Cygnet.

'My Profiling' is a web-based program that allows electronic recording and tracking of workplace tasks by apprentices, which are also accessible by their employers and teachers, making the collection of evidence for assessment much easier and less paper intensive. This program has been rolled out statewide in Electrotechnology, Refrigeration and selected Hairdressing salons.

Products/Services/Customer Engagement

- The Tourism and Hospitality group in cooperation with Liquor & Gaming Branch developed interactive online versions of Responsible Conduct for Gambling (RCG) and Responsible Service of Alcohol (RSA) incorporating multimedia and social networking tools. These courses have been subsequently approved by the Commissioner for Licensing. In 2011 we enrolled 271 in RCG and 995 were enrolled in RSA.
- Tasmanian Industry and Mining Induction (TIMI) is an online OHS induction. In 2011 approximately 1,000 participants were enrolled in this course primarily from mining sites including Copper Mines of Tasmania, MMG Rosebery, Mancala (nationally), BCD Beaconsfield, Bluestone Renison and BHP Temco.
- The Skills Institute prioritises customer and industry engagement as a primary organisational priority. One of key features of this commitment is the work of the Customer Relations Managers who have responsibility for customer and industry engagement across a range of industry sectors focusing on workforce development needs and are central to our success in building positive stakeholder relationships.

An example of customer engagement is the work undertaken by Customer Relations Manager, Denise College in partnership with the Van Diemen's Land Company (VDL). With VDL, TSI successfully applied for 2012 Productivity Places Program+ (PPP) funding to support the delivery of a number of identified skill sets. Predominately in high risk work areas (including chainsaw operations, quad bikes, chemical handling, 4WD and First Aid) the training will provide participants with the capability to ensure activities are undertaken to the highest safety and environmental standards and that VDL and their employees meet strict legislative and regulatory requirements. This initiative has provided a calendar of training and provides for 265 training places across 10 skill sets.

- The establishment of the Service Centre in 2011 supports the Skills Institute's ethos of a positive 'customer experience'. The Service Centre provides a central point of contact via our 1300 telephone number and internet for all existing and prospective clients on behalf of the Skills Institute as well as supporting internal clients.
- The Skills Institute received the Education and Training Award at the prestigious 2011 Tasmanian Tourism Awards. The reward recognised the Skills Institute's dedication and success in providing flexible tourism training and qualifications that align to the needs and standards of Tasmanian tourism industry operators.

Air Conditioning Mechanical Contractors Association (AMCA)

The Skills Institute's relationship with AMCA is a strong partnership evidenced by the commitment to jointly upgrading the facility and equipment at the Plumbing/Refrigeration facility at Claremont. AMCA members and wholesalers provided \$100,000 in new Mechanical Services and Air Conditioning equipment, plus labour to install and update the a test rig. This has provided current technology for apprentices to further develop their skills.

The Community Sector

Our connection to employers and industry associations is strongly demonstrated by their participation in our Regional Award Ceremonies where we received over 150 donations of prizes for our recipients. Further indications of industry and employer support received by the Skills Institute are recent donations of Automotive equipment such as those from Veolia and Motors Ltd including a vehicle equipped with the latest electronic systems.

NBN Co & Aurora

TSI has worked closely with NBN Co. to gain NBN Approved Provider Status. This enables the Skills Institute to deliver the NBN Safety Induction Program to contractors and specific fibre splicing training for the project.

The Skills Institute continues to work closely with Aurora and will deliver training for the NBN at the jointly badged new training facility at the Aurora training centre at Mornington. The Centre which was opened by the Premier on 11 May 2012 is a 'state of the art' facility focused on the NBN and telecommunications training.

Facilities, ICT and Equipment

Equipment Purchases

Equipment was purchased to support workplace health & safety including purchase of a grinder table for the glazing area and two post hoists for Motorbody to eliminate a manual process.

The South Burnie site continues to develop with the growth of staff in the Human Services area joining the existing Construction staff. The South Burnie facility has provided the Skills Institute with an opportunity to co-locate staff from different vocational areas and functions together.

Systems and Processes

Quality Management System

The Skills Institute successfully managed a series of changed compliance requirements associated with the changed regulatory regime to the new national VET Regulator, the Australian Skills Quality Authority (ASQA).

The VET Quality Framework (VQF) Quality & Compliance Council has been established as an internal group to raise the status of the importance of adherence to the VQF by all TSI staff. In addition a system of rigorous internal audits and follow up action has been established, along with the development of a Quality and Compliance Scorecard.

WORKPLACE HEALTH, SAFETY & WELLBEING

An overarching focus for 2011 was:

- Reducing notifiable incidents
- Increasing the identification of hazards
- Reducing lost time due to injury/illness
- Supporting a healthy and safe environment

Key achievements for the period include:

- Collaborative work with the Polytechnic with regard to WH&S Committees and evacuation planning
- Training was completed for Wardens, Responsible Officers, First Aid Officers, Employee Safety Representatives and CPR refresher for First Aid Officers
- Central hazard register put in place
- Testing and Tagging on all campuses carried out
- Safe Driver Policy reviewed and updated in relation to the use of mobile phones

Early in 2012 we commissioned an independent audit of safety management systems at the Skills Institute. The recommendations are currently being implemented by a team consisting of the CEO, Responsible Officers and interested staff.

Three notifiable incidents occurred for the period 1 July 2011 – 30 June 2012:

- Electric Shock - Student at Electrotechnology, South Burnie Campus
- Laceration - Student at Glazing, Clarence Campus
- Laceration - Student at Metals, Devonport Campus

Table 24: Workers (Staff) compensation claims for the period 1 July 2011 – 30 June 2012

Type	Number of Claims	Cost
Workshop accidents	7	\$24,793
Stress	2	\$148
Total	9	\$24,941

SOURCE: Corporate Services HR Records

Total staff time lost due to Workers Compensation was 703.5 hours.

HEALTH AND WELLBEING

The Skills Institute offers staff a range of health and wellbeing programs in key priority areas as identified through the health and wellbeing survey. These are; programs that promote physical activity, weight status, healthy eating and managing stress.

Our Health and Wellbeing Committee implements a range of initiatives and oversees our staff intranet health and wellbeing specific page with policies, information and links to a range of services and programs.

During 2011/12 the range of programs and initiatives offered and promoted to all staff included:

- HydraWalk Corporate Health Challenge
- Connecting with Mental Health & Wellbeing in the Workplace
- Encouraged staff to take responsibility for their general health and wellbeing
- Promoted the telephone based Get Healthy Information and Coaching Service
- Discount membership for staff at the UniGym
- Provided staff with seasonal influenza vaccinations
- Promoted and sold the Entertainment Book with a vast range of discounts available at a number of gyms, sports stores and outdoor activities. The proceeds from the sale of the book were donated to the Cancer Council.

In 2011 the Skills Institute was awarded a State Government grant from the Healthy@Work program to provide free workshops for all Staff in Mindfulness and Nutrition Workshops.

FINANCIAL STATEMENT & REPORT



Statement of Certification

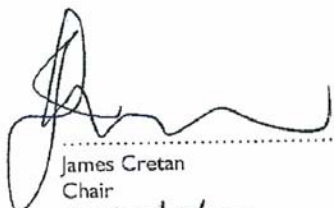
In the opinion of the directors of the Skills Institute:

- (a) the financial statements are drawn up so as to give a true and fair view of the results and cash flows for the period ending 30 June 2012 and the state of affairs of the Authority;
- (b) the accounts have been made out in accordance with the provisions of the *Education and Training (Tasmanian Skills Institute) Act 2008*; and
- (c) at the date of this statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

At the date of signing we are not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.

Signed in accordance with a resolution of the directors:


.....
James Cretan
Chair
Dated: 18/08/2012


.....
Director



Independent Auditor's Report

To Members of the Parliament of Tasmania

Tasmanian Skills Institute

Financial Report for the Year Ended 30 June 2012

I have audited the accompanying financial report of the Tasmanian Skills Institute (the Authority), which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the Chair and director of the Authority.

Auditor's Opinion

In my opinion the Authority's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2012 and its financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the Section 27 of the *Education and Training (Tasmanian Skills Institute) Act 2008* and Australian Accounting Standards.

The Responsibility of the Directors for the Financial Report

Economic Dependency

Without qualification to the opinion expressed above, I draw attention to Note 1.2 of the financial statements which states:

"The financial statements have been prepared as a going concern. The continued existence of the Skills Institute, in its present form, undertaking its current activities, is dependent on government policy and on continuing funding by Skills Tasmania for the Skills Institute's administration and activities".

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 27 of the *Education and Training (Tasmanian Skills Institute) Act 2008*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying

...1 of 2

appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

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

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office



E R De Santi

Deputy Auditor-General

Delegate of the Auditor-General

HOBART

21 September 2012

...2 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the year ended 30 June 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
Continuing Operations				
Revenue and other income from transactions				
Grants	1.6(a)(b), 4.1	27,213	29,581	26,988
Sales of Goods & Services	1.6(c), 4.2	15,393	12,805	14,343
Interest	1.6(d)	....	37	232
Other Revenue	1.6(f), 4.3	80	454	862
Total revenue and other income from transactions		42,686	42,877	42,425
Expenses from transactions				
Employee Benefits	1.7(a), 5.1	29,763	30,448	30,055
Depreciation	1.7(b), 5.2	2,797	4,316	2,353
Supplies & Consumables	1.7(c), 5.3	7,723	11,526	12,497
Other Expenses	1.7(d), 5.4	1,816	1,579	2,045
Total expenses from transactions		42,099	47,869	46,950
Net operating result from continuing operations		587	(4,992)	(4,525)
Non-operational capital funding				
Grants – works and services	1.6(b), 4.1	....	....	4,334
Total non-operating capital funding		....	....	4,334
Net result from transactions (net operating balance)		587	(4,992)	(191)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1.8(a), 6.1	....	81	(136)
Total other economic flows included in net result		....	81	(136)
Net result		587	(4,911)	(327)
Other economic flows – other non-owner changes in equity				
Changes in physical asset revaluation reserve		....	....	....
Total other economic flows – Other non-owner changes in equity		....	....	....
Comprehensive Result		587	(4,911)	(327)

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

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in note 2 of the accompanying notes.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position as at 30 June 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
Assets				
<i>Financial Assets</i>				
Cash & Deposits	1.9(a), 11.1	....	1,710	235
Receivables	1.9(b), 7.1	1,927	1,611	1,602
<i>Non-financial assets</i>				
Property, Plant and Equipment	1.9(d), 7.2	94,864	99,649	103,971
Other Assets	1.9(e), 7.3	137	144	126
Total assets		96,928	103,114	105,934
Liabilities				
Payables	1.10(a), 8.1	823	1,130	551
Employee Benefits	1.10(b), 8.2	4,627	5,524	5,587
Other Liabilities	1.10(d), 8.3	282	41	340
Interest Bearing Liabilities	1.10(e), 8.4	....	1,874	....
Total liabilities		5,732	8,569	6,478
Net assets		91,196	94,545	99,456
Equity				
Contributed Equity	10.1	88,333	95,158	95,158
Accumulated Funds	10.1	2,863	(613)	4,298
Total equity		91,196	94,545	99,456

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

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in note 2 of the accompanying notes.

STATEMENT OF CASH FLOWS

Statement of Cash Flows for the year ended 30 June 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
Cash flows from operating activities				
Cash inflows				
Grants		27,213	29,580	26,988
Sales of Goods & Services		15,034	12,752	14,954
GST Receipts		1,157	2,858	3,271
Interest Received		....	37	242
Other Cash Receipts		....	459	861
Total cash inflows		43,404	45,686	46,316
Cash outflows				
Employee Benefits		(30,073)	(30,511)	(30,029)
GST Payments		(1,157)	(2,963)	(3,289)
Supplies & Consumables		(10,340)	(10,821)	(12,068)
Other Cash Payments		(1,834)	(1,877)	(2,044)
Total cash outflows		(43,404)	(46,172)	(47,430)
Net cash from (used by) operating activities	11.2	....	(486)	(1,114)
Cash flows from investing activities				
Cash inflows				
Grants – works & services		....	....	4,334
Proceeds from the disposal of non-financial assets		....	87	79
Total cash inflows		....	87	4,413
Cash outflows				
Payments for acquisition of non-financial assets		....	....	(6,557)
Total cash outflows		....	....	(6,557)
Net cash from (used by) investing activities		....	87	(2,144)
Cash flows from financing activities				
Cash inflows				
Loan from Treasury		....	1,874	....
Total cash inflows		....	1,874	....
Net cash from (used by) financing activities		....	1,874	....
Net increase (decrease) in cash and cash equivalents held		....	1,475	(3,258)
Cash and deposits at the beginning of the reporting period		....	235	3,493
Cash and deposits at the end of the reporting period	11.1	....	1,710	235

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

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in note 2 of the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity for the year ended 30 June 2012

	Notes	Contributed Equity	Reserves	Accumulated Funds	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2011		95,158	....	4,298	99,456
Total comprehensive result		....	....	(4,911)	(4,911)
Administrative restructure – net assets received	10.2	....	....	....	....
Balance as at 30 June 2012		95,158	....	(613)	94,545

	Notes	Contributed Equity	Reserves	Accumulated Funds	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2010		2,333	....	4,625	6,958
Total comprehensive result		....	....	(327)	(327)
Administrative restructure – net assets received	10.2	92,825	....	....	92,285
Balance as at 30 June 2011		95,158	....	4,298	99,456

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

NOTES

to and forming part of the Financial Statements

Note 1: Significant accounting policies

1.1 Objectives and funding

Under the State Government's *Tasmania Tomorrow* initiative, the Tasmanian Skills Institute ("the Skills Institute") was created as a Statutory Authority under the *Education and Training (Tasmanian Skills Institute) Act 2008*, and commenced business on 1 January 2009.

The Skills Institute provides workforce skills development services to Tasmanian employers and their employees. The scope of training provided by the Skills Institute covers the major trade, technical and vocational occupation groups in the Tasmanian workforce.

Training is conducted at client worksites in all parts of the State and at training centres in Hobart, Clarence, Claremont, Launceston, Devonport and Burnie. The Skills Institute also operates a mobile training centre.

The Office of the Chief Executive Officer is located in Launceston

The Board of the Skills Institute is accountable to the Minister for Education and Skills.

The Skills Institute's primary funding source is Skills Tasmania, a statutory authority for developing strategy and policy relating to skills and workforce development in Tasmania, and for purchasing vocational education from Registered Training Organisations (RTOs) to support the skill development needs of Tasmanian enterprises and individuals.

The Skills Institute sources corporate administrative functions including the provision of systems and staff relating to Financial Services, Human Resources, Client Services, Student Management, Information Technology, Capital Planning and Facilities Management from the Department of Education, and the costs of providing these services are charged out to the Skills Institute on a regular basis.

The major initiatives for the Skills Institute include:

- continuing to adapt the organisation to ensure that it is operating effectively and efficiently in a training market;
- building strong, purposeful and beneficial relationships with the State's employers centred on connecting learning with the workplace; and

- establishing a financial structure to ensure sound business operations in a competitive training market with diverse funding streams.

1.2 Basis of Accounting

The financial statements are a general purpose financial report and have been prepared in accordance with:

- the *Education and Training (Tasmanian Skills Institute) Act 2008*;
- Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board; and
- The Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The financial statements were signed by the Board on 15 August 2012.

Compliance with the Australian Accounting Standards (AAS) may not result in compliance with International Financial Reporting Standards (IFRS) as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS.

The Skills Institute is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The financial statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in note 1.5.

The financial statements have been prepared as a going concern. The continued existence of the Skills Institute, in its present form, undertaking its current activities, is dependent on government policy and on continuing funding by Skills Tasmania for the Skills Institute's administration and activities.

1.3 Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Skills Institute's functional currency.

1.4 Change in accounting estimate

There were no changes in accounting estimates during the year.

1.5 Changes in accounting policies

(a) Impact of new and revised accounting standards

In the current year, the Skills Institute has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 1054 *Australian Additional Disclosures* – This Standard in conjunction with AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
- AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]* – This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101, & 134 and Interpretation 13]* – This Standard amends a range of Australian Accounting Standards and Interpretation as a consequence of the annual improvements project. The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been renegotiated, is no longer required to be disclosed. There is no financial impact. The amendments to AASB 101 clarify the presentation of the Statements of Changes in Equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.
- AASB 2010-5 *Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* – This Standard makes editorial amendments to a range of Australian Accounting Standards. There is no financial impact.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASBs 1 & 7]* – This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all

transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASBs 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]* – this Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
- AASB 2011-15 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASBs 127, 128 & 131]* – this Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

(b) Impact of new and revised accounting standards yet to be applied

The following applicable and revised new standards have been issued by the AASB and are yet to be applied:

- AASB 9 *Financial Instruments* – This Standard supersedes AASB 139 *Financial Instruments: recognition and Measurement*, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Skills Institute has not yet determined the potential financial impact of the standard.
- AASB 10 *Consolidated Financial Statements* – This Standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*, introducing a number of changes to accounting treatments. The standard was issued in August 2011. The Skills Institute has not yet determined the application or the potential impact of the Standard.
- AASB 11 *Joint arrangements* – this Standard supersedes AASB 131 *Interest in Joint Ventures*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Skills Institute

- has not yet determined the application or the potential impact of the Standard.
- AASB 12 *Disclosure of Interests in Other Entities* – This Standard supersedes disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The Standard was issued in August 2011. The Skills Institute has not yet determined the application or the potential impact of the Standard.
 - AASB 13 *Fair Value Measurement* – This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.
 - AASB 119 *Employee Benefits* – This Standard supersedes AASB 119 *Employee Benefits*, introducing a number of changes to accounting treatments. The Standard was issued in September 2011. The Skills Institute has not yet determined the application or the potential impact of the Standard.
 - AASB 127 *Separate Financial Statements* – This standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Skills Institute has not yet determined the application or the potential impact of the Standard.
 - AASB 128 *Investments in Associates and Joint Ventures* – This Standard supersedes AASB 128 *Investments in Associates* and introduces a number of changes to accounting treatments. The Standard was issued in August 2011. The Skills Institute has not yet determined the application or the potential impact of the Standard.
 - AASB 1053 *Application of Tiers of Australian Accounting Standards* – This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the Skills Institute. However, it may affect disclosures if reduced disclosure requirements apply.
 - AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* [AASBs 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, & 1052] – This Standard makes amendments to Australian accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.
 - AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, & 127] – This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB in December 2010. It is not anticipated that there will be any financial impact.
 - AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements* [AASBs 101 & 1054] – This Standard makes amendments to introduce reduced disclosure requirements for certain types of entities. There is no expected financial impact of applying these changes, as the Skills Institute is a Tier 1 entity.
 - AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* [AASBs 127, 128 & 131] – This Standard extends relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. It is not expected to have a financial impact.
 - AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASBs 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 and 17] – This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. It is not expected to have a financial impact.
 - AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASBs 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] – This Standard replaces the existing definition of fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing

AASB 13 in September 2011. There is no expected financial impact.

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASBs 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] – This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). It is not expected to have a financial impact.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* [AASBs 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretations 14] – This Standard makes amendments to other Australian Accounting Standards and Interpretation as a result of issuing AASB 119 *Employee Benefits* in September 2011. It is not expected to have a financial impact.
- AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* – This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.

1.6 Income from transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

a) Grants from Tasmanian Government
Grants payable by the Tasmanian Government are recognised as revenue when the Skills Institute gains control of the underlying assets.

b) Grants from Commonwealth Government
Grants payable by the Australian Government are recognised as revenue when the Skills Institute gains control of the underlying assets.

c) Sales of goods and services
Amounts earned in exchange for the provision of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the provision of services is recognised in the proportion to the stage of completion of the transactions at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

d) Interest
Interest on funds invested is recognised as it accrues.

e) Contributions Received
Services received free of charge by the Skills Institute, are recognised as revenue when a fair value can be reliably determined and at the time the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

f) Other revenue
Revenue from other sources, including revenue generated from school activities and also school levies, is recognised as revenue when the Skills Institute obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

1.7 Expenses from transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefit related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

a) Employee benefits
Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and other post-employment benefits.

b) Depreciation and amortisation
All applicable non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Land, being an asset with an unlimited useful life, is not depreciated. Heritage assets are also not depreciated as their value does not diminish.

Depreciation is provided for on a straight-line basis, using rates which are reviewed annually. Major depreciation asset categories and their useful lives are:

Buildings	40 years
Computer Equipment	3 - 5 years
Motor Vehicles	10 years
Plant & Equipment	20 – 30 years

c) Supplies and consumables
Supplies and consumables are recognised when the items have been received by the Skills Institute.

d) Other expenses
Other expenses are recognised when the associated service or supply has been provided.

1.8 Other economic flows included in net result

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

a) *Gain/(loss) on sale of non-financial assets*
Gains or losses from the sale of Non-financial assets are recognised when control of the assets has passed to the buyer.

b) Impairment – financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised directly in equity.

c) Impairment – Non-financial assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. The Skills Institute's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if the Institute were deprived of it.

All impairment losses are recognised in the Statement of Comprehensive Income unless a credit exists for the same class of asset in the asset revaluation reserve.

1.9 Assets

An asset is recognised in the Statement of Financial Position where it is probable that the future economic benefits flow to the Skills Institute and the asset has a cost or a value that can be measured reliably.

a) Cash and deposits

Cash means notes, coins and deposits held at call with a bank or financial institution, for the Skills Institute. Deposits are recognised at amortised cost being their face value.

b) Receivables

Receivables are due within 30 days and are carried at amounts due. The collectability of debts is assessed at balance day and specific provision

is made for any impaired accounts. The net fair value of receivables is the nominal amount.

c) Assets held for sale

Assets held for sale (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Skills Institute's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

d) Property, plant, and equipment

(i) Valuation basis

All non-current physical assets other than land and buildings are recorded at historic cost. Land is recorded at fair value and buildings are recorded at depreciated replacement cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Land and buildings are re-valued with sufficient regularity to ensure they reflect fair value at balance date, and were last valued as at 1 January 2011 by the Australian Valuation Office.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Skills Institute and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Asset recognition threshold*

The asset capitalisation threshold adopted by the Skills Institute is \$10,000. Assets valued at less than \$10,000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

(iv) *Revaluations*

Land and buildings are re-valued with sufficient regularity to ensure they reflect fair value at balance date, and were last valued as at 1 January 2011 by the Australian Valuation Office.

Assets are grouped on the basis of having a similar nature or function in the operations of the Skills Institute.

e) *Other assets*

The Skills Institute recognises some other small assets such as inventories, prepayments of expenditure and GST input tax credits received. Inventories are carried at the lower of cost and current replacement cost.

Costs are assigned to inventory quantities on hand and in store at balance date using the first in first out principle. No values have been placed on inventories issued to operating areas.

1.10 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

a) *Payables*

Payables are recognised for amounts to be paid in the future for goods or services received, whether or not billed. Trade accounts payable are settled in accordance with creditor terms. The net fair value of payables is the nominal amount.

b) *Employee benefits*

Liabilities for wages and salaries and annual leave are recognised when the employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee benefits are measured as the present value of the benefit at 30 June 2012, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

c) *Superannuation*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Skills Institute does not recognise a liability for the accruing superannuation benefits of employees. This liability is held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance.

d) *Other liabilities*

Other liabilities, includes revenue received in advance, where the Skills Institute has received funds for which goods or services have not yet been provided or where specific conditions have not been met. The revenue will be recognised in the following financial year when the goods or services have been provided or when specific conditions have been met.

e) *Interest bearing liabilities*

Bank loans and other loans are initially measured at fair value, net of transaction costs. Bank loans and other loans are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

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

1.11 Leases

The Skills Institute has entered into a number of operating lease agreements for buildings and motor vehicles, where the lessors effectively retain all of the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

The Skills Institute is prohibited under Treasurer's Instruction 502 *Leases* from holding finance leases.

1.12 Unrecognised financial instruments

The Skills Institute has no unrecognised financial instruments.

1.13 Judgements and assumptions

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Skills Institute has made no assumptions or judgements that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.14 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

1.15 Comparative figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards.

Where amounts have been reclassified within the financial statements, the comparative statements have been restated.

1.16 Budget Information

Budget information refers to original estimates as disclosed in the 2011-12 Budget Papers and is not subject to audit.

At the time the Budget was set there was still work occurring in assigning costs and assets from the Tasmania Tomorrow changes implemented on 1 January 2011. As such the actual figures differ in a number of areas, as discussed in Note 2.

1.17 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.18 Taxation

The Skills Institute is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax (GST).

The State Government has announced that the Skills Institute will no longer be subject to Payroll Tax effective 1 October 2012. It is expected Grants revenue from the Government will be reduced to reflect the reduction of this expense.

1.19 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

Note 2: Explanations of material variances between budget and actual outcomes

The following are brief explanations of material variances between budget estimates and actual outcomes. Variances are considered material where the variance exceeds 10 per cent of budget estimate.

2.1 Statement of Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Sales of Goods & Services	1	15,393	12,805	(2,588)	(17)
Other Revenue	2	80	454	374	425
Depreciation	3	2,797	4,316	1,519	54
Supplies & Consumables	4	7,723	11,526	3,803	49
Other Expenses	5	1,816	1,579	(237)	(13)

Notes to Statement of Comprehensive Income variances

1. The decrease from 2011 income and the variance against budget for Sales of Goods & Services were mainly due to the effect of the economic environment. Commercial opportunity tightened in 2011/12 particularly as Government stimulus spending wound down. The target set in the budget was unattainable due to the tight economic circumstances in the subsequent period.
2. The increase was related to one-off income items received that were not anticipated at the time of the preparation of the budget. An example was a service agreement with the Polytechnic that was not foreseen when the budget was set.
3. Valuations for assets that had been recently transferred to the Skills Institute were received after the 2012 Budgets had been prepared. However the valuations were received in time to adjust the 2011 actual figures. This timing of the receipt of valuations accounts for the variation.
4. This item includes non-salary items including training materials and a payment to Department of Education for the provision of corporate services. The expenditure in 2012 was less than in 2011 as planned and anticipated. The budget amount did not correctly reflect actual costs.
5. Costs were restrained to minimise the underlying deficit.

2.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash & Deposits	1	....	1,710	1,710	100
Receivables	2	1,927	1,611	(316)	(16)
Payables	3	823	1,130	307	37
Property, plant and equipment	4	94,864	99,649	4,785	5
Interest Bearing Liabilities	5	...	1,874	1,874	100
Accumulated Funds	6	2,863	(613)	(3,476)	(121)

Notes to Statement of Financial Position variances

1. Skills Institute received an advance of \$2.5 million of its 2012/13 MOU funds in May 2012 for the June payroll. The subsequent receipt of Skills Institute commercial contestable funding resulted in a positive cash balance at 30 June 2012.
2. A new payment system and associated processes put in place by Skills Tasmania during the year for non-MOU funds (for example, User Choice traineeships) resulted in later recognition of Receivables.
3. The variation is a result of increased GST payable at 30 June, predominantly related to the MOU payment received in June.
4. Valuations for assets that had been recently transferred to the Skills Institute were received after the 2012 Budgets had been prepared. However the valuations were received in time to adjust the 2011 actual figures. This timing of the receipt of valuations accounts for the variation.

5. Interest Bearing Liabilities include funds of \$1.874 million borrowed from the Department of Treasury & Finance to fund a redundancy program agreed in January 2012. This agreement was not anticipated at the time of budget preparation.
6. This variation reflects changes in asset values and depreciation rates noted above and the difference in the budgeted and actual operating result.

2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Sales of Goods & Services	1	15,034	12,752	(2,282)	(15)
GST Receipts	2	1,157	2,858	1,701	147
Other Cash Receipts	3	....	459	459	-
GST Payments	4	1,157	2,963	1,806	156

Notes to Statement of Cash Flows variances

1. The decrease from 2011 income and the variance against budget for Sales of Goods & Services was mainly due to the effect of the economic environment. Commercial opportunity tightened in 2011/12 particularly as Government stimulus spending wound down. The target set in the budget was unattainable due to the tight economic circumstances in the subsequent period.
2. The inclusion of GST on MOU funds was introduced during the year.
3. The variation includes one-off cash income items received but not anticipated at the time the budgets were prepared.
4. The inclusion of GST on MOU funds was introduced during the year.

Note 3: Events occurring after balance date

There have been no events subsequent to balance date which would have a material effect on the Skills Institute's Financial Statements as at 30 June 2012.

However, the Minister for Education and Skills announced on the 5 June 2012 that as a result of the outcome of a review into the role and function of Tasmania's public VET providers, a new single public VET provider would be established in Tasmania, subject to the passage of legislation, from 1 July 2013.

This new provider will be known as TasTAFE, and will be created using the combined resources of the Skills Institute and the Tasmanian Polytechnic.

TasTAFE is intended to be a statutory authority created within the new VET Act, and will be headed by a CEO with a Board accountable to the Minister for Education and Skills.

It is expected that the *Education and Training (Tasmanian Skills Institute) Act 2008* will be repealed, and a new single Vocational Education and Training (VET) Act will be developed to cover all aspects of VET governance, delivery, administration and co-ordination.

It is anticipated that the assets, liabilities, contracts and staff of the Skills Institute will be transferred either to the new TasTAFE statutory authority, or to the Department of Education. The assets and liabilities will be transferred at net book values.

Despite the expected changes, this financial report has been prepared on a going concern basis.

The Minister has provided the Board of the Skills Institute with a letter of assurance that the Department will continue to work with the Board and with the Minister for Education to ensure that the Skills Institute is able to operate on a going concern basis in 2012-13.

Note 4: Income from transactions

4.1 Grants

	2012 \$'000	2011 \$'000
Continuing operations		
Grants from the Tasmanian Government		
Skills Tasmania – Memorandum of Understanding	29,040	26,763
Other	449	184
Grants from the Australian Government		
Specific grants	92	41
Total	29,581	26,988
Non-operational capital funding		
Grants – works and services	....	4,334
Total	....	4,334

4.2 Sales of goods and services

	2012 \$'000	2011 \$'000
Goods		
Food & Training Related Sales	159	186
Services		
Course Fees and Charges	12,646	14,157
Total	12,805	14,343

4.3 Other revenue

	2012 \$'000	2011 \$'000
Miscellaneous Recoveries	445	858
Other Financial Revenue	9	4
Total	454	862

Note 5: Expenses from transactions

5.1 Employee benefits

	2012 \$'000	2011 \$'000
Wages & Salaries	27,464	26,983
Superannuation - contribution scheme	1,830	1,892
Superannuation - defined benefit scheme	1,141	1,180
Other Employee Expenses	13	....
Total	30,448	30,055

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account (SPA) held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The employer contribution applying at 30 June 2012 was 12.3 per cent of salary. This contribution has been increased from 1 July 2012 to 12.5 per cent.

Superannuation expenses relating to contribution schemes are paid directly to superannuation funds at a rate of 9.0 per cent of salary. In addition, the Skills Institute is also required to pay into the SPA a “gap” payment equivalent to 3.3 per cent of salary in respect of employees who are members of the contribution scheme. This gap payment has been increased to 3.5 per cent from 1 July 2012.

5.2 Depreciation

	2012	2011
	\$'000	\$'000
Depreciation		
Buildings	3,882	1,945
Plant and Equipment	434	408
Total	4,316	2,353

5.3 Supplies and consumables

	2012	2011
	\$'000	\$'000
Audit fees – financial audit	30	30
Consultants	116	65
Property Services	202	76
Maintenance	176	502
Communications	321	340
Information Technology	84	87
Travel & Transport	1,122	996
Advertising & Promotion	244	239
Materials and supplies	1,691	1,778
Miscellaneous Training Expenses	96	540
Equipment Leases	3	2
Postage & Freight	2	1
Training & Development	101	65
Contractors	654	635
Copyright Fees	91	4
Other Financial Expenses	192	133
Corporate Services*	6,401	7,004
Total	11,526	12,497

*These expenses represent the provision of financial, human resource, facility, capital planning, student information management, Information Communication Technology and Client Services by the Department of Education. Costs are advised on an annual basis.

5.4 Other Expenses

	2011	2010
	\$'000	\$'000
Salary On-costs	1,579	2,045
Total	1,579	2,045

Note 6: Other economic flows included in net result

6.1 Net gain/(loss) on non-financial assets

	2012 \$'000	2011 \$'000
Net Gain(loss) on disposal of physical assets	81	(136)
Total net gain/(loss) on non-financial assets	81	(136)

Note 7: Assets

7.1 Receivables

	2012 \$'000	2011 \$'000
Trade Receivables	2,021	1,972
Less: Provision for Impairment	(410)	(388)
Total	1,611	1,584
Other Receivables	....	18
Less: Provision for Impairment	....	....
Total	....	18
Settled within 12 months	1,611	1,602
Total	1,611	1,602

Reconciliation of movement in provisions for impairment of receivables

	2012 \$'000	2011 \$'000
Carrying amount at 1 July	388	327
Amounts written off during the year	101	22
Increase/(decrease) in provision recognised in profit or loss	(79)	39
Carrying amount at 30 June	410	388

7.2 Property, plant and equipment

(a) Carrying amount

	2012 \$'000	2011 \$'000
Land		
At independent Valuation	5,600	5,600
Total land	5,600	5,600
Buildings		
At independent Valuation	95,018	95,018
Less: Accumulated Depreciation	(5,796)	(1,914)
	89,222	93,104
Total land and buildings	94,822	98,704
Plant and equipment		
At cost	5,849	5,849
Less: Accumulated Depreciation	(1,157)	(777)
Total plant and equipment	4,692	5,072
Motor vehicles		
At cost	276	285
Less: Accumulated Depreciation	(156)	(114)
Total motor vehicles	120	171
Office equipment		
At cost	10	10
Less: Accumulated Depreciation	(4)	(3)
Total office equipment	6	7
Computer equipment		
At cost	35	35
Less: Accumulated Depreciation	(26)	(18)
Total computer equipment	9	17
Total property, plant and equipment	99,649	103,971

All independent valuations were performed by John Armatys AAPI (Certified Practising Valuer) of the Australian Valuation Office, refer to Note 1.9.

(b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below. Carrying value means the net amount after deducting accumulated depreciation and accumulated impairment losses.

	Land \$'000	Buildings \$'000	Work in Progress \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Computer Equipment \$'000	Total \$'000
2012								
Carrying value at 1 July	5,600	93,104	...	5,071	171	8	17	103,971
Additions	...	...	...	...	...	...	...	...
Disposals	...	...	...	...	(6)	...	...	(6)
Revaluation increments	...	...	...	...	...	...	...	...
Transfer to assets held for sale	...	...	...	...	...	...	...	...
Net transfers free of charge	...	...	...	...	...	...	...	...
Depreciation expense	...	(3,882)	...	(379)	(45)	(2)	(8)	(4,316)
Capitalised works to building assets	...	...	...	...	...	...	...	...
Carrying value as at 30 June	5,600	89,222	...	4,692	120	6	9	99,649
2011								
Carrying value at 1 July	...	1,231	1,211	4,462	217	9	26	7,156
Additions	5,600	87,855	5,879	1,176	...	...	...	100,510
Disposals	...	(1,127)	...	(215)	...	...	...	(1,342)
Revaluation increments	...	...	...	...	...	...	...	...
Transfer to assets held for sale	...	...	...	...	...	...	...	...
Net transfers free of charge	...	...	...	...	...	...	...	...
Depreciation expense	....	(1,945)	....	(352)	(46)	(1)	(9)	(2,353)
Capitalised works to building assets	.....	7,090	(7,090)	....	....	....	....	....
Carrying value as at 30 June	5,600	93,104	...	5,071	171	8	17	103,971

(c) Valuation of land and building assets at fair value

The Skills Institute values its land and building asset classes at fair value. The last valuation was performed effective 1 January 2011 by John Armatys AAPI (Certified Practising Valuer) of the Australian Valuation Office.

7.3 Other assets

(a) Carrying amount

	2012 \$'000	2011 \$'000
Other current assets		
Inventories	144	120
Accrued Revenue	...	6
Total	144	126
Settled within 12 months	144	126
Total	144	126

Note 8: Liabilities

8.1 Payables

	2012 \$'000	2011 \$'000
Sundry Creditors	1,130	551
Total	1,130	551
Settled within 12 months	1,130	551
Total	1,130	551

Settlement is usually made within 30 days, or within the suppliers' terms of trade.

8.2 Employee benefits

	2012 \$'000	2011 \$'000
Accrued Salaries	684	690
Annual Leave	805	787
Long Service Leave	4,035	4,106
State Service Accumulated Leave Scheme	....	4
Total	5,524	5,587
Current	4,409	4,549
Non-current	1,115	1,038
Total	5,524	5,587

8.3 Other liabilities

	2012 \$'000	2011 \$'000
Other liabilities		
Employee Benefits – on-costs	41	340
Total	41	340
Settled within 12 months	41	277
Settled in more than 12 months	....	63
Total	41	340

The Skills Institute will no longer be required to pay payroll tax on employee benefits from 1st October 2012. As such, the Skills Institute has elected not to make any provision for this on-cost to Employee Benefit entitlements in 2012.

8.4 Interest bearing liabilities

	2012 \$'000	2011 \$'000
Loan from Department of Treasury & Finance	1,874	....
Total	1,874	....
Settled within 12 months	729	....
Settled in more than 12 months	1,145	....
Total	1,874	....

The Skills Institute obtained access to \$4.5 million of loan funds from the Department of Treasury and Finance to assist in the separation of 57 FTE employees over the 2011/12 and 2012/13 financial years. This is to assist in addressing the underlying operational deficit. This loan is drawn down in instalments. Each draw-down is required to be repaid within 3 years. The Skills Institute has only drawn down \$1.874m this financial year

Note 9: Commitments and contingencies

9.1 Schedule of commitments

Schedule of commitments

	2012 \$'000	2011 \$'000
By type		
<i>Capital Commitments</i>		
Buildings	....	13
<i>Total Capital Commitments</i>		13
<i>Lease Commitments</i>		
Operating Leases	504	259
<i>Total Lease Commitments</i>	504	272
By maturity		
<i>Capital Commitments</i>		
One year or less	...	13
From one to five years	...	....
<i>Total Capital Commitments</i>		13
<i>Operating Lease Commitments</i>		
One year or less	288	224
From one to five years	216	35
Over five years	...	...
<i>Total Operating Lease Commitments</i>	504	259
Total	504	272

NB: Commitments are GST inclusive where relevant.

Capital commitments generally relate to the outstanding contractual amounts on building works but may be subject to contract variations.

The Skills Institute entered into operating lease arrangements for motor vehicles. At the reporting date, the Skills Institute held no non-cancellable operating leases (these obligations are not recognised as liabilities).

9.2 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

Unquantifiable contingencies

At 30 June 2012 the Skills Institute is in dispute with a small number of employees with respect to aspects of the Tasmanian State Service Award. One possible outcome of these disputes is that some additional payments may be made to some employees. At the current stage of the negotiations the Skills Institute is not able to estimate whether there is any liability on its part and, if there is, the amount of it. To do so may prejudice negotiations between the parties.

The Skills Institute has a lease on a property it occupies. The lease contains a "make good provision". A liability for this provision has not been recognised in the Statement of Financial Position as the value of this provision cannot be reliably measured.

Note 10: Equity

10.1 Changes in Equity

	2012 \$'000	2011 \$'000
Contributed Equity		
Contributed Equity at the beginning of financial year	95,158	2,333
Contributed Equity during the year	....	92,825
Balance as at 30 June	95,158	95,158
Accumulated Funds		
Accumulated Funds at the beginning of financial year	4,298	4,625
Surplus/(Deficit) recognised in the Statement of Comprehensive Income	(4,911)	(327)
Balance as at 30 June	(613)	4,298
Total Equity as at 30 June	94,545	99,456

10.2 Administrative restructuring

There was no administrative restructuring undertaken by the Skills Institute during the 2011-12 financial year.

During the 2010-2011 financial year, as a result of a restructuring of post-year 10 education associated with the Tasmania *Tomorrow* initiative, the Skills Institute assumed responsibility for land and building assets formerly recorded on the asset portfolios of the Tasmanian Polytechnic and the Department of Education. These details were:

Book value of assets and liabilities received or transferred

	2012 \$'000	2011 \$'000
Net assets assumed on restructure		
Non-financial assets		
Land	...	5,600
Buildings	...	87,225
Total assets recognised	...	92,825
Net contribution by the government as owner during the period	...	92,825

Note 11: Cash flow reconciliation

11.1 Cash and deposits

For the purpose of the Statement of Cash Flows and the Statement of Financial Position, cash included cash on hand and held in bank accounts.

The Department of Education (DoE) provides the student management and cash receipting systems and services utilised by the Skills Institute. Student fees are collected on behalf of the Skills Institute are credited to a central PY10 operating account and transferred on a regular basis to the Skills Institute's own operating account.

Due to timing differences in the receipt and transfer of these fees, a portion of the cash in the central PY10 operating account is held on behalf of the Skills Institute, and is considered a cash asset. The amount below represents the portion of the account that belongs to the Skills Institute, not the total of the account.

Cash at the end of the year as shown in the Statement of Cash Flows and the Statement of Financial Position:

	2012 \$'000	2011 \$'000
Cash held		
Department of Education Westpac operating account (PY10)	1,069	234
Tasmanian Skills Institute Westpac operating account	638	...
Cash floats	3	1
Total	1,710	235
Total cash and deposits	1,710	235

The definition of cash can be found at Note 1.9 (a).

11.2 Reconciliation of net result to net cash from operating activities

	2012 \$'000	2011 \$'000
Net operating result	(4,992)	(4,525)
Depreciation	4,316	2,353
Decrease/(increase) in receivables	(9)	890
Decrease/(increase) in other assets	(18)	401
Increase/(decrease) in employee benefits	(63)	27
Increase/(decrease) in payables	579	70
Increase/(decrease) in other liabilities	(299)	(330)
Net cash from operating activities	(486)	(1,114)

Note 12: Financial risks

12.1 Risk exposures

(a) Risk management policies

The Skills Institute has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board has overall responsibility for the establishment and oversight of the Skills Institute's risk management framework. Risk management policies are established to identify and analyse risks faced by the Skills Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Skills Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Skills Institute's maximum exposure to credit risk.

Student enrolment fees are due and payable within 30 days of enrolment. In certain circumstances, instalment payment plans may be negotiated for financially disadvantaged individuals.

The Skills Institute has a debt management cycle which sees the analysis and investigation of all debts outstanding undertaken on a monthly basis.

The Skills Institute reviews all debts exceeding 6 months and writes off those considered uncollectible.

The Skills Institute minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The following tables analyse financial assets that are past due but not impaired.

Analysis of financial assets that are past due at 30 June 2012 but not impaired

	Due 0 – 30 days \$'000	Past due 31-60 days \$'000	Past due 61-90 days \$'000	Past due 91 days greater \$'000	Total \$'000
Receivables	754	446	119	112	1,431

Analysis of financial assets that were past due at 30 June 2011 but not impaired

	Due 0 – 30 days \$'000	Past due 31-60 days \$'000	Past due 61-90 days \$'000	Past due 91 days greater \$'000	Total \$'000
Receivables	900	493	100	109	1,602

(c) Liquidity risk

Liquidity risk is the risk that the Skills Institute will not be able to meet its financial obligations as they fall due. The Skills Institute's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

The Skills Institute operates within Australia and has minimal domestic debt.

The Skills Institute analyses its liquidity requirements on a daily basis via reconciliation of its operating bank account and analysis of upcoming accounts payable transactions.

All payables declared within these financial statements are considered to be a current liability.

The Skills Institute expects that all payables accrued as at 30 June 2012 will be paid within 30 days.

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Skills Institute has no derivative financial instruments.

The Skills Institute currently has its financial assets in variable interest rates to take advantage of interest rate rises.

	2012 \$'000	2011 \$'000
Variable rate instruments		
Financial assets	1,707	234
Total	<u>1,707</u>	<u>234</u>

The Skills Institute does not hold any financial instruments available for sale which would directly affect equity as a result of changes in interest rates. Changes in variable rates of 100 basis points at reporting date would have the following effect on the Skills Institute's profit or loss and equity:

	Statement of Comprehensive Income		Equity	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points Increase \$'000	100 basis points decrease \$'000
30 June 2012				
Financial Assets	(4,903)	(4,919)	94,553	94,537
Net sensitivity	<u>8</u>	<u>(8)</u>	<u>8</u>	<u>(8)</u>
30 June 2011				
Financial Assets	(277)	(377)	99,506	99,405
Net sensitivity	<u>50</u>	<u>(50)</u>	<u>50</u>	<u>(50)</u>

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 2011.

Note 13: Financial instruments

13.1 Categories of financial assets and liabilities

	2012 \$'000	2011 \$'000
Financial assets		
Cash & Cash Equivalents	1,710	235
Receivables	1,611	1,602
Total	<u>3,321</u>	<u>1,837</u>
Financial liabilities		
Financial Liabilities at Amortised Cost		
Payables	749	551
Interest bearing liabilities	1,874	....
Total	<u>2,623</u>	<u>551</u>

Financial Assets

The net fair values of cash and cash equivalent assets is based on their carrying amount
The net fair value of receivables is based on the carrying amount of the asset.

Financial Liabilities

The net fair value of accrued expenses is based on the carrying amount of the liability.
The net fair values for trade creditors approximate their carrying amounts
The net fair value of the interest bearing liability is based on the carrying amount of the liability.

13.2 Reclassifications of financial assets

The Skills Institute has made no reclassifications of any financial assets held for the financial year.

Did you know that...?

The annual national audit of invalid module enrolments (IME) resulted in the Skills Institute getting an IME result of 0%



NCVER figures released in December 2011 revealed our graduates are among the most highly satisfied in Australia

We delivered training in workplaces from King Island to Tomahawk and from the West Coast to Dover

We delivered 124,415 competency units (module enrolments) in 2011



In 2011 we had 6,495 active contracts of training

The number of students enrolled in 2011 was 23,463

The Annual Student Contact Hours delivered in 2011 was 3,325,106



During 2011 we worked with around 2,846 employers

The Skills Institute has a diverse scope offering over 550 qualifications

The percentage of State Government funds compared to total operating revenue for 2011/12 was 69%



In 2011 we provided 1,805 Language, Literacy and Numeracy support hours to 120 apprentices/trainees

→ Developing Skills → Supporting Industry → Growing Business



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