



2017–18 Annual Report

—
Opportunity through learning





Australian Government
Department of Education and Training

2017–18 Annual Report



Opportunity through learning

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The document must be attributed as the *Department of Education and Training Annual Report 2017–18*.

Disclaimer: The Department of Education and Training acknowledges diversity and respectfully uses both the terms 'Indigenous' and 'Aboriginal and Torres Strait Islander peoples' interchangeably throughout this document.

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Online version

Web address of this report: <http://www.education.gov.au/annual-reports>



Australian Government
Department of Education and Training

Secretary
Dr Michele Bruniges AM

The Hon Dan Tehan MP
Minister for Education
Parliament House
CANBERRA ACT 2600

Senator the Hon Michaelia Cash
Minister for Small and Family Business, Skills
and Vocational Education
Parliament House
CANBERRA ACT 2600

Dear Ministers

It is my pleasure to present to you the *Department of Education and Training Annual Report 2017–18*.

The report reflects the department's legislative reporting requirements and has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*. Subsection 46(1) of that Act requires me to provide you with a report for you to present to the Parliament.

It reflects the requirements of the *Public Governance, Performance and Accountability Rule 2014* in relation to annual reports for non-corporate Commonwealth entities and includes the department's annual performance statements.

Also included are the Auditor-General's report and the department's audited financial statements prepared in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

As required by section 17AG(2)(b) of the *Public Governance, Performance and Accountability Rule 2014*, I certify that I am satisfied that the department:

- prepared fraud risk assessments and fraud control plans
- had in place appropriate fraud prevention, detection, investigation, recording and reporting mechanisms that met the needs of the department
- took all reasonable measures to appropriately deal with fraud relating to the department.

The report includes the information required to be laid before each House of Parliament in accordance with section 127 of the *Australian Education Act 2013* for the 2017 year.

The report includes the 2017–18 Annual Reports of the:

- Tuition Protection Service, as required under section 170B of the *Education Services for Overseas Students Act 2000*
- Student Identifiers Registrar, as required under section 51 of the *Student Identifiers Act 2014*
- Trade Support Loans Program, as required under section 103 of the *Trade Support Loans Act 2014*.

Yours sincerely

Dr Michele Bruniges AM

27 September 2018

Opportunity through learning

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Report guide

This report is prepared in accordance with parliamentary reporting and legislative requirements and its purpose is to provide details of departmental activities and performance during the financial year.

Overview

This section includes a review by the Secretary and outlines the portfolio and department structure.

Performance statements

This section reports on performance in 2017–18 aligned with the department's outcomes and purpose.

Management and accountability

This section reports on the department's corporate governance, management of human and financial resources, and external scrutiny.

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Financial statements

This section includes the independent auditor's report and the department's financial statements.

Appendices

This section provides additional information about the department's resourcing and includes other legislative reporting requirements.

Reference materials

This section includes reference material to assist in the navigation and understanding of this report.



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Overview

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SECRETARY'S REVIEW

The hallmark of 2017–18 has been the sustained effort in the effective implementation and delivery of major reforms in the child care, education and training, and research sectors. Our focus has also been on building future capability across the department to continue to develop evidence-based policy and achieve quality outcomes for Australians.

A clear purpose

As articulated in the department's Corporate Plan, our purpose is *maximising opportunity and prosperity through national leadership on education and training*. Our purpose encompasses and reflects the wide remit of work across the department. For our people, it means that no matter what policy, project or program they are working on, they can link what they do to our overarching role and recognise the contribution they are making.

National leadership

The department is leading the Government's commitment to see a nationally consistent approach to school funding – an approach that will assist every child to reach their full potential. A quality education is invaluable in preparing a child for their future, providing them with the skills and capabilities to succeed in life. The department continues to lead the development of a National Education Evidence Base to improve opportunities for lifelong learning through evidence-based education and training policy.

As the Government's lead agency for implementing the United Nations' Sustainable Development Goal, SDG 4 (*to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all*), the department was instrumental in developing Australia's first Voluntary National Review on SDG implementation.

Improved access to quality information for students considering or engaged in tertiary education was again a priority this year. There is now a plan in place for admissions transparency, requiring higher education providers to deliver information on admission requirements that is more readily comparable across courses and institutions.

Policy excellence

Major reviews, the *Review to Achieve Educational Excellence in Australian Schools* and the *Independent Review into Regional, Rural and Remote Education* and the report of the *STEM Partnerships Forum* will inform ongoing discussions on education with states and territories and education providers.

The National Partnership arrangement that invests in preschool has seen increased access to early childhood education. A significant milestone was reached of 95 per cent of children enrolled in the year before full-time school in quality early childhood education for 600 hours per year. We also saw increased participation in higher education, particularly for previously under-represented groups.



The Trade Support Loans program and the Australian Apprenticeships Incentives Program have also exceeded their participation targets, delivering on the Government's commitment to increase Australia's apprenticeship numbers.

The sector has also reported that 80 per cent of its graduates are satisfied with the overall quality of their training and the same percentage of employers report satisfaction with apprenticeships and traineeships.

Effective delivery

A key delivery milestone for the year was the completion of the rollout of the new Child Care Subsidy System and Child Care Safety Net. By July 2018, 99.9 per cent of all child care services – representing 6,040 child care providers and more than a million families – had transitioned to the new system.

The department supported the progression of amendments to the *Australian Education Act 2013* through Parliament, which took effect on 1 January 2018. Commonwealth funding will be based on the Schooling Resource Standard (SRS) that provides a base amount per student and additional funding for disadvantage as recommended by Mr David Gonski AC in the 2011 Review of Funding for Schooling. Students with the same need within the same sector will attract the same support from the Commonwealth, regardless of the state where they live. Students with greater needs will attract higher levels of funding from the Commonwealth.

The department also supported Australia's international education sector – Australia's largest services export and third largest export overall – by delivering on the Government's *National Strategy for International Education 2025*, which will better enable the sector to be more adaptive, innovative and globally engaged. The strategy is strengthening our internationally recognised education system, increasing global partnerships and driving collaboration with local communities and international partners.

Relationships, networks and collaboration

To support national research infrastructure, the department collaborated with the Department of Industry, Innovation and Science and key stakeholders to develop the Research Infrastructure Investment Plan for the *National Collaborative Research Infrastructure Strategy*. Implementation of initiatives under the National Innovation and Science Agenda also continued.

Working closely with our Ministers, investing in collaboration, and strengthening relationships across the Australian Public Service, our sectors, and stakeholders have continued to be integral to the department in delivering on the Government's priorities. Throughout the year, the department continued to develop and foster strong relationships with state and territory governments, the non-government sector, and other Commonwealth education and training portfolio entities: the Australian Curriculum, Assessment and Reporting Authority, the Australian Institute for Teaching and School Leadership, the Australian Research Council, the Australian Skills Quality Authority, and the Tertiary Education Quality and Standards Agency.

We continued to collaborate with other Commonwealth entities to deliver better outcomes for Australians. We also strengthened our relationships with the Departments of Health, Social Services, and Human Services on various programs and initiatives, such as the Social Determinants of Health project. The department also worked with the Department of Home Affairs to establish the Skilling Australians Fund levy. Funds from the levy will be directed towards a national partnership agreement with states and territories to build the number of apprentices and trainees in Australia.

The department also continued to work closely with the Department of the Prime Minister and Cabinet on the Closing the Gap Refresh process which underpins the Government's commitment to work with Aboriginal and Torres Strait Islander people to improve their lives. This work aligns also with the department's commitment to the philosophy that Indigenous business is everyone's business.

Responsibility and accountability

The department has continued to manage public resources in an efficient and appropriate manner to deliver the Government's priorities, while ensuring continued compliance within our programs. Throughout the implementation of the new child care package, the department continued to deliver a broad ranging compliance program to ensure the integrity of child care fee assistance payments. This included, in partnership with the Australian Federal Police, action taken against seriously non-compliant and fraudulent providers within the Family Day Care sector.

The Government's VET Student Loans Program also includes a wide range of compliance activities to ensure the integrity of Government payments to providers and that the debts incurred by students are for genuine training. The department has worked closely with the Australian Skills Quality Authority and the Australian Competition and Consumer Commission in response to non-compliance in the former VET FEE-HELP scheme.

Agile and caring culture

A key step in building our capability for the future is in identifying the culture needed to foster our capability. Through a collaborative process between all staff within the department, we have defined five culture traits necessary for success: Look forward; Collaborate; Work smarter; Communicate openly; and Trust one another.

Our new Corporate Plan, People Strategy, Reconciliation Action Plan, Workplace Diversity and Inclusion Strategy, guide us in embedding these traits as we continue to transform our department's culture to better deliver evidence-based policy and achieve quality outcomes for Australians.

I am pleased to introduce the *Department of Education and Training Annual Report 2017–18*, which demonstrates our progress and performance in maximising the opportunity and prosperity for all through our national leadership role in education and training.

Dr Michele Bruniges AM

Secretary

Department of Education and Training

OUR PORTFOLIO

Education and Training Portfolio Ministers as at 30 June 2018



Senator the Hon Simon Birmingham
Minister for Education and Training



The Hon Karen Andrews MP
Assistant Minister for Vocational
Education and Skills

Department of Education and Training

Dr Michele Bruniges AM | Secretary

Outcome 1: Improved early learning, schooling, student education outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.

Portfolio entities



Australian Curriculum, Assessment and Reporting Authority

Robert Randall | Chief Executive Officer

Outcome: Improved quality and consistency of school education in Australia through a national curriculum, national assessment, data collection, and performance reporting system.



Australian Institute for Teaching and School Leadership

Lisa Rodgers | Chief Executive Officer

Outcome: Enhance the quality of teaching and school leadership through developing standards, recognising teaching excellence, providing professional development opportunities, and supporting the teaching profession.



Australian Government
Australian Research Council

Australian Research Council

Professor Sue Thomas | Chief Executive Officer

Outcome: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice.



Australian Government
Australian Skills Quality Authority

Australian Skills Quality Authority

Mark Paterson AO | Chief Commissioner and Chief Executive Officer

Outcome: Contribute to a high quality vocational education and training sector, including through streamlined and nationally consistent regulation of training providers and courses, and the communication of advice to the sector on improvements to the quality of vocational education and training.



Australian Government
Tertiary Education Quality
and Standards Agency

Tertiary Education Quality and Standards Agency

Anthony McClaran | Chief Executive Officer

Outcome: Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.

OUR DEPARTMENTAL STRUCTURE



SECRETARY
Dr Michele Bruniges AM



CORPORATE STRATEGY
Carolyn Smith
Deputy Secretary



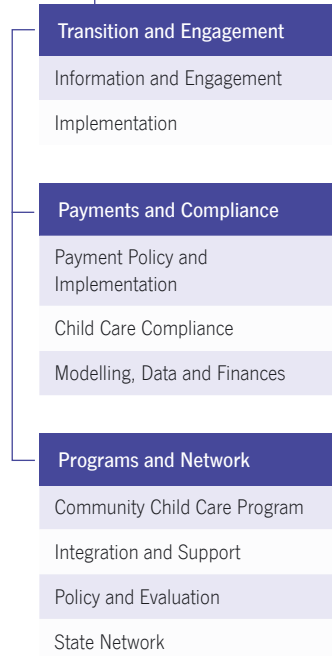
CHILD CARE REFORM IMPLEMENTATION
Matt Yannopoulos
Deputy Secretary
Senior Responsible Officer



EARLY CHILDHOOD & CHILD CARE
Jackie Wilson
Deputy Secretary



Child Care IT System





SCHOOLS & YOUTH
Alex Gordon
 A/g Deputy Secretary



HIGHER EDUCATION, RESEARCH & INTERNATIONAL
David Learmonth
 Deputy Secretary



SKILLS & TRAINING
James Hart
 A/g Deputy Secretary

Evidence and Assessment

- Evidence Strategy
- Schools Data Reform
- Assessment and Early Learning

Improving Student Outcomes

- Teaching and School Leadership
- Student Participation
- Curriculum

School Funding and Assurance

- Schools Funding
- Schools Assurance
- National School Resourcing Board

Research and Economic

- Research and Higher Education Infrastructure
- Research Funding and Policy
- Economic and Market Analysis
- Strategic Policy and Data Analytics

Higher Education

- Funding Policy and Legislation
- Governance, Quality and Access
- Student Information and Learning

International

- Quality Frameworks
- Access
- Partnerships

Tuition Protection Service

Skills Market

- Skills Outcomes and Financing
- VET Market Information
- Workforce and Apprenticeships

Industry Skills and Quality

- VET Quality and Regulation
- Industry Advice
- Foundation and Industry Skills

Skills Programs

- VET Student Loans
- Skills Programs Compliance
- State Office Network

Unique Student Identifier

Legend: Statutory Officers



2 Performance statements

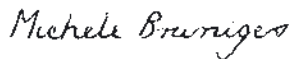
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2 Performance statements

Department of Education and Training
STATEMENT BY THE ACCOUNTABLE AUTHORITY

I, as the accountable authority of the Department of Education and Training, present the annual performance statements of the department for the reporting period 1 July 2017 to 30 June 2018, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity in the reporting period, and comply with subsection 39(2) of the PGPA Act.



Dr Michele Bruniges AM

Secretary

20 September 2018

Our purpose, outcomes and programs

The department works to achieve its purpose within the context of delivering the Australian Government's outcomes as outlined in the Education and Training 2017–18 Portfolio Budget Statements.

Purpose

Maximising opportunity and prosperity through national leadership on education and training

Outcome 1

Quality early learning and schooling

Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

Outcome 2

World-class tertiary education, training and research

Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.

Programs under Outcome 1 are:

- 1.1 – Support for the Child Care System
- 1.2 – Child Care Benefit
- 1.3 – Child Care Rebate
- 1.4 – Child Care Subsidy
- 1.5 – Government Schools National Support
- 1.6 – Non-Government Schools National Support
- 1.7 – Early Learning and Schools Support

Programs under Outcome 2 are:

- 2.1 – Commonwealth Grants Scheme
- 2.2 – Higher Education Superannuation Program
- 2.3 – Higher Education Support
- 2.4 – Higher Education Loan Program
- 2.5 – Investment in Higher Education Research
- 2.6 – Research Capacity
- 2.7 – International Education Support
- 2.8 – Building Skills and Capability

ANALYSIS

This analysis of entity performance is provided in accordance with 16F of the Public Governance, Performance and Accountability Rule 2014.

The Department of Education and Training's purpose, as identified in our Corporate Plan 2017–18, is *maximising opportunity and prosperity through national leadership on education and training.*

Education and training maximises life choices for every Australian—of all ages and at every stage of life. By creating and strengthening access to quality education for all Australians and for international students, the department maximises opportunity through learning. Through opportunity, individuals, families and communities are encouraged to maximise their potential, participate in the social and economic aspects of their communities, and contribute to national and global prosperity.

The department works to achieve its purpose within the context of delivering the Australian Government's outcomes as outlined in the *Education and Training Portfolio Budget Statements 2017–18.*

Outcome 1 – Quality early learning and schooling – *Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.*

Outcome 2 – World-class tertiary education, training and research – *Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.*

The department is committed to maximising opportunity and prosperity for all children, students and education and training sectors, by driving the Government's national reforms and improving access to, and the quality and sustainability of, Australian education.

The new child care package

Throughout 2017–18, work was underway to ensure the successful rollout of the new Child Care Subsidy System on 2 July 2018, including transitioning families and service providers from the existing Child Care Benefit and Child Care Rebate schemes.

The new child care package represents the most significant reforms to the early education and care system in 40 years, and will ensure more flexible, accessible and affordable care, targeted to those who need it the most. By 2 July 2018, more than one million families and 6,040 child care providers (representing over 99.9 per cent of all eligible services) had successfully transitioned to the new arrangements.

Change of this scale is complex and required significant planning and project management across Government departments, the child care sector and with third party software providers. Policy development and planning has been underway since the Productivity Commission Inquiry in 2013. The successful implementation of the new Child Care Subsidy System and package reflects a high level of engagement with the sector and families including a two-phased targeted communications campaign, outreach information sessions and webinars, effective governance arrangements and an ongoing compliance program. The department held stakeholder and public consultations on the Minister's Rules, and issued program guidelines and operational handbooks in preparation. Further policy refinement, consultation and information sessions were held throughout the year to ensure the initiatives were ready to commence on 2 July 2018.



Ensuring that the most vulnerable are assisted, the new package includes a \$1.2 billion Child Care Safety Net. Implementation of some Safety Net initiatives commenced in July 2016, with the Inclusion Support Programme and Connected Beginnings. As part of the Safety Net, \$276 million was awarded from the Community Child Care Fund (CCCF) to assist around 850 services to break down barriers to early childhood education and care in disadvantaged and vulnerable communities, including many in regional and remote locations.

Additionally, all 244 former Budget Based Funded (BBF) program recipients were supported either to transition to the new child care arrangements, or to transition to alternative administrative arrangements (for those not delivering child care). Transition support included face-to-face visits, targeted workshops held across Australia, access to an online support platform and tools to support business planning, and individualised support to assist services to prepare CCCF applications.

As part of the CCCF, the department extended the Connected Beginnings program to another five communities during 2017–18 to support the integration of child care, maternal and child health and family support services with schools to help Indigenous children have a positive transition to school.

The review of the existing In Home Care Program and evaluation of the Interim Home Based Carer Subsidy Programme were completed and published on the department's website. The policy and program design for the new In Home Care Program takes into account the outcomes of the reviews. The revised program was implemented by 2 July 2018. Intensive transition support was provided to families and services and this enabled families to continue care and/or access more appropriate support services. Following a competitive tender process, five In Home Care Support Agencies servicing each state and territory, were established as a key design feature of the new program to advocate for families' needs.

Throughout the implementation of the new child care package, the department has continued to deliver a broad ranging compliance program to ensure the integrity of child care fee assistance payments. The department imposed sanctions and penalties on 235 services in 2017–18, including cancelling 217 services, suspending 34 services and applying additional conditions of approval on 13 services. Compared to 2016–17, more than double the number of services were subject to compliance action. This includes action taken as part of Family Day Care (FDC) Payment integrity measure, targeted at seriously non-compliant and fraudulent providers within the FDC sector. The department's ongoing enforcement efforts with partner agencies and the Australian Federal Police have stopped around \$2.8 billion from being inappropriately paid between January 2014 and June 2018.

While preparing to implement the new system, the department maintained existing support to families by ensuring the continuity of child care fee assistance through the Child Care Benefit and Child Care Rebate. The department also continued to work with states and territories to support quality service provision under the National Quality Framework.

Quality preschool and school education

Access to quality preschool and school education provide children and young people with opportunity through learning, including pathways to further learning or to jobs.

The reporting period 2017–18 represented the tenth successive year of Commonwealth investment in preschool through National Partnership arrangements that have aimed to facilitate children's early learning and development and transition to school. This goal has been progressed through maintaining universal access to, and improving participation in, affordable, quality early childhood education programs for all children in the year before full-time school—whether delivered in school-based preschools or in a long day care setting.

Performance under the National Partnership on Universal Access to Early Childhood Education improved between 2016 and 2017. In 2017, for the first time, the 95 per cent benchmark for children 'enrolled in the year before full-time school [that] are enrolled in quality early childhood education for 600 hours per year' was achieved nationally.

2 Performance statements

This result extends to each of the reported subcohorts of 'all children', 'Indigenous children', and 'vulnerable and disadvantaged' children.

Contributing to the achievement of the 95 per cent benchmark in 2017 was the National Partnership's recognition of the sector's diversity, and the flexibility it allows jurisdictions to distribute funding according to their local contexts. Through bilaterally agreed implementation plans, each state and territory must identify priorities and strategies to facilitate participation by all children (especially Indigenous children and vulnerable and disadvantaged children), and outline how these strategies will ensure that cost is not a barrier to participation.

Evidence shows that children who attend a quality preschool program in the year before school do better when they get there and these benefits persist over time. By investing in early childhood education, we are improving educational outcomes for children later in their formal schooling journey and increasing economic growth. In 2017–18, the department commenced work on the new National Partnerships to extend the Government's commitment for preschools in 2018 to include 2019.

A quality school education sets up our children for a successful and fulfilling life. The department leads the Government's efforts for a nationally consistent approach to school funding that assists every child to reach their full potential so they can fully participate in the workplace, economy and society.

The Government provides needs-based funding to schools to support quality outcomes for every eligible school student in Australia through new Quality Schools funding arrangements that came into effect 1 January 2018.

In the 2017 calendar year, under the *Australian Education Act 2013*, the Commonwealth provided approximately \$6.8 billion in recurrent funding in monthly instalments for state and territory government schools, and approximately \$10.7 billion in three instalments to non-government schools through state and territory governments.

The Commonwealth paid approximately \$51.2 million in additional funding for students with disability to state and territory government schools, and approximately \$22.5 million to non-government schools through state and territory governments.

The Commonwealth also provided \$142.7 million to block grant authorities for capital projects in non-government schools. A total of approximately \$38.7 million was paid to non-government representative bodies as a part of the Student First Support Fund.

The ACT Association of Independent Schools received approximately \$2.5 million as additional funding for independent non-government schools in the ACT.

A number of major school education reviews were undertaken and delivered in 2017–18. This includes the *Review to Achieve Educational Excellence in Australian Schools*, the *Independent Review into Regional, Rural and Remote Education* and the report of the *STEM Partnerships Forum*.

The recommendations of these reviews aim to help lift student performance and maximise outcomes achieved from increasing school funding. The department is working collaboratively with states and territories to develop and implement a new national schooling reform agreement, informed by the recommendations, to commence in 2019.

The Government recognises that states, territories and the non-government school sector are best placed to determine how policies should be implemented in their schools. This reflects the realities of our federation, in which states and territories are responsible for school education, not the Commonwealth. The Government is also working with states and territories to strengthen the national evidence base to inform national reforms.



International education

The department has continued to promote growth in Australia's economic prosperity by supporting the work of our tertiary education sectors.

International education is Australia's largest services export, and third largest export overall, contributing \$30.8 billion to the Australian economy in 2017. The success of Australia's international education sector can be seen through increasing student numbers, with growth of 11 per cent to 556,987 in the year to May 2018. This reflects the quality of Australia's education offerings, underpinned by strong policy and regulatory frameworks.

Throughout 2017–18, the department supported Australia's international education sector by delivering on the Government's *National Strategy for International Education 2025* including creating opportunities for providers to access new markets and sectors, and assisting providers to make the most of opportunities in existing markets. By creating an enabling environment, we supported the development of new products and refinement of existing offerings.

The department is the Government's lead agency for implementing the United Nations' Sustainable Development Goal 4 (SDG4). SDG4 is to *ensure inclusive and equitable quality education and promote lifelong learning opportunities for all*, and underpins the department's work across all education sectors, including early childhood education and child care, school education, skills and training, and higher education. In 2017–18, the department was involved in a whole-of-government process to deliver Australia's first Voluntary National Review, *Report on the Implementation of the SDGs*, which was launched at the United Nations' High Level Political Forum in New York, in June 2018.

Access to quality information

The department progressed work this year to maximise student opportunities through improving access to quality information for students considering or engaged in tertiary education.

A sector-led implementation working group was established to implement the admissions transparency recommendations of the Higher Education Standards Panel and develop a joint implementation plan for the higher education sector, which was released on 5 July 2017. The plan sets out a phased implementation for higher education providers to deliver information on admission requirements that is more readily comparable across courses and institutions. Providers published the first tranche of improved admissions information in August 2017. The remaining milestones of the plan, providing more comprehensive information on admission requirements for higher education courses in a comparable format and a new national admission information website, will be delivered by September 2018. This will ensure easy access to comparable information on undergraduate courses across Australia for students.

Within the vocational education and training (VET) sector, the department continued to maintain the training.gov.au and My Skills websites, providing students with useful information on Registered Training Organisations, training packages, accredited courses and a national directory of VET. The usefulness of these websites can be seen in the significant growth in the number of combined site visits, doubling from 4.7 million in 2016–17 to approximately 9.5 million in 2017–18.

Satisfaction and employability

The quality of Australia's tertiary education sectors may be viewed through the satisfaction levels of those that use it, i.e. students and employers, and ultimately the employability of its graduates.

2 Performance statements

Higher education undergraduates continue to have relatively high employability and earnings compared to those without post-secondary qualifications, with 87 per cent of undergraduates employed within four months of completing their degree in 2017. This is a slight increase from 2016, which is consistent with the overall labour market.

2017 results show that since the Global Financial Crisis it has taken graduates longer to establish themselves in their careers, noting that graduate labour market outcomes improved substantially over the first three years after graduation. In 2014, 67.5 per cent of undergraduates were in full-time employment four months after graduation. Three years later, 89.3 per cent of the same cohort of graduates had found full-time work. The increase in the full-time employment rate of 21.8 percentage points in the three years following graduation is the largest ever recorded. Coming off the low point in the graduate labour market in 2014, this suggests that the cohort most affected by the poor graduate labour market is recovering.

VET satisfaction results remain strong, with 87.3 per cent of 2016 graduates surveyed by the National Centre for Vocational Research (NCVER) in 2017 were satisfied with the overall quality of the training they received, which was an increase of 1.3 percentage points from the previous year. Employment outcomes are also strong for VET graduates, with 77.7 per cent of graduates employed.

Throughout 2017–18 the department bedded down the VET Student Loans (VSL) program, which commenced in January 2017 to replace the VET FEE-HELP scheme. VSL offers income contingent loans to support eligible students studying certain diploma level and above VET qualifications; it offers protection for students and focuses on courses that address industry needs, creating better opportunities for employment. While 63 per cent of students studying for business related reasons fell short of the 80 per cent target in its first year, the new VSL program has led to a drop in unscrupulous provider activity. Unit completion rates for VSL-assisted students in 2017 were more than 17 percentage points higher than the rate achieved under the VET FEE-HELP scheme in 2016.

VET students are also supported to undertake their study through the Trade Support Loans program, which helps eligible Australian Apprentices to meet everyday costs while they undertake their training. In 2017–18, 51,920 Australian Apprentices took up a Trade Support Loan, exceeding the target of 45,000.

In 2017, over 80 per cent of employers (more than 8,000) surveyed by NCVER were satisfied that nationally recognised training provides employees with the skills they require for the job, which has remained around this level since the last survey in 2015. While the survey identified that just under 80 per cent of employers were satisfied with apprenticeships and traineeships, results for this measure have historically varied. The decline between 2015 and 2017 should not be considered to represent a trend.

The Australian Apprenticeships Incentives Program (AAIP) exceeded its target with 60,880 employers receiving payments in 2017–18. AAIP contributes to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness. It targets priority occupations and those on the national skills needs list.

World-class research

In 2017–18 the department funded critical research infrastructure to ensure that Australia maintains its position as an established global leader in world-class research, and that Australian researchers continue to have access to cutting edge research infrastructure. The department worked in collaboration with the Department of Industry, Innovation and Science and key stakeholders to develop the Research Infrastructure Investment Plan (\$1.9 billion funding over 12 years) for the National Collaborative Research Infrastructure Strategy (NCRIS) to support national research infrastructure.

Postgraduate research student outcomes remained strong in 2017, with 10,679 higher degree completions (just short of the targeted 11,000), an increase on 2016's 10,494 completions. The postgraduate research graduate employment rate (within four months of completion of the degree) was 90.6 per cent, earning a median annual salary of \$87,800.

RESULTS

This section reports on the results against the key performance criteria relating to our purpose, maximising opportunity and prosperity through national leadership on education and training, as published in the *Department of Education and Training Corporate Plan 2017–18*.

Outcome 1: Key performance results

Performance against criteria as published for Outcome 1 in the department's Corporate Plan 2017–18.

Criteria	Child care providers and services, and families successfully transition to new arrangements.
Target	IT system is ready for implementation on 2 July 2018.
Results	ACHIEVED. The Child Care Subsidy System (CCSS) went live on 2 July 2018. 1.02 million families completed their Child Care Subsidy assessment. Of 6,053 existing child care providers, 6,040 (12,732 of 12,745 child care services) successfully transitioned to the new arrangements.
Analysis	The new Child Care Subsidy System has been operating as intended since implementation. Over 1.02 million families had completed and updated their income and activity assessment details by 2 July 2018 in order to transition to the new Child Care Subsidy.
Source	Numbers of families, child care providers and services are sourced from operational systems maintained by the Department of Human Services.
Limitations	The data is point in time as at 2 July 2018.
Contributing programs	1.1 – Support for the Child Care System 1.4 – Child Care Subsidy

Criteria	Universal access to preschool education.
Target	95% of children enrolled in the year before full-time school are enrolled in quality early childhood education for 600 hours per year.
Results	ACHIEVED. In 2017, 96.1% of children enrolled in the year before full-time school, were enrolled in quality early childhood education program(s) for 600 hours per year.
Analysis	The 2017 result is an increase from 93.3% in 2016 and exceeds the 95% target.
Source	The National Early Childhood Education and Care Collection (National Collection) is used for calculating performance results under the National Partnership on Universal Access to Early Childhood Education (NP), informed by <i>Preschool Education, Australia</i> , Australian Bureau of Statistics, (cat. no. 4240.0). Final NP performance outcomes also take account of supplementary data supplied by some states and territories in accordance with NP arrangements.
Limitations	NP performance results for 2018 will not be available until the second quarter of 2019.
Contributing programs	1.7 – Early Learning and Schools Support

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Criteria	Indigenous children's access to preschool education.
Target	95% of Indigenous children enrolled in the year before full-time school are enrolled in quality early childhood education for 600 hours per year.
Results	ACHIEVED. In 2017, 96.7% of enrolled Indigenous children enrolled in the year before full-time school, in quality early childhood education program(s) for 600 hours per year.
Analysis	The 2017 result is an increase from 92.3% in 2016 and exceeds the 95% target.
Source	The National Early Childhood Education and Care Collection (National Collection) is used for calculating performance results under the National Partnership on Universal Access to Early Childhood Education (NP), informed by <i>Preschool Education, Australia</i> , Australian Bureau of Statistics, (cat. no. 4240.0). Final NP performance outcomes also take account of supplementary data supplied by some states and territories in accordance with NP arrangements.
Limitations	NP performance results for 2018 will not be available until the second quarter of 2019.
Contributing programs	1.7 – Early Learning and Schools Support

Criteria	Quality outcomes from Australian schooling.
Target	Greater proportion of students achieve at or above minimum standards for reading, writing and numeracy under the National Assessment Program.
Results	TARGET PARTIALLY ACHIEVED. More than one million school students in years 3, 5, 7 and 9 sat the annual National Assessment Program – Literacy and Numeracy (NAPLAN) tests in May 2018, including approximately 190,000 students that completed the assessment online for the first time. Between 2017 and 2018, preliminary results indicate at a national level, there has been a slight increase in the proportion of students achieving at or above national minimum standards in reading and numeracy, but a marginal decline in writing achievement (see Table 2.1).
Analysis	Significant changes at the national level year-on-year are not expected, given the nature of the NAPLAN assessment. Based on calculations of statistical significance for 2017 data, it is likely that since the first set of NAPLAN assessments in 2008 ¹ , there will be a statistically significant increase in the proportion of Year 3 and 5 students achieving at or above the national minimum standards in reading, and Year 5 students in numeracy. It is also likely that there will be a statistically significant decline in the proportion of Year 7 students achieving at or above national minimum standard in writing over this time. Confirmation of statistically significant changes will be available in December 2018 when final results are released.
Source	Source for NAPLAN 2017 data: ACARA 2017, National Assessment Program – Literacy and Numeracy Achievement in Reading, Writing, Language Conventions and Numeracy National Report for 2017, ACARA, Sydney.
Limitations	NAPLAN data is released by the Australian Curriculum Assessment and Reporting Authority (ACARA) in two stages, with NAPLAN 2018 preliminary summary results released on 28 August 2018. Final NAPLAN 2018 results will be available in December 2018. Note: 2018 NAPLAN preliminary data may change pending the release of the 2018 National Report in December 2018.
Contributing programs	1.5 – Government Schools National Support 1.6 – Non-Government Schools National Support 1.7 – Early Learning and Schools Support

1 The base year for all NAPLAN domains except writing is 2008. Changes in writing performance over time are calculated from 2011, the base year for the writing assessment scale.

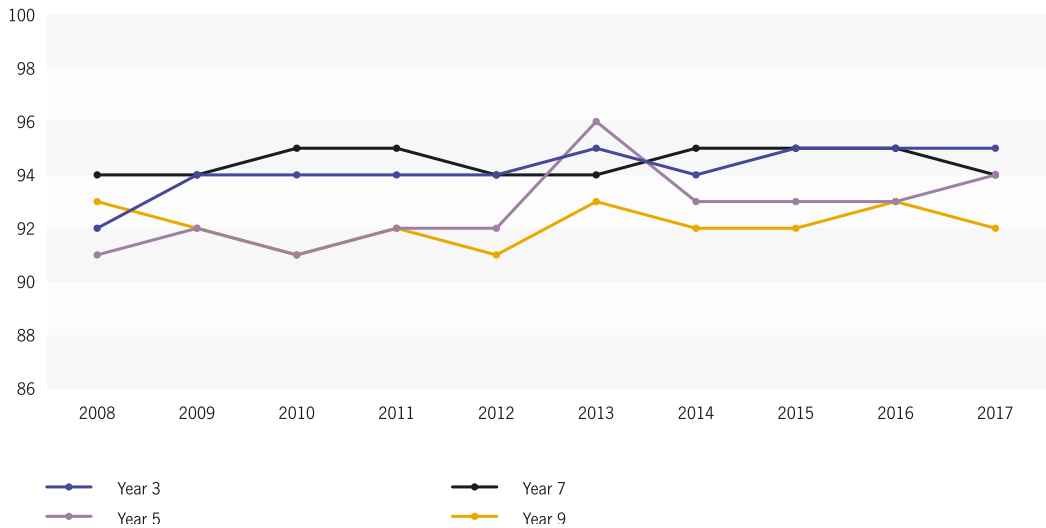
Table 2.1: The proportion of students achieving at or above national minimum standards (NMS) in reading, numeracy and writing (2017 and 2018)

Year level	% of students at or above NMS for reading		% of students at or above NMS for numeracy		% of students at or above NMS for writing	
	2017	2018	2017	2018	2017	2018
3	94.9	95.6	95.4	95.7	95.5	94.4
5	93.9	94.8	95.4	95.6	91.7	89.9
7	94.0	94.0	95.4	95.5	87.9	86.9
9	91.7	93.4	95.8	95.5	81.6	79.5

Note:

1. Calculations of statistical differences in proportions of students at or above national minimum standards will be available in December 2018, upon publication of the 2018 NAPLAN National Report.
2. The above data is subject to change upon publication of the final 2018 NAPLAN National Report in December.

Figure 2.1a: NAPLAN National Reading at or above the National Minimum Standard, by grade, 2008–2017 *



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Figure 2.1b: NAPLAN National Numeracy at or above the National Minimum Standard, by grade, 2008–2017 *

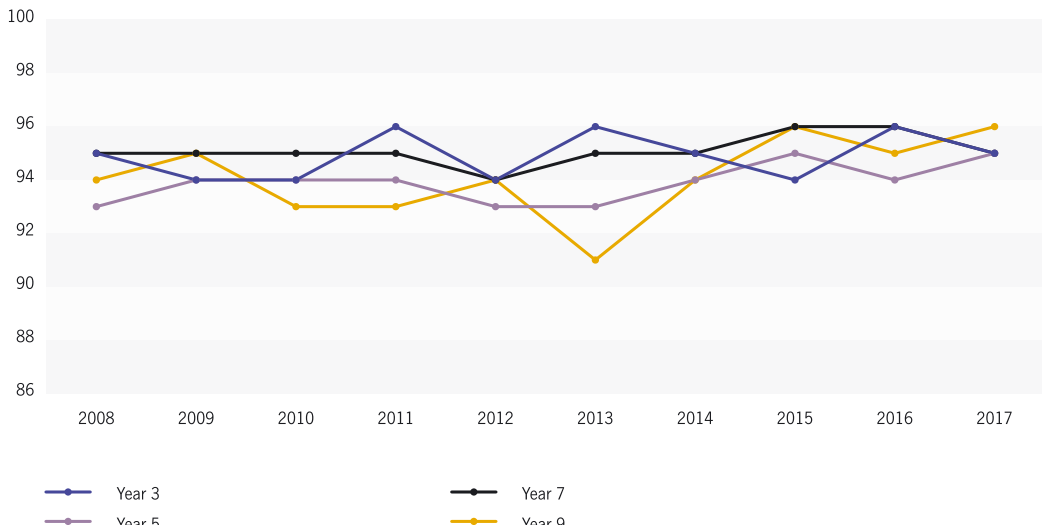
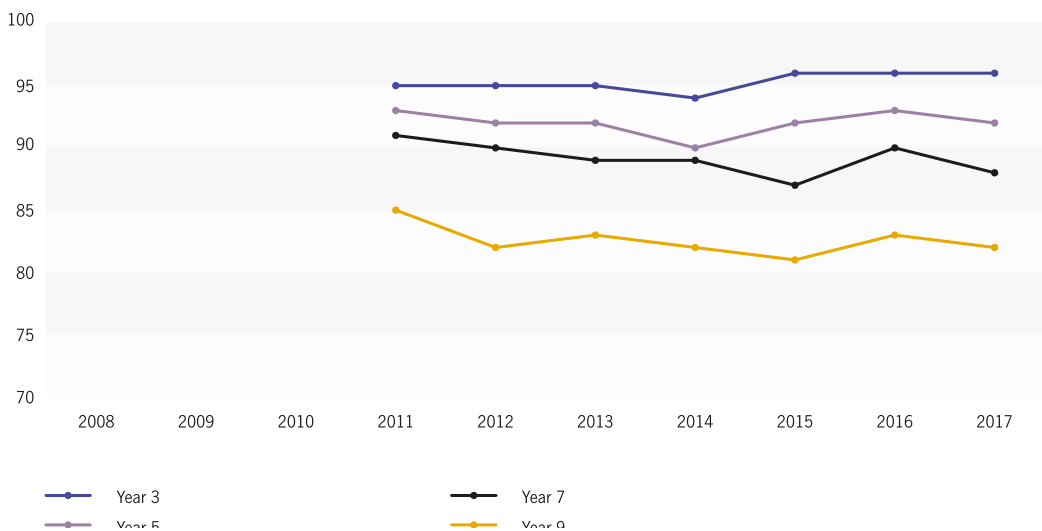


Figure 2.1c: NAPLAN National Writing[^] at or above the National Minimum Standard, by grade, 2008–2017 *



* Source: NAPLAN National Report, 2017 (ACARA), published online at www.nap.edu.au.

[^] Notes: Percentages are calculated from 2008 for all domains except Persuasive Writing, which was introduced in 2011 to replace the Narrative Writing domain.

Outcome 2: Key performance results

Performance against criteria as published for Outcome 2 in the department's Corporate Plan 2017–18.

Criteria	Increased participation in higher education, particularly for previously under represented groups.
Target	17.9% of domestic undergraduates are from a low socioeconomic status (low SES) background (postcode based).
Results	ACHIEVED. 18.7% of domestic undergraduates are from a low SES background (postcode based). See Figure 2.2.
Analysis	Targets were based on the discontinued Australian Bureau of Statistics 2011 Socio-Economic Index For Areas (SEIFA) classification. This has now been updated to the 2016 SEIFA. Using 2016 SEIFA classification for both years shows an increase from 2016 to 2017 (140,000 low SES domestic undergraduates in 2016, or 18.2% of the student cohort).
Source	Higher Education Student Data Collection.
Limitations	2017 calendar year.
Contributing programs	2.1 – Commonwealth Grants Scheme 2.3 – Higher Education Support 2.4 – Higher Education Loan Program 2.5 – Investment in Higher Education Research

Criteria	Increased participation in higher education, particularly for previously under represented groups.
Target	1.8% of students at funded higher education providers are Indigenous.
Results	ACHIEVED. 1.8% of students at funded higher education providers are Indigenous. See Figure 2.2.
Analysis	This is an increase from 2016 to 2017 (2016 results: 17,800 or 1.7%). The Australian Bureau of Statistics estimates that 2.7% of Australia's working age (15–64 years) population is of Aboriginal or Torres Strait Islander descent.
Source	Higher Education Student Data Collection.
Limitations	2017 calendar year.
Contributing programs	2.1 – Commonwealth Grants Scheme 2.3 – Higher Education Support 2.4 – Higher Education Loan Program 2.5 – Investment in Higher Education Research

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Criteria	Increased participation in higher education, particularly for previously under represented groups.
Target	0.7% completions of higher degrees by research are Indigenous.
Results	ACHIEVED. 0.9% completions of higher degree by research were Indigenous in 2017.
Analysis	There has been no change in the number or proportion of completions of higher degree by research by Indigenous students since 2016 (60 students, or 0.9%).
Source	Higher Education Student Data Collection.
Limitations	2017 calendar year.
Contributing programs	2.1 – Commonwealth Grants Scheme 2.3 – Higher Education Support 2.4 – Higher Education Loan Program 2.5 – Investment in Higher Education Research

Criteria	Undergraduates continue to have relatively high employability and earnings.
Target	87% employed within four months of completing degree.
Results	TARGET NOT ACHIEVED. In 2017, 86.5% of undergraduates were employed within four months of completing degree.
Analysis	Employment outcomes improved modestly for graduates between 2016 (86.4%) and 2017, consistent with improvements in the overall labour market.
Source	2017 Graduate Outcomes Survey.
Limitations	2017 calendar year.
Contributing programs	2.1 – Commonwealth Grants Scheme 2.3 – Higher Education Support 2.4 – Higher Education Loan Program

Criteria	VET training choices are better aligned with industry needs.
Target	80% of VET Student Loans students surveyed report studying for job or business related reasons.
Results	TARGET NOT ACHIEVED. For the 2017 calendar year, 63% of students indicated that they were studying for business related reasons.
Analysis	This is the result of a shift from students studying for job-related reasons to students studying to get into another course of study (approximately 20%), consistent with the high volume of VET Student Loan students in courses with a direct pathway to a degree level course. This shift is accompanied by a reduction in students studying for personal reasons.
Source	Higher Education Information Management System (HEIMS).
Limitations	2017 calendar year. The result is from data collected when a student first enrolls in a course.
Contributing programs	2.4 – Higher Education Loan Program

Criteria	VET student satisfaction and employability.
Target	80% of graduates are satisfied with the overall quality of their training.
Results	ACHIEVED. 87.3% of graduates are satisfied with the overall quality of their training. See Figure 2.3.
Analysis	Result exceeds target.
Source	National Centre for Vocational Education Research.
Limitations	2017 survey of 2016 graduates.
Contributing programs	2.8 – Building Skills and Capability

Criteria	Employers' use and views of VET.
Target	80% of employers satisfied with apprenticeships and traineeships.
Results	TARGET NOT ACHIEVED. 77.5% of surveyed employers satisfied with apprenticeships and traineeships.
Analysis	Results for this measure have historically varied within a few percentage points of the target. The decline between 2015 and 2017 should not be considered to represent a trend.
Source	National Centre for Vocational Education Research.
Limitations	2017 survey of employers. Survey is only undertaken every second year.
Contributing programs	2.8 – Building Skills and Capability

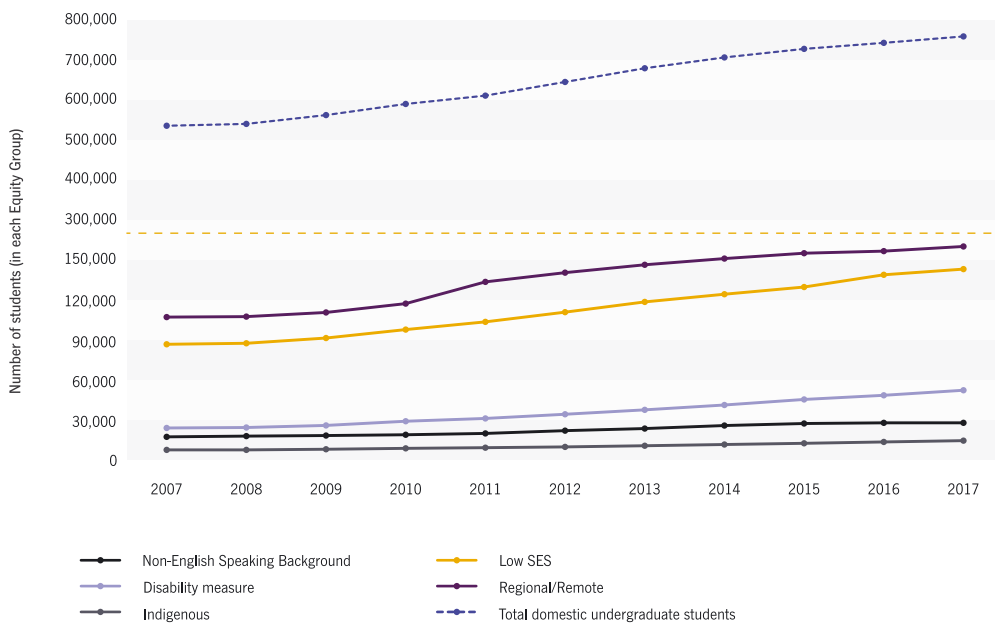
Criteria	Employers' use and views of VET.
Target	80% of employers satisfied with nationally recognised training.
Results	ACHIEVED. 82.2% of surveyed employers satisfied with nationally recognised training.
Analysis	Result exceeds target.
Source	National Centre for Vocational Education Research.
Limitations	2017 survey of employers. Survey is only undertaken every second year.
Contributing programs	2.8 – Building Skills and Capability

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Criteria	Research postgraduates continue to have relatively high employability, earnings and course satisfaction.
Target	90.9% employed within four months of completing degree.
Results	TARGET NOT ACHIEVED. 90.6% employed within four months of completing degree.
Analysis	Employment outcomes improved modestly for graduates between 2016 and 2017, consistent with improvements in the overall labour market.
Source	Graduate Outcomes Survey.
Limitations	2017 calendar year.
Contributing programs	2.5 – Investment in Higher Education Research

Criteria	Australian universities continue to rank highly in terms of research excellence and collaboration.
Target	87% of research in Australian universities is rated as world standard or above.
Results	ACHIEVED , as measured in 2015 (next measurement date: late 2018). 87% of research in Australian universities is rated as world standard or above.
Analysis	There is no change to the reported value as this is based on process from a previous year.
Source	Excellence for Research in Australia (ERA).
Limitations	2015 Excellence for Research in Australia process. This process is conducted every three years, with the next data update scheduled for the end of 2018.
Contributing programs	2.5 – Investment in Higher Education Research 2.6 – Research Capacity

Figure 2.2: Domestic undergraduate students by equity group, 2006–2017



Source: Department of Education and Training

Figure 2.3: The proportion of VET graduates who were satisfied with the overall quality of their training, 2007–2017



Source: National Centre for Vocational Education Research

ADDITIONAL RESULTS

Outcome 1: Program level performance

This section reports on the results against performance criteria for Outcome 1 as published in the *Education and Training Portfolio Budget Statements 2017–18*.

Program 1.1 Support for the Child Care System

Performance criteria	Target	Results	Data source	Data limitations
Prepare child care services and families to transition to new arrangements that apply from 2 July 2018, including launching the first round of the Community Child Care Fund and assisting services to reduce access barriers particularly in disadvantaged, regional and remote communities.	Eligible services and families transition from the Community Support Program and Budget Based Funded programs to new arrangements.	ACHIEVED. Eligible services and their families from the Community Support Program, and Budget Based Funded programs were supported to transition to the new child care arrangements.	The Department of Social Services' FOFMS (FaHCSIA Online Funding Management System) grant management system and the Department of Education and Training's grants reports as well as systems maintained by the Department of Human Services.	N/A
	Community Child Care Fund grants program is ready to start on 2 July 2018.	ACHIEVED. The first round of the Community Child Care Fund was successfully completed in readiness for the grants program to commence from 2 July 2018.	The Department of Social Services' FOFMS (FaHCSIA Online Funding Management System) grant management system and the Department of Education and Training's grants reports.	N/A
	Eligible families are transitioned to the Additional Child Care Subsidy.	ACHIEVED. The department and the Department of Human Services transitioned families from the ceased child care payments to Child Care Subsidy and, if eligible, to the Additional Child Care Subsidy providing extra assistance.	Numbers of families, child care providers and services are sourced from operational systems maintained by the Department of Human Services.	N/A



Performance criteria	Target	Results	Data source	Data limitations
Provide support for child care services and families so that more children access quality child care and early learning services.	Build the capacity and capability of child care services to include children with additional needs through the Inclusion Support Programme (ISP).	ACHIEVED. In 2017–18, around 5,400 child care services received funding, compared to 6,075 in 2016–17, under the Inclusion Development Fund to address barriers to inclusion for around 13,000 children with additional needs, compared to around 12,300 in 2016–17.	The Department of Social Services' FOFMS (FaHCSIA Online Funding Management System) grant management system and the Department of Education and Training's contract management systems.	While one child is the 'trigger' for ISP support for the service, other children at the centre benefit from the assistance, and they are not counted in the figures.
	The revised IHC Program will replace the existing program from 2 July 2018. Eligible families transition to new arrangements. New IHC Support Agencies are established to advocate for and support families to access IHC. ²	ACHIEVED. During 2017–18, the Department undertook reviews of the existing In Home Care Program (IHC) and the Nanny Pilot, the findings from which helped set the policy parameters for the new In Home Care program commencing 2 July 2018. Initial data indicates approximately 80% of eligible families transitioned. Transition support was provided to families and services that enabled families to continue care and/or access more appropriate support services.	In Home Care support agencies' systems.	The data was reported by the In Home Care support agencies in July 2018.

² Target revised in the Education and Training *Portfolio Additional Estimates Statements 2017–18*.

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Performance criteria	Target	Results	Data source	Data limitations
	Maintain or increase the proportion of all children attending child care who are in priority groups: 3% Indigenous children 17% children from culturally and linguistically diverse backgrounds 3% children with disabilities.	ACHIEVED. Proportion of all children attending child care who are in priority groups maintained: 3% Indigenous children (as per September quarter 2017) 22% children from culturally and linguistically diverse backgrounds (as measured in the 2016 National Early Childhood Education and Care Workforce Census released in September 2017). 3% children with disabilities (as measured in the 2016 National Early Childhood Education and Care Workforce Census released in September 2017).	Child Care Management System (CCMS), Department of Human Services (DHS) Enterprise Data Warehouse (EDW), Early Childhood Education and Care National Workforce Census (ECEC NWC). CCMS and DHS EDW data reporting: quarterly/financial year data, reports publicly released 6–12 months after the period ends. Modelling and forecasting using DHS EDW data: released in line with the budget cycle. ECEC NWC is typically undertaken every three years, last census conducted in 2016.	These data are point in time and are the most recent. Indigenous children estimates are from the September quarter 2017. Data on children with disabilities and those from culturally and linguistically diverse backgrounds are from particular reference weeks in the 2016 ECEC workforce census.

Program 1.2 Child Care Benefit and Program 1.3 Child Care Rebate

Performance criteria	Target	Results	Data source	Data limitations
Ensure accurate, efficient and effective management of child care fee assistance.	Compliance activities improve the integrity of child care payments.	ACHIEVED. As a result of the department's compliance activities, the payment accuracy of child care fee assistance claimed by child care providers on behalf of Australian families increased from 94.6% in 2016–17 to 96.6% in 2017–18.	Actuarial estimate undertaken by Orima in June 2018.	The payment accuracy measure is not designed to detect non-compliance but to provide overall assurance of the integrity of child care fee assistance payments.



Program 1.4 Child Care Subsidy

Performance criteria	Target	Results	Data source	Data limitations
Implement, and successfully transition families and services to the Child Care Subsidy (CCS) and related IT system built for 2 July 2018 commencement.	<p>All eligible families and services are ready to transition to CCS on 2 July 2018.</p> <p>IT system is ready for implementation on 2 July 2018.</p>	<p>ACHIEVED. Over 1.02 million families completed and updated their income and activity assessment details by 2 July 2018 in order to transition to the new Child Care Subsidy. This compares well to the number of families that had children in care during the June quarter 2017, 874,020 families.</p> <p>Of 6,053 existing child care providers, 6,040 (12,732 of 12,745 child care services) transitioned to the new arrangements. This represents over 99% of child care providers.</p> <p>The new CCS system has been operating as intended since 2 July 2018, with no systemic issues since the system went live.</p>	Numbers of families, child care providers and services are sourced from operational systems maintained by the Department of Human Services.	N/A

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Program 1.5 Government Schools National Support

Performance criteria	Target	Results	Data source	Data limitations
Support state and territory governments to deliver quality student outcomes by providing a needs-based funding contribution for all eligible students in government schools.	Funding for all eligible students attending government schools provided to state and territory governments in accordance with the <i>Australian Education Act 2013</i> .	ACHIEVED. 100% of payments provided to state and territory governments for eligible students were made in accordance with the <i>Australian Education Act 2013</i> .	State and territory government data submission and departmental records.	Payments have been made based on data provided by state and territory governments. The department provides state and territory governments with detailed data specifications to adhere. The department relies primarily on the state and territories to undertake quality assurance (QA) on the eligible students' data they provide. The department also undertakes independent QA activities including cross-checking with other data collection sources and will liaise with representatives to validate the submissions.



Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Funded full-time equivalent student enrolment projections.	2,511,000	2,498,335	Projection model based on, <i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	Projections are based on data provided by state education departments as part of the school census 2017. The results are the actual number of funded enrolments in 2017.
All full-time enrolments in government schools: Indigenous students.	183,000	180,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	Data is at 4 August 2017, Australian government school census.
All full-time enrolments in government schools: primary students.	1,561,000	1,553,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	Data is at 4 August 2017, Australian government school census.
All full-time enrolments in government schools: secondary students.	955,000	957,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	Data is at 4 August 2017, Australian government school census.

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Program 1.6 Non-Government Schools National Support

Performance criteria	Target	Results	Data source	Data limitations
Support non-government education authorities to deliver quality student outcomes by providing a needs-based funding contribution for all eligible students in non-government schools.	Funding for all eligible students attending non-government schools provided to approved authorities in accordance with the <i>Australian Education Act 2013</i> .	ACHIEVED. 100% of payments provided to approved authorities for eligible students were made in accordance with the <i>Australian Education Act 2013</i> .	Non-government school census and departmental records.	Payments have been made based on data provided by approved authorities for non-government schools. The department provides the non-government sector with detailed data specifications to adhere. The department undertakes QA activities during the data collection process to review and validate the data and will liaise with school/authority representatives to validate the submissions. Post enumeration activities occur to revalidate a school's eligible students.



Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Funded full-time equivalent student enrolment projections.	1,325,000	1,315,563	Non-government school census.	The results are the actual number of funded enrolments in 2017, and were extracted on 11 July 2018. The number of funded enrolments for 2018 will not be finalised until after the 2018 census.
Number of schools assisted with capital support.	240	223	Schools Education Management Information System (SEMIS).	Figures provided were extracted on 12 July 2018. The number of projects funded under the Capital Grants Program can vary over time due to projects being created, withdrawn or merged.
All full-time enrolments in non-government schools: Indigenous students.	36,000	34,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	This data is reported as at 4 August 2017 census date. This is an annual data collection.
All full-time enrolments in non-government schools: primary students.	664,000	660,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	This data is reported as at 4 August 2017 census date. This is an annual data collection.
All full-time enrolments in non-government schools: secondary students.	661,000	663,000	<i>Schools, Australia 2017</i> , Australian Bureau of Statistics, ABS cat. no. 4221.0.	This data is reported as at 4 August 2017 census date. This is an annual data collection.

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Program 1.7 Early Learning and Schools Support

Performance criteria	Target	Results	Data source	Data limitations
Facilitate children's early learning and development and transition to school, by maintaining universal access to, and improving participation in, affordable, quality early childhood education programs for all children.	95% of all children enrolled in the year before full-time school in quality early childhood education program(s).	ACHIEVED. National results for 2017 are as follows: 100% of all children were enrolled in the year before full-time school in quality early childhood education program(s). This result was maintained from 2016.	The National Early Childhood Education and Care Collection informed by <i>Preschool Education, Australia</i> , Australian Bureau of Statistics, (cat. no. 4240.0). Final NP performance outcomes also take account of supplementary data supplied by some states and territories in accordance with NP arrangements.	2017 results are as reported under the NP for 2016 and 2017. NP performance results for 2018 will not be available until the second quarter of 2019. A limitation of the way preschool enrolments are calculated under NP arrangements is that the NP methodology compares the number of four and five-year-old children enrolled in preschool with the estimated population of four-year-olds only. This approach most likely over-estimates real preschool enrolment levels, resulting in enrolment rates over 100%.
	95% of Indigenous children enrolled in the year before full-time school in quality early childhood education program(s).	100% of Indigenous children were enrolled in the year before full-time school in quality early childhood education program(s). This result was maintained from 2016.		
	95% of enrolled children enrolled in the year before full-time school, in quality early childhood education program(s) for 600 hours per year.	96.1% of enrolled children were enrolled in the year before full-time school, in quality early childhood education program(s) for 600 hours per year. This was an increase from 93.3% in 2016.		
	95% of enrolled Indigenous children enrolled in the year before full-time school, in quality early childhood education program(s) for 600 hours per year.	96.7% of enrolled Indigenous children were enrolled in the year before full-time school, in quality early childhood education program(s) for 600 hours per year. This was an increase from 92.3% in 2016.		



Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Helping Children with Autism package: Number of teachers and other school staff attending professional development courses.	1,700	8,640 Introduction of an online module has boosted participation, with nearly 7000 teachers and other school staff completing online professional learning modules.	Program administration data.	Relies on self-reporting – provided by recipients, calculated from electronic and physical records.
Helping Children with Autism package: Number of parents and carers attending workshops and information sessions.	1,800	2,870 Workshop attendance for parents and carers remained significantly above target.	Program administration data.	Relies on self-reporting – provided by recipients, calculated from electronic and physical records.
P-TECH pilot is expanded to 12 new sites across Australia to improve STEM capability.	4 new sites	During the reporting period, three partnerships commenced at P-TECH pilot sites in Tasmania, the Northern Territory and Queensland.	P-TECH program administrative data.	Regular meetings between the department and the Skilling Australia Foundation, which administers the pilot.
Cumulative number of additional disadvantaged students participating in the Learning for Life program expansion.	9,000	9,315	The Smith Family – Learning for Life (student level data). The numbers are as at 30 June 2018.	The result is for the project period November 2016 to June 2018.
National School Chaplaincy Programme: Number of schools receiving support for chaplaincy services.	3,000	3,371	National School Chaplaincy Programme as reported by state and territory education authorities. This result is the final 2017 school numbers.	The result is for the 2017 school year.
Number of Associates commencing in schools under Teach for Australia.	Up to 315 over two years	125 Associates commenced in schools in 2018.	Program administration data.	Final results against the target will be available in February 2019, when the second and final cohort commences.

2 Performance statements

Outcome 2: Program level performance

This section reports on the results against performance criteria for Outcome 2 as published in the *Education and Training Portfolio Budget Statements 2017–18*.

Program 2.1 Commonwealth Grants Scheme

Performance criteria	Target	Results	Data source	Data limitations
Government makes a direct contribution to the cost of higher education to provide equitable access and support Australia's intellectual and economic development.	All domestic students accepted into a bachelor level course at a public university are provided with a Commonwealth Supported Place.	ACHIEVED. This program provides funding to universities on a demand driven basis for all domestic students enrolled in a bachelor degree at a public university (excluding medicine). This funding reduces the direct cost to students in Commonwealth supported places. Limited funding is also provided for students enrolled in a medical degree, sub bachelor degree or postgraduate degree.	Program information.	The target describes the eligibility parameters of the program and is therefore achieved by default.

Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Number of Commonwealth supported domestic undergraduate places.	582,500	581,921	Department of Education and Training Higher Education Information Management System (HEIMS).	2017 calendar year data.
Number of Commonwealth supported domestic postgraduate coursework places.	42,800	41,392	Department of Education and Training Higher Education Information Management System (HEIMS).	2017 calendar year data.
Number of enabling places.	9,700	9,686	Department of Education and Training Funding Agreements.	2017 calendar year data.



Additional performance information	Target	Result	Data source	Data limitations
Number of Commonwealth Grant Scheme (CGS) medical places.	13,200	13,088	Department of Education and Training Higher Education Information Management System (HEIMS).	2017 calendar year data.
Number of regional and remote students participating in higher education ³	218,000	214,000	Higher Education Student Data Collection.	2017 calendar year data.
Number of domestic undergraduate completions.	145,000	147,000	Higher Education Student Data Collection.	2017 calendar year data.
Number of domestic postgraduate coursework completions.	74,000	71,000	Higher Education Student Data Collection.	2017 calendar year data.

Program 2.2 Higher Education Superannuation Program

Performance criteria	Target	Results	Data source	Data limitations
The department works with eligible universities to provide payments to meet certain superannuation expenses for eligible current and former university employees.	Instalments are paid on time to the 27 eligible Table A universities.	ACHIEVED. The department has worked with eligible universities to provide payments to meet certain superannuation expenses for eligible current and former university employees ensuring all payments Instalments were paid on time.	Program management information and payments system Unipay.	The reporting period is the 2017 calendar year. Noting that for the first six months of the 2018 calendar year all targets continue to be met. Actual data is derived from the Unipay system.

³ Table A and B universities only. Regional and remote categories as defined by the Australian Bureau of Statistics *Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas*, July 2016, ABS cat. no. 1270.0.55.001.

2 Performance statements

Program 2.3 Higher Education Support

Performance criteria	Target	Results	Data source	Data limitations
A focus on quality and informed student choice is maintained in the higher education system.	At least 81% of undergraduate students rate the teaching quality at their institution positively.	TARGET NOT ACHIEVED. 80% of undergraduate students rated the teaching quality at their institution positively. Results for this measure have historically varied between 79% and 82%. The decline between 2015 and 2017 should not be considered to represent a trend.	Student Experience Survey 2017, part of the Quality Indicators for Learning and Teaching initiative.	2017 calendar year.
	Future earnings data made available on the Quality Indicators for Learning and Teaching website.	TARGET NOT ACHIEVED. Implementation is taking longer than expected and the future earnings data is not yet available on the Quality Indicators for Learning and Teaching website.	www.qilt.edu.au	
Increase student participation in higher education, including by previously under represented groups.	Continued growth in the number and proportion of low SES and Indigenous undergraduate students.	ACHIEVED. There has been continued growth in the number and proportion of low SES and Indigenous students from 2016 to 2017.	Higher Education Student Data Collection.	2017 calendar year.



Performance criteria	Target	Results	Data source	Data limitations
Rural and Regional Enterprise Scholarships support participation in higher education by regional and remote students.	A cumulative total of 1200 scholarships will be awarded by 2020–21.	TARGET ON TRACK TO ACHIEVE. There were 1379 applications submitted in round one for students commencing in 2018, with scholarship recipients totalling 505 (as at 4 July 2018).	The Queensland Tertiary Admissions Centre (QTAC) administers applications and assessments, distributes funds, monitors compliance with scholarship agreement requirements, and collects data and reports to the department.	The results of round one is for students who commenced eligible courses from 2018. Courses can be for six months up to four years. The data is not final as it is point-in-time, based on continuing eligibility including enrolment in an eligible course, satisfactory results each semester, and continuing financial need.

Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
The proportion of undergraduates employed within four months of completion of degree.	87.0%	86.5%	2017 Graduate Outcomes Survey, part of the Quality Indicators for Learning and Teaching initiative.	2017 calendar year.
Median undergraduate starting salaries of graduates employed full time.	\$59,200	\$60,000	2017 Graduate Outcomes Survey, part of the Quality Indicators for Learning and Teaching initiative.	2017 calendar year.

2 Performance statements

Additional performance information	Target	Result	Data source	Data limitations
Number of learning and teaching citations and awards provided at the Australian Awards for University Teaching.	180	115*	Australian Awards for University Teaching administrative data. *2017 was the final year the department administered the awards, and had less than anticipated number of nominations. The awards were transferred, from 2018, to Universities Australia for administering.	2017 calendar year.
Number and proportion of domestic undergraduates from a low SES background (based on Statistical Area Level 1).	127,000 16.1%	137,000 17.1%	Higher Education Student Data Collection.	2017 calendar year.
Number and proportion of domestic undergraduate students from a low SES background (based on postcode).	141,000 17.9%	150,000 18.7%	Higher Education Student Data Collection.	2017 calendar year.
Number and proportion of Indigenous students in higher education at funded institutions.	18,900 1.8%	19,200 1.8%	Higher Education Student Data Collection.	2017 calendar year.
Number of Indigenous completions at funded institutions.	2,520	2,530	Higher Education Student Data Collection.	2017 calendar year.
Supporting more women in STEM careers—number of industry based PhD internships.	200	68	Annual reports and monthly data collected under the Commonwealth Conditions of Grant.	The PhD student internships numbers are based on calendar year targets. For 2017, the internship target was 100 internships as required under the Commonwealth Conditions of Grant, only 68 internships were achieved. The target for 2018 is 200 internships.



Program 2.4 Higher Education Loan Program

Performance criteria	Target	Results	Data source	Data limitations
VET students have improved employment prospects as training choices are better aligned with industry needs.	Proportion of VET Student Loans students studying for job or business related reasons is more than 80%.	TARGET NOT ACHIEVED. For the 2017 calendar year, 63% of students indicated that they were studying for business related reasons.	Higher Education Information Management System (HEIMS).	The reporting period is the 2017 calendar year. The result is from data collected when a student first enrolls in a course.
Growth in access to higher education and eligible VET courses for students who may have been otherwise deterred by upfront costs – as evidenced by growth in HELP loans.	Steady growth in the number of Australians accessing HELP loans, which in turn produces economic gains for individuals and society.	ACHIEVED. There is a modest growth in the number of domestic students accessing higher education through HELP.	Higher Education Loan Program (HELP) forward estimates model.	2017–18 financial year.
HELP debts are affordable for both students and the community.	Key indicators demonstrate HELP scheme remains affordable, including: average HELP debt time to repay debt not expected to be repaid.	TARGET PARTIALLY ACHIEVED. Average student debt is stable; number of years to repay and proportion of debt not expected to be repaid have increased (see additional performance information below).	Australian Taxation Office (ATO), Australian Government Actuary (AGA) and the Higher Education Loan Program (HELP) forward estimates model.	The reporting period is the 2017 calendar year. Based on verified student data.

2 Performance statements

Additional performance information

Additional performance information	Target ⁴	Result	Data source	Data limitations
Number of Commonwealth supported places for which HECS-HELP loans paid.	550,200	548,802	Department of Education and Training Higher Education Information Management System.	The reporting period is the 2017 calendar year. Based on verified student data.
Number of places for which FEE-HELP loans paid.	83,500	76,293	Department of Education and Training Higher Education Information Management System.	The reporting period is the 2017 calendar year. Based on verified student data.
Number of OS-HELP loans to assist students to undertake some of their course overseas.	17,200	15,654	Department of Education and Training Higher Education Information Management System.	OS-HELP data excludes-HELP language study loans. The reporting period is the 2017 calendar year. Based on verified student data.
Number of SA-HELP loans to assist students to pay their services and amenities fees.	492,000	504,904	Department of Education and Training Higher Education Information Management System.	The reporting period is the 2017 calendar year. Based on verified student data.
Average amount of HELP debt.	\$21,500	\$21,600	Australian Taxation Office (ATO).	2017–18 financial year.
Average number of years to repay HELP debt.	8.2	9.1	Australian Taxation Office (ATO).	2017–18 financial year.
Proportion of new debt not expected to be repaid.	17%	18%	Higher Education Loan Program (HELP) forward estimates model and the Australian Government Actuary (AGA).	2017–18 financial year.

⁴ Targets revised in the Education and Training Portfolio Additional Estimates Statements 2017–18.



Program 2.5 Investment in Higher Education Research

Performance criteria	Target	Results	Data source	Data limitations
The performance of the block grants in supporting the university research system will be measured in terms of capacity, quality, collaboration, student completions and student employability.	Australian universities continue to be ranked highly in measures such as research outputs and international research rankings.	ACHIEVED. Australian universities continue to be ranked highly in measures such as research outputs and international research rankings.	Higher Education Student Data Collection, Higher Education Research Data Collection, Excellence for Research in Australia, Graduate Outcomes Survey, various international university ranking systems.	2017 calendar year.
	Higher degree by research graduates will continue to have relatively high employability, earnings and course satisfaction.	ACHIEVED. In 2017, 84.4% of higher degree by research students were satisfied with their degree, and 90.6% were employed within four months of completing their degree, earning a median annual salary of \$87,800.	Graduate Outcomes Survey.	2017 calendar year.

Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Number of higher degree by research student completions.	11,000	10,697	Higher Education Student Data Collection.	2017 calendar year.
Growth in the number of higher degree by research completions by Indigenous students as a proportion of domestic completions.	0.7%	0.9%	Higher Education Student Data Collection.	2017 calendar year.

2 Performance statements

Additional performance information	Target	Result	Data source	Data limitations
Proportion of research rated as world standard or above in Excellence for Research in Australia process.	87%	87%	Excellence for Research in Australia.	2015 Excellence for Research in Australia process. This process is conducted every three years, with the next data update scheduled for the end of 2018.
Proportion of postgraduate research graduates in employment within four months of completion of degree.	90.9%	90.6%	Graduate Outcomes Survey.	2017 calendar year.

Program 2.6 Research Capacity

Performance criteria	Target	Results	Data source	Data limitations
Australia's learned academies provide the Government and the Australian community with access to quality, independent advice informed by the latest research and scientific evidence on national and international matters.	Australia's learned academies delivered a range of submissions and reports that provided cutting edge research and advice to the government and private sector on issues of national and international importance.	ACHIEVED. Australia's learned academies delivered a range of submissions and reports that provided cutting edge research and advice to the government and private sector. In addition, over 54,000 attendees participated in research based awareness activities delivered by Australia's learned academies.	Annual reports provided under the Commonwealth Conditions of Grant.	Data provided in 2017 annual reports submitted by the learned academies.
NCRIS network research infrastructure provides services to researchers from the public and private sectors.	NCRIS network is used by over 35,000 researchers, both domestically and internationally.	ACHIEVED. Final, end of year data for 2016–17 (collected in March 2018) shows 45,000 domestic and international researchers used the NCRIS network.	NCRIS program administrative data, in this case through the National Research Infrastructure Census.	Results are based on 2016–17 data (most recent available). Data was collected from March 2018. 2017–18 report is expected by July 2019.



Program 2.7 International Education Support

Performance criteria	Target	Results	Data source	Data limitations
Build strategic connections that benefit both international and Australian students and lead to enduring relationships with other nations to support world-class education and research.	International Counsellor Network continues to maintain and enhance relationships in key countries and regions.	ACHIEVED. Australia continues to be sought out by international partners for dialogue and partnership in education and Australia's positions in multilateral fora are supported by domestic and international education stakeholders. Australia continues to attract high quality applicants for its scholarship and mobility programs.	Undertake regular strategic policy dialogues with key international partners. Delivery of Australian Government scholarship and mobility initiatives.	Results reflect an aggregation of activity reported by Counsellors (cables and other advice) and across the group.
National Strategy for International Education supports a range of activities to enhance international education's contribution to Australia's economic prosperity and social well-being.	Further projects to advance the objectives of the National Strategy for International Education will be rolled out.	ACHIEVED. The Minister for Education and Training announced successful projects under the 2017–18 Enabling Growth and Innovation program on 27 June 2018.	Departmental data on the Enabling Growth and Innovation program.	Data is held for each round of the Enabling Growth and Innovation program. To date, two rounds have been conducted in 2016–17 and 2017–18.

2 Performance statements

Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Proportion of international student survey respondents who are satisfied or very satisfied with studying in Australia.	>80%	87%	Biennial 'International Student Survey' (2016).	The biennial national survey process covers all education sectors (higher, education, VET, English language teaching and schools) and takes two years to complete. 2018 data is expected to be available in early 2019.
Proportion of international student survey respondents who are satisfied or very satisfied with living in Australia.	>80%	89%	Biennial 'International Student Survey' (2016).	The biennial national survey process covers all education sectors (higher, education, VET, English language teaching and schools) and takes two years to complete. 2018 data is expected to be available in early 2019.



Program 2.8 Building Skills and Capability

Performance criteria	Target	Results	Data source	Data limitations
Increase the completion rates of Australian Apprentices.	Australian Apprentice completion rates increase in comparison to prior reporting periods.	<p>TARGET NOT ACHIEVED. The contract completion rate for apprentices and trainees who commenced in 2013 was 52.7%, a decrease from 55.4% for those who commenced in 2012.</p> <p>The individual completion rate for apprentices and trainees who commenced in 2013 was 59.6%, a reduction compared to 2012 commencements (61.6%).</p>	NCVER, Completion and Attrition Rates for Apprentices and Trainees 2017.	<p>Reported data relates to the 2017 calendar year.</p> <p>The National Centre for Vocational Education and Research (NCVER) publish annual completion rates for Australian apprentices on an annual basis in July each year. It can take up to four years for apprentices to complete. The latest available data is for 2017 and includes completion rates for those who began their training in 2013.</p>
Scholarships are awarded in priority industries in South Australia.	Up to 1,200 scholarships will be funded over four years.	<p>TARGET ON TRACK TO ACHIEVE. Two rounds of applications were conducted in 2017–18. 804 successful applicants have been offered a scholarship. As at 18 June 2018, 639 applicants had accepted a scholarship offer and been published on GrantConnect.</p>	<p>Program administration data.</p> <p>Scholar data is maintained by Scope Global Pty Ltd (the third party providing program services).</p> <p>Successful applicants who accept their offer are published on GrantConnect, the Australian Government's grant information system.</p>	<p>The number of applicants who accepted their scholarship offer is point in time (using the final GrantConnect reporting date in 2017–18 of 18 June 2018). Final (actual) data relating to the number of applicants who accepted their scholarship offer will be available in the 2018–19 financial year.</p>

2 Performance statements

Performance criteria	Target	Results	Data source	Data limitations
Improvement in language, literacy and numeracy (LLN) skills through the Skills for Education and Employment Program training enabling more effective participation in further training or the labour force.	17,100 eligible job seekers supported by the Skills for Education and Employment (SEE) Program.	ACHIEVED. 19,226 eligible job seekers supported.	SEE program administrative data.	2017–18 financial year. Data extracted from SEE Online.
Improved English language skills through participation in Adult Migrant English Program training.	63,671 eligible migrants and humanitarian entrants supported by the Adult Migrant English Program.	TARGET NOT ACHIEVED. A lower than expected number of students enrolled in Adult Migrant English Program (AMEP) (52,968) resulted from new AMEP contracts commencing on 1 July 2017 with AMEP students escalating their completions in the prior financial year to avoid needing to shift providers. AMEP student number are expected to increase as new service providers build awareness of the changed AMEP arrangements among migrant communities.	AMEP program administrative data.	2017–18 financial year.



Performance criteria	Target	Results	Data source	Data limitations
Ongoing operation of programs and systems, including data collections, continue to support the national training system. Further reforms will be implemented as needed.	The Australian Industry and Skills Committee (AISC) was supported in transitioning training products to meet the updated standards for nationally accredited, industry-focused training.	ACHIEVED. The AISC completed the development of the National Industry Insights Report web platform to bring together grassroots industry intelligence, employment and occupation data with training enrolment data. 46 of 68 Training Packages have transitioned to the Standards. Eight training packages are partially transitioned. 14 training packages are due to complete transition by December 2019.	Program administrative data.	This information is for the 2017–18 period, except the point in time data provided about number of training packages that have transitioned to the Standards which is as at 30 June 2018.
	Training.gov.au was maintained as the authoritative source for regulatory decisions and other relevant information on registered training organisations (RTOs), training packages and accredited courses.	ACHIEVED. Training.gov.au was maintained as the authoritative source of information on RTOs, training packages and accredited courses and received 7.2 million visits from 3.1 million users in 2017–18.	Program administrative data.	Data represents the 2017–18 financial year.

2 Performance statements

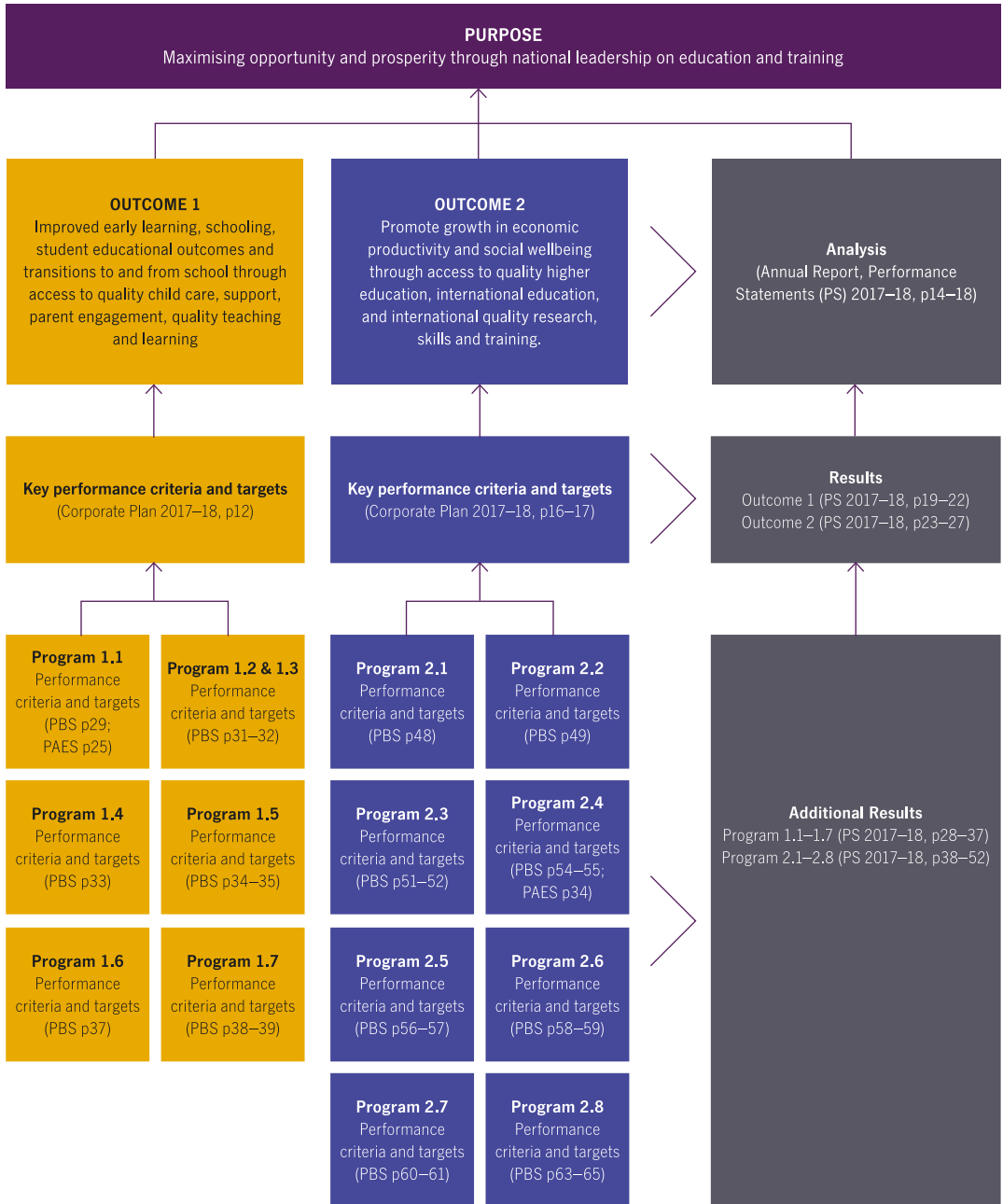
Performance criteria	Target	Results	Data source	Data limitations
	My Skills website received 1.6 million visits from 1.2 million unique users in 2016.	ACHIEVED. My Skills was maintained as the national directory of vocational training, and received 2.3 million visits from 1.6 million users in 2017–18.	Program administrative data.	Data represents the 2017–18 financial year.
	Data on fee-for-service and government supported training activity was collected and published by the National Centre for Vocational Education Research to inform broader market activity and management of the system by the Australian Government and states and territories.	ACHIEVED. Fee-for-service and government supported training activity data was successfully collected and published by the National Centre for Vocational Education Research.	Program administrative data.	Results are reported for the 2017–18 financial year. Latest publicly available data from these publications is for 2017 calendar year.

Additional performance information

Additional performance information	Target	Result	Data source	Data limitations
Total number of employers who have received a payment under the Australian Apprenticeships Incentives Program (AAIP).	51,000	60,880	Training and Youth Internet Management System.	2017–18 financial year. Data was extracted on 9 July 2018.
Trade Support Loans – Number of Australian Apprentices in receipt of Trade Support Loan payments.	45,000	51,920	Training and Youth Internet Management System.	2017–18 financial year. Data was extracted on 9 July 2018.

USER GUIDE

Performance criteria mapped between the Performance Statements 2017–18 and the department's performance framework.





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CORPORATE GOVERNANCE

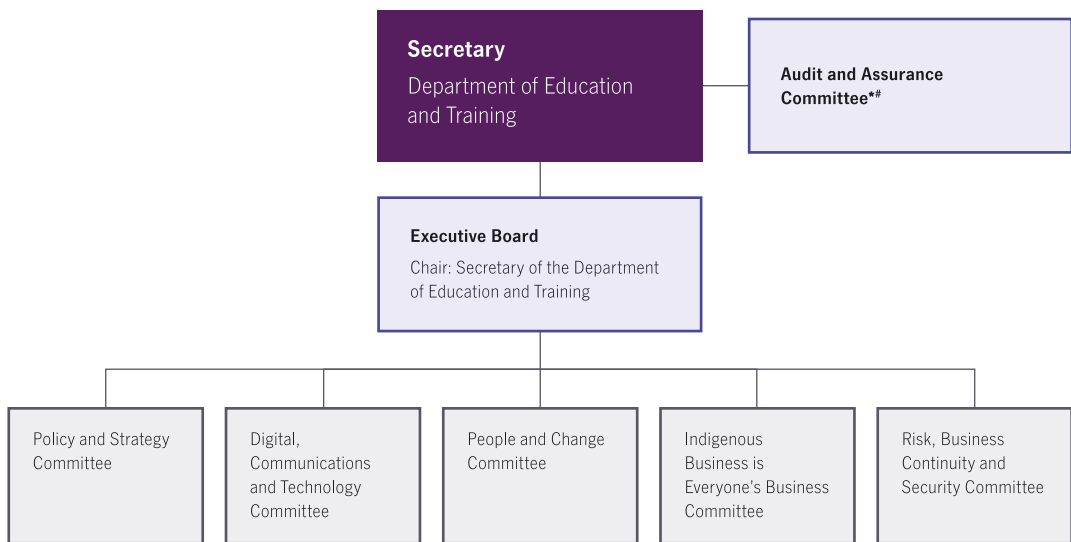
Governance framework

Our governance structure helps us to successfully deliver outcomes consistent with our legal, accountability and policy obligations.

The Executive Board is the decision-making body for the department. Membership consists of the Secretary and Deputy Secretaries. The Executive Board is responsible for setting longer-term strategy for the department, meeting the Government's objectives and ensuring compliance with the department's obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The department's six senior governance committees (Figure 3.1) are advisory bodies and report to the Executive Board or the Secretary. The committees provide direction, organisational stewardship and support the department in meeting its priorities and objectives.

Figure 3.1: The department's senior governance structure



As at 30 June 2018

* Required under legislation

Chaired by an external representative



Audit and Assurance Committee

The department's Audit and Assurance Committee, established in compliance with section 45 of the PGPA Act and section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), is responsible for providing independent assurance and advice to the Secretary on the appropriateness of the department's financial and performance reporting responsibilities, risk oversight and management, and systems of internal control. As at 30 June 2018, the Audit and Assurance Committee consists of three internal and four external members and is chaired by an external member.

The Audit and Assurance Committee has established the Financial Statements Sub-Committee, chaired by an external member, to support it in performing its financial reporting function.

Corporate and business planning

The *Department of Education and Training Corporate Plan 2017–18* was published on the department's website on 28 August 2017. The plan sets out our purpose statement— *maximising opportunity and prosperity through national leadership on education and training*. The plan also outlines our activities and performance criteria for the next four years. These criteria form the basis of the performance statements in Part 2 of this report.

Business plans are developed annually for business areas and outline a formal statement of priorities and how they will be achieved. Business plans play an important role in ensuring alignment of work priorities and work deliverables. The 2017–18 business plans provide a clear line of sight between our purpose and the work we do to achieve our outcomes.

Risk management

Risk management is integral to the department's strategic and operational environment. It is recognised by our Executive as essential for ensuring the effective delivery of our activities and the achievement of our purpose. The department's risk management framework aligns with broader requirements, including the *Commonwealth Risk Management Policy* and the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009), and meets the requirements of section 16 of the PGPA Act.

We actively manage risks through systems, processes and strategies that are designed to respond to our environment, shape our activities and improve our capability. The Risk, Business Continuity and Security Committee monitors our enterprise risks and reports to Executive Board to inform decision-making and support our purpose.

Our people are encouraged to identify and mitigate risk, and to use risk management as a tool to make sound business decisions that support achievement of our purpose. In 2017–18, the department's risk management framework underwent a revision to ensure a consistent and appropriate approach to the management and monitoring of risks.

Fraud control

As a Commonwealth entity, the department has a responsibility to ensure public resources are used appropriately to achieve its purpose and promote financial sustainability.

The department has in place a Fraud Control Plan, which details processes for managing fraud risks. The Fraud Control Plan works in conjunction with the department's Risk Management Framework and Policy to ensure fraud is considered as part of the risk assessment process.

3 Management and accountability

The department aims to explore alternative solutions to managing fraud risk and incidents of fraud. Solutions include improving legislative frameworks, refining analytical capability, strengthening existing controls and implementing new approaches, such as the Family Day Care Payment Integrity Measure. Further information on this reform is available in Part 2 of this report.

The department has three investigation teams to best respond to incidents of fraud. They are the:

- Fraud Team, in the Enterprise Risk and Strategy Branch, which is authorised to conduct fraud investigations into any of the department's activities
- Child Care Fraud Investigations Team in the Payments and Compliance Group, which undertakes investigations related to Family Assistance Law
- Skills Programs Compliance Branch in the Skills Programs Group, which undertakes investigations for vocational education and training programs.

In addition to undertaking fraud investigations, the Fraud Team performs a broader fraud control function, including:

- ongoing implementation and monitoring of the Fraud Control Plan
- delivering fraud awareness training for all staff and contractors
- advising on how to report a suspected fraud, how to commence the investigation process, and general fraud-related matters
- reporting against the Commonwealth Fraud Control Framework 2017.

Shared services arrangements

The department has memorandums of understanding arrangements in place for the provision of relevant services from the Department of Jobs and Small Business and the Department of Finance.

The Department of Jobs and Small Business provides technology and some corporate services to the department, including network access, client computing, records management and financial viability assessments.

The Department of Finance's Service Delivery Office supplies the department with transactional services such as payroll and payroll system administration, accounts payable and receivable, credit card management, and travel management.

The department provides library and theatre (including audio-visual) services to the Department of Jobs and Small Business and other entities.

PEOPLE MANAGEMENT

Our people

A significant part of the department's efforts to build its capability has been the development of the new *People Strategy 2018–2021*. Launched by the Secretary in March 2018, the strategy outlines the department's workforce priorities and the strategies it will take to build our capability to deliver on our purpose.

Together with the Corporate Plan, the strategy will guide the department in creating an organisation that delivers on business priorities; promotes a respectful, collaborative culture that celebrates diversity; has a focus on policy excellence; and builds leadership capability at all levels.

The strategy was developed through a broad consultation process and is informed by a range of factors including the outcomes of the Australian Public Service (APS) Commission's *Unlocking Potential – APS Workforce Management Contestability Review*, which highlighted a range of future workforce challenges for the APS.

The strategy is accompanied by a comprehensive evaluation plan, which outlines the performance criteria and targets that will be implemented for each of the strategy's four strategic priorities. These targets will be reviewed annually with feedback provided to Executive Board to ensure they are achieving intended results.

In 2017–18, the department offered professional development activities through a variety of approaches, including face-to-face training and online learning, to ensure the department continues to provide high quality policy advice to government and effective and efficient program administration. The Policy and Program Skills Framework was implemented to provide staff with clear capability areas required to meet organisational outcomes. Targeted learning opportunities were provided to support key focus areas identified through staff consultation and focus groups.

In 2017–18 the department also continued to provide all employees with:

- easy access to eLearning across a variety of technical and management areas
- secondment and mobility opportunities through the Jawun Corporate Leaders Program and Executive Level mobility rounds
- a suite of training programs to build policy, data and writing capability.

The department also delivered training to employees with supervisory responsibilities to improve the quality of performance conversations.

In 2017–18 the department introduced mandatory annual fraud awareness and security training.

The department continues to provide entry-level program opportunities to build capability and succession planning. In 2017–18, the department offered graduate positions, and participated in two Indigenous entry-level programs: Indigenous Australian Government Development Program (IAGDP) and Indigenous Apprenticeships Programme (IAP). The department employed 39 graduates on its 2017 graduate program, 10 participants were engaged for the 2016–17 IAGDP, and five participants were engaged for the 2017–18 IAP.

Graduates complete a ten-month program consisting of two work placements, on-the-job training and structured learning and development. IAGDP participants undertake a Diploma of Government while working full-time over a fifteen-month period. IAP participants undertake a Certificate IV of Government while working full-time over a twelve-month period. Forty-four participants completed entry-level programs in 2017–18, comprising of 36 graduates and eight IAGDP participants.

3 Management and accountability

Remuneration

Remuneration and conditions for Senior Executive Service (SES) officers are covered by Section 24(1) determinations made by the Secretary under the *Public Service Act 1999*. These determinations provide for a total remuneration approach to SES remuneration and conditions. SES arrangements do not provide for performance pay. Table 3.1 shows the number of SES covered by Section 24(1) determinations and Table 3.3 shows the salary ranges for SES employees.

The *Department of Education and Training Enterprise Agreement 2016–2019* sets out the terms and conditions for non-SES employees. Table 3.1 shows the number of non-SES employees and Table 3.2 details the salary ranges under the enterprise agreement. The department also uses individual arrangements to secure expertise or specialist skills that are critical to business needs. As at 30 June 2018, 20 employees had individual arrangements in place.

Workforce statistics

Table 3.1: Employment agreement statistics status at 30 June 2018

Classification	Section 24(1) Determinations	Enterprise Agreement	Total
SES	67	0	67
Non-SES	0	1,699	1,699
Total	67	1,699	1,766

Note: The Secretary is not included in this table as remuneration arrangements for departmental secretaries are set out under a separate instrument.

Table 3.2: Salary ranges at 30 June 2018—Department of Education and Training Enterprise Agreement 2016–2019

Classification	Salary range (\$)
APS Level 1	28,692 – 52,287
APS Level 2	56,166 – 59,852
APS Level 3	62,724 – 65,332
APS Level 4	68,231 – 72,970
APS Level 5	75,334 – 80,539
APS Level 6	84,692 – 93,132
Executive Level 1	104,143 – 115,100
Executive Level 2	122,550 – 147,106
Government Lawyer	65,332 – 93,132
Senior Government Lawyer	104,143 – 127,574
Principal Government Lawyer	139,308 – 150,784

Table 3.3: Salary ranges at 30 June 2018—Senior Executive Employees (SES)

Classification	Salary range (\$)
SES Band 1	162,610 – 259,000
SES Band 2	212,100 – 261,000

Note: SES Band 3 figures not provided as figures would identify individual's salaries. Additional information on financial year 2017–18 executive remuneration is published at www.education.gov.au.

Table 3.4: Ongoing and non-ongoing full-time and part-time employees self-identifying as Indigenous and non-Indigenous at 30 June

Identification	Ongoing full-time		Ongoing part-time		Non-ongoing full-time		Non-ongoing part-time		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Indigenous	65	63	8	3	0	0	0	0	73	66
Non-Indigenous	1,480	1,325	345	314	33	52	6	10	1,864	1,701
Total	1,545	1,388	353	317	33	52	6	10	1,937	1,767

Table 3.5: Employees by classification at 30 June

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
Trainees	0	5	0	0	0	5*
Indigenous Australian Government Development Program Trainees	7	0	3	0	10	0
Graduates	23	13	14	18	37	31
APS Level 1	0	0	0	0	0	0
APS Level 2	3	4	1	0	4	4
APS Level 3	22	20	13	11	35	31
APS Level 4	109	101	51	44	160	145
APS Level 5	202	185	66	65	268	250
APS Level 6	393	340	148	136	541	476
Executive Level 1	366	326	217	196	583	522
Executive Level 2	125	125	73	71	198	196
Government Lawyer/Legal Counsel	6	8	2	3	8	11

* Trainees are participants in the Indigenous Apprenticeships Programme (IAP).

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Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
Senior Government Lawyer/Senior Legal Counsel	15	14	4	5	19	19
Principal Government Lawyer/Principal Legal Counsel	2	5	5	4	7	9
SES Band 1	28	33	20	16	48	49
SES Band 2	7	9	6	6	13	15
SES Band 3	2	2	3	1	5	3
Secretary	1	1	0	0	1	1
Total	1,311	1,191	626	576	1,937	1,767

Table 3.6: Employees by employment status at 30 June

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
Ongoing						
Full-time	972	874	573	514	1,545	1,388
Part-time	318	286	35	31	353	317
Subtotal	1,290	1,160	608	545	1,898	1,705
Non-ongoing						
Full-time	16	27	17	25	33	52
Part-time	5	4	1	6	6	10
Subtotal	21	31	18	31	39	62
Total	1,311	1,191	626	576	1,937	1,767

Table 3.7: Employees by location at 30 June

Location	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
New South Wales	30	26	23	22	53	48
Victoria	38	37	19	14	57	51
Queensland	27	25	9	8	36	33
Western Australia	24	21	7	7	31	28
South Australia	26	25	6	5	32	30

Location	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
Tasmania	9	8	5	3	14	11
Australian Capital Territory	1,139	1,030	554	514	1,693	1,544
Northern Territory	15	12	1	1	16	13
Overseas	3	7	2	2	5	9
Total	1,311	1,191	626	576	1,937	1,767

Table 3.8: Employee separations 2017–18

Classification	Total
Trainees	0
Indigenous Australian Government Development Program Trainees	1
Graduates	3
APS Level 1	0
APS Level 2	6
APS Level 3	18
APS Level 4	44
APS Level 5	53
APS Level 6	101
Executive Level 1	112
Executive Level 2	33
Government Lawyer/Legal Counsel	1
Senior Government Lawyer/ Senior Legal Counsel	2
Principal Government Lawyer/ Principal Legal Counsel	1
SES Band 1	11
SES Band 2	5
SES Band 3	2
Total	393

3 Management and accountability

Diversity and inclusion

The department has a strong commitment to diversity and inclusion and building a workplace culture that embraces the unique skills and qualities of all our employees.

Our *Workplace Diversity and Inclusion Strategy 2017–2019* outlines the department's overarching framework to foster diversity and inclusion in the workplace. In May 2018, the department released a *Workplace Diversity and Inclusion Action Plan 2018–2019* to support the strategy. The action plan commits to a number of high-level actions addressing issues relevant to all diversity groups. These actions are designed to build upon our inclusive workplace culture, retain our diverse workforce and support our employees to have a productive career.

The department has a number of highly active and engaged employee networks that continue to play an important role in promoting diversity and inclusion initiatives including providing support and resources to staff and recognising diversity days of significance. In 2017, the newly formed Culturally and Linguistically Diverse (CALD) Network joined the other networks: the Ability Network, the Aboriginal and Torres Strait Islander Employee Network, the Pride Network and the Women's Network, and have worked together to cross-promote a number of diversity initiatives.

The department has a number of senior level champions who work to represent the department at external diversity forums, raise awareness of diversity issues, and promote initiatives that support inclusive practices for people from diversity groups.

The department monitors and evaluates our progress against workplace diversity and inclusion targets through self-assessment using a number of tools as well as analysis of workforce demographic data and APS Census results. Progress is regularly reported to the People and Change Committee and the Executive Board and reviewed through ongoing consultation with relevant external diversity stakeholders.

Indigenous business is everyone's business

The department supports the Government's priority to work with Aboriginal and Torres Strait Islander peoples, communities and business to build a better future and improve opportunities. The department develops and delivers education policies and programs by working with Aboriginal and Torres Strait Islander peoples, respecting their cultures and building our own cultural capability. We proudly support the Government's Indigenous Procurement Policy so we can foster Aboriginal and Torres Strait Islander business, create jobs and employ more Indigenous Australians. Our employees are encouraged to embrace and value the important contribution Aboriginal and Torres Strait Islander peoples make to our department and wider Australian society.

The department's Indigenous Business is Everyone's Business Committee is driving efforts to embed the department's philosophy of Indigenous business is everyone's business across all aspects of our work. The committee's responsibilities in 2017–18 included:

- consulting on and developing the department's new Reconciliation Action Plan (RAP)
- facilitating consultations with departmental staff to inform the development of the new RAP
- implementing the Indigenous Procurement Policy
- ensuring planning processes, including business plans and performance plans, embed the Indigenous Business is Everyone's Business philosophy.



Reconciliation Action Plan

The department's 2014–2017 *Reconciliation Action Plan* provided the framework through which the department committed to practical actions that built respectful relationships and created opportunities for Aboriginal and Torres Strait Islander peoples. Our RAP is in the Stretch category of Reconciliation Australia's Reflect, Innovate, Stretch, Elevate framework. It supports our people to deepen their cultural understanding through building an environment based on respect, trust, positive relationships, equality and opportunities for all people.

Consultation for the development of the department's *Reconciliation Action Plan 2018–2020* began in May 2017. The extensive consultation and development process continued throughout 2017–18.

The 2018–2020 RAP was approved in early 2018 and was launched on 9 July 2018. The new RAP has five key initiatives designed to inject more vitality into transforming our department's culture, building our capability and going the next step in advancing reconciliation. In support of a strong Stretch status, these five initiatives demonstrate a significant, broader contribution to reconciliation in Australia that reflects our distinctive position as the Commonwealth Government agency with primary responsibility for education and training.

Workplace health and safety

The department is committed to providing a safe and healthy workplace for all employees, and takes a proactive approach to health and safety management through effective communication and consultation, systematic identification, assessment and control of risks.

The department's Work Health and Safety Committee is the primary consultative mechanism to ensure the department has effective measures in place to support workers' health and safety. The committee was established in accordance with Division 4 (Sections 75–79) of the *Work Health and Safety Act 2011*. The department also has a national network of health and safety representatives and a national Employee Support Officer (ESO) network.

All employees have access to online resources, including a Health and Wellbeing Hub that provides comprehensive information, including workplace mental health and a Domestic and Family Violence Resource Kit for individuals, managers, and colleagues. During financial year 2017–18, workplace health and safety was supported through activities that included:

- National Health and Wellbeing Week
- R U Ok Day activities
- undertaking employee health checks
- promoting the Stroke Check Program to facilitate early detection for employees at risk of a stroke
- participation in national influenza vaccination program.

Table 3.9 outlines the type of workplace health and safety incidents in financial year 2017–18. Falls (slips and trips) account for over one third of all incidents in financial year 2017–18. The table also provides a comparison to financial year 2016–17.

In financial year 2017–18, there were no notifiable incidents under section 38 of the *Work Health and Safety Act 2011* and there were no investigations or actions taken under Part 10 of the Act. This is consistent with the department's results for financial year 2016–17.

The department's early intervention approach to people management matters has helped achieve a 46 per cent reduction in our Comcare premium for financial year 2018–19, which amounts to a saving over \$500,000.

3 Management and accountability

By investing appropriate resources early in people management matters, the department is able to reduce claim incidence rates and overall long-term costs associated with Comcare claims, while also increasing the return to work rates of any claims accepted by Comcare.

Table 3.9: Notifiable workplace health and safety incidents


Mechanism of incident ^a	2016–17 incidents	2017–18 incidents
Falls on the same level (including trips and slips)	25	23
Repetitive movement with low muscle loading	5	8
None	10	7
Hitting objects with a part of the body	3	5
Other muscular stress	6	5
Unspecified mechanisms of injury	12	5
Vehicle accident	0	4
Being hit by moving objects	5	3
Exposure to mental stress factors	0	2
Fall from a height	0	1
Single contact with chemical or substance (excluding insect and spider bites and stings)	0	2
Other	9	0
Total	75	65

^a These figures are sourced from the department's online incident reporting system, which uses the Type of Occurrence Classification System (TOOCS) to identify the overall action, exposure or event that best describes the circumstances of the incident (mechanism of incident). The TOOCS classification coding system is endorsed by Safework Australia and is typically used by most workers' compensation jurisdictions across Australia, including Comcare.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Executive Board endorsed the *Department of Education and Training Technology Strategy 2017–2022* on 7 September 2017. The strategy outlines the planned transformation of the department's technology services and systems.

The strategy sets a direction for providing technology solutions that are modular, less complex, easier to maintain, and more responsive in addressing business needs. Importantly, the strategy outlines our approach for major business transformation projects in the department and sets a new course for the department's technology services by building upon our technology capabilities.



The strategy is underpinned by five principles that guide the department's technology decisions:

- principle 1: Enterprise based technology decisions
- principle 2: Strategic technology platforms
- principle 3: Information as an enterprise asset
- principle 4: Security by design
- principle 5: Human centred design.

In addition to the principles, the strategy also highlights four key priority areas for the implementation of the strategy through to 2022. These are:

- enabling business transformation
- delivering enterprise technology capability
- organising ourselves for success
- investing in our people.

The department has maintained a focus on these four priority areas, resulting in the recent implementation of a new IT operating model and supporting structure for the delivery of IT services across the department. The operating model follows an industry better practice approach of 'Plan, Build, Run' supporting the improved delivery of innovative and flexible technology services that underpin the core business of the department.

FINANCIAL PERFORMANCE

In 2017–18, the department reported an operating loss of \$14.0 million after adjusting for depreciation and amortisation expense. The Minister for Finance approved a one-off \$9.6 million non-cash operating loss to cover the unexpected write-down of an IT system. The department undertook efforts to reduce the impact of the write-down through its ordinary activities and initially expected to report a final 2017–18 operating loss of only \$1.4 million. Due to an interpretation of the financial framework, the department was unable to recognise the reclassification of \$12.6 million of capital budget to operating funding approved by the Minister for Finance during the course of the year which resulted in the \$14.0 million loss.

The department also administered \$37.9 billion in payments, of which \$28.4 billion represented grants, which were delivered on budget. Further information on the department's financial performance in 2017–18 is available in Part 4 of this report.

PURCHASING AND CONSULTANCIES

Purchasing

The department's procurement policies and practices are consistent with all relevant Commonwealth laws, the Commonwealth financial framework (including the Commonwealth Procurement Rules) and other relevant policies.

The department publishes its procurement activities over \$10,000 (GST inclusive) and tender opportunities of \$80,000 and above (GST inclusive) on the AusTender website. The department's procurement activities are therefore readily communicated and accessible to all business enterprises. There were no contracts exempt from reporting on AusTender in 2017–18.

3 Management and accountability

Procurement initiatives to support small business

The department supports small business participation in the Commonwealth procurement market. Small and medium enterprises (SME) statistics are available on the Department of Finance's website: www.finance.gov.au.

Consistent with the Commonwealth Procurement Rules, the department's procurement practices provide appropriate opportunities for SMEs to compete and ensure they are not unfairly discriminated against. For example, the department uses the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. Many small businesses do not have sufficient scale, skills or resources to prepare complex tender documents. Using this suite, which has simple and consistent contract terms and insurance requirements, simplifies the process and makes it easier for SMEs to bid for work with the department.

The department also recognises the importance of ensuring small businesses are paid on time. The results of the Survey of Australian Government Payments to Small and Medium Enterprises are available on the Treasury's website: www.treasury.gov.au.

Indigenous Procurement Policy

The department, through the Indigenous Procurement Policy, is committed to growing its engagement with Indigenous business.

For 2017–18, the department had 119 contracts in place with majority Indigenous owned businesses valued at \$7,152,418.

Consultancies

The department engages consultants to provide independent and expert advice or services, taking into account the skills and resources required for the task, the skills available internally and the cost-effectiveness of those options. The decision to engage a consultant is made in accordance with the PGPA Act and related regulations.

The methods of selection used for consultancies are open tender, limited tender and panel arrangements (initially selected through either an open tender or prequalified tender process). Consultants are typically engaged to: investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist the department in decision-making.

In 2017–18 the department entered into 73 new consultancies, involving total actual expenditure of \$12,557,265. In addition, 40 ongoing consultancy contracts were active during 2017–18, involving total actual expenditure of \$10,170,027.

Annual reports contain information about actual expenditure on contracts for consultancy services. Information on the value of contracts and consultancies is available on the AusTender at: www.tenders.gov.au.

Grant programs

Information on grants awarded by department during 2017–18 is available at www.education.gov.au and www.grants.gov.au.

Advertising and marketing

In 2017–18, the department conducted the following two advertising campaigns: the New Child Care Package and the Quality Schools campaigns.

Further information on those advertising campaigns is available at www.education.gov.au and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.

Details of payments made by the department in 2017–18 to advertising, market research and media advertising organisations are provided in Table 3.10 to Table 3.12. Where the total paid is less than \$13,200 (GST inclusive) details have not been included. This is consistent with section 311A of the *Commonwealth Electoral Act 1918*.

Table 3.10: Advertising agencies

Organisation	Service provided	Total \$ paid in 2017–18 (GST inclusive)
AJF Partnership Pty Ltd	Creative development for the Quality Schools Campaign	\$1,300,877
Venus Advertising Pty Ltd	Creative development for the New Child Care Package campaign	\$1,956,223
Horizon Communication Group Pty Ltd	Public relation services for the New Child Care Package campaign	\$1,165,887
Gilimbaa Pty Ltd	Indigenous communication services for the New Child Care Package campaign	\$286,010
Cultural Partners Australia NSW Pty Ltd	Culturally and linguistically diverse communication services for the New Child Care Package	\$269,390

Table 3.11: Market research organisations

Organisation	Service provided	Total \$ paid in 2017–18 (GST inclusive)
Hall and Partners Open Mind Pty Ltd	Development research, concept testing and refinement testing for the Quality Schools Campaign	\$468,358
JWS Research Pty Ltd	Benchmark, tracking and evaluation services for the Quality Schools campaign	\$325,490
Orima Research Pty Ltd	Development research, concept testing and refinement testing for the New Child Care Package campaign	\$336,700
TNS Australia Pty Ltd	Benchmark, tracking and evaluation services for the New Child Care Package campaign	\$397,100
Orima Research Pty Ltd	Developmental research for Skilling Australians Fund	\$147,912

3 Management and accountability

Table 3.12: Media advertising organisations

Organisation	Service provided	Total \$ paid in 2017–18 (GST inclusive)
Dentsu Mitchell Media Australia	Advertising for the Quality Schools campaign	\$8,067,783
Dentsu Mitchell Media Australia	Advertising for the New Child Care Package campaign	\$12,263,431
Dentsu Mitchell Media Australia	Advertising for the VET Information Strategy campaign	\$202,970
Dentsu Mitchell Media Australia	Advertising for Overseas HELP Debt	\$164,989
Dentsu Mitchell Media Australia	Advertising for Tertiary Admission Centres	\$22,501
Dentsu Mitchell Media Australia	Advertising for Unique Student Identifier	\$18,744
Dentsu Mitchell Media Australia	Advertising for Australian Apprenticeships Ambassador program	\$20,846

ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

The Department of Education and Training is committed to ecologically sustainable development, and reports on its activities under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*. Environmental management in the department is focused on reducing negative impacts from energy consumption, waste, water consumption, vehicle fleet, air travel, paper consumption and procurement policies and practices.

ENVIRONMENTAL PERFORMANCE

The department's main impacts are summarised in Table 3.13, with comparisons with the previous year where appropriate.

Table 3.13: Summary of environmental performance

Indicator	2016–17	2017–18	% change
Office/building energy use^a			
Office tenant light and power energy use per FTE (MJ/FTE)	4,723.64	4,208.22	n/a ^b
Office tenant light and power energy use per square metre (MJ/m ²)	229.72	202.98	n/a ^b
Greenhouse emissions attributed to office tenant light and power energy use (tonnes CO ₂)	1,667.13	1,461.32	n/a ^b
Green power purchased as a percentage of total electricity consumption	8.7%	10.0%	n/a ^b
Vehicle fleet			
Total number of fleet vehicles	10	10	0.0%
Average green vehicle rating of fleet	12.2	13.7	+12.3%
Average fuel consumption of vehicle fleet (litres/100 km)	8.68	8.32	-4.1%
Total direct greenhouse emissions of fleet (tonnes CO ₂)	8.15	4.83	-40.7%
Air travel			
Total distance of flights (km)	7,378,120	5,394,817	-26.9%
Greenhouse emissions attributed to flights (tonnes CO ₂)	n/a	31.83	n/a
Resource efficiency and waste^a			
Office paper purchased per FTE (A4 reams/FTE)	7.78	8.35	+7.3%
Percentage of paper purchased with recycled content	88.4%	69.7%	-21.1%
Office paper recycled (kilograms per FTE)	63.94	74.49	+16.5%
Total landfill waste produced (kilograms per FTE)	32.26	41.52	+28.7%
Total comingled recycling (kilograms per FTE)	13.47	14.49	+7.6%
Total organic recycling (kilograms per FTE)	8.27	11.08	+34.0%
ICT sustainability			
Desktop devices per end user	1.27	1.25	-1.6%
Desktop computers to printer ratio	16:1	17:1	+6.2%

CO₂ = carbon dioxide equivalent; kWh = kilowatt hour; MJ = megajoule; FTE = Full Time Equivalent (the most accurate measure of total staff numbers)

^a Energy use, waste and recycling data is only available for the 50 Marcus Clarke Street tenancy in Canberra.

^b Figures reported for 2016–17 and 2017–18 use different methods and are not comparable.

3 Management and accountability

Office and building energy use

The department's headquarters building at 50 Marcus Clarke Street, Canberra retains excellent environmental ratings and occupancy is being maximised through subleasing and denser occupancy of available space, leading to cost and energy savings.

Energy data reported for 2017–18 is based only on the 50 Marcus Clarke Street tenancy. Staff in states and regions are located in accommodation shared with, or hosted by, other agencies and generally not separately metered. While estimates have been made in previous reports, it is not possible to accurately disaggregate energy usage data at these sites and so this data will no longer be used in the preparation of this report. As 88 per cent of departmental staff are located in 50 Marcus Clarke Street, the figures used in this year's report represent the majority of the department's energy usage.

Vehicle fleet and air travel

The average Green Vehicle Guide rating of the department's fleet of ten vehicles has improved from 12.2 to 13.7. Greenhouse emissions from the vehicle fleet have reduced by 40.74 per cent, due in part to a more fuel-efficient fleet, but primarily to a reduction of 40.56 per cent in kilometres travelled: from 46,237 in 2016–17 to 27,484 in 2017–18.

The sharp drop in flight kilometres is attributed to a drop in international flights in 2017–18. The department's travel consultants are now able to provide data on emissions from flights and this is reported for the first time this year. Year-to-year comparisons on emissions will become possible in 2018–19.

Resource efficiency and waste

Paper usage has risen by 7.3 per cent since 2016–17, but remains low at 8.35 reams per person per annum.

Overall in 2017–18, 69.7 per cent of all paper purchased had some recycled content, with 69.7 per cent being 100 per cent post-consumer recycled or carbon neutral. The remaining 30.3 per cent was from virgin stock with no environmental credentials.

While the ratio of devices to staff has only decreased by 1.6 per cent, 84.5 per cent of these devices are now laptops and the department has largely completed its transition from desktop computers to more energy-efficient laptops for all staff.

An impressive 17.26 tonnes of organic material was diverted from landfill to vermiculture, thus reducing our emissions and producing beneficial worm castings and compost. This is an increase of 6.7 per cent on the 2016–17 figure of 16.17 tonnes.

EXTERNAL SCRUTINY

Reports by the Auditor-General

In 2017–18 the Auditor-General produced the following reports of relevance to the department:

- *Audit Report No. 18 2017–18 Monitoring the Impact of Australian Government School Funding*
- *Audit (Informational) Report No. 19 2017–18 Australian Government Procurement Contract Reporting*
- *Audit Report No. 41 2017–18 Efficiency through Contestability Programme.*

Details of these reports can be found on the Australian National Audit Office (ANAO) website: www.anao.gov.au.

Reviews by the Joint Committee of Public Accounts and Audit (JCPAA)

In 2017–18 the JCPAA undertook a number of reviews, from which the following report is relevant to the department:

- *Report 469: Commonwealth Performance Framework*

Details of this report can be found on the Parliament of Australia website: www.aph.gov.au.

Reports of Parliamentary Committees

The department provided evidence and or submissions to Parliamentary Committee inquiries on the following occasions:

Table 3.14: Parliamentary Committee inquiries

Committee	Evidence/submission provided
Standing Committee on Employment, Education and Training	Inquiry into school to work transition Inquiry into funding Australia's research
Education and Employment Legislation Committee	Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [provisions] Education and Other Legislation Amendment (VET Student Loan Debt Separation) Bill 2018 and the Student Migration Amendment (Skilling Australians Fund) Bill 2017, and the Migration (Skilling Australians Fund) Charges Bill 2017 [provisions]
Education and Employment References Committee	Vocational education and training in South Australia
Senate Select Committee on Red Tape	The effect of red tape on Childcare The effect of red tape on Occupational licensing
Select Committee on the Future of Work and Workers	Future of work and workers
Standing Committee on Indigenous Affairs	Inquiry into educational opportunities of Aboriginal and Torres Strait Islander students
Senate Legal and Constitutional Affairs References Committee	The adequacy of existing offences in the Commonwealth Criminal code of state and territory criminal laws to capture cyberbullying

Judicial decisions

There were no decisions of any court in 2017–18 that have had, or may have, a significant impact on the operations of the department.

3 Management and accountability

Decisions of administrative tribunals

There were no decisions of administrative tribunals in 2017–18 that have had, or may have, a significant impact on the operations of the department.

Decisions by the Australian Information Commissioner

There were no decisions by the Australian Information Commissioner in 2017–18 that have had, or may have, a significant impact on the operations of the department.

Reports on the operations of the entity by the Commonwealth Ombudsman

There were no reports given by the Commonwealth Ombudsman in 2017–18 on the operations of the department.

Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the Information Publication Scheme requirements. The department's plan is available at www.education.gov.au.

Disability reporting

The *National Disability Strategy 2010–2020* sets out a ten-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level biennial report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The 2014 Progress Report was published by the Department of Social Services at www.dss.gov.au.



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INDEPENDENT AUDITOR'S REPORT

To the Minister for Education

To the Minister for Small and Family Business, Skills and Vocational Education

Opinion

In my opinion, the financial statements of the Department of Education and Training (the Department) for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Department, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and Forming Part of the Financial Statements comprising an Overview and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter**Valuation of the Higher Education Loan Program (HELP) receivable**

Refer to 'Overview – Higher education loan program' and Note G1.2 'Receivables'

I focused on the Department's HELP receivable as the valuation of the receivable involves significant and complex judgements.

These judgements include assessments relating to assumptions such as discount factors, future employment and salary rates and future collectability of repayments that contain a significant degree of uncertainty.

During 2017-18 the Department recognised a HELP receivable of \$39.856 billion.

How the audit addressed the matter

To address this key audit matter, I:

- evaluated the appropriateness of the methodology supporting the Department's student loans compliance program;
- evaluated the design, effectiveness and implementation of key actuarial controls, including data reconciliations and the Department's review and approval of the estimate;
- assessed whether the Department's actuarial methodologies were consistent with those used in prior periods;
- engaged an expert to assist me in understanding and evaluating the Department's actuarial methodology. I also considered the work and findings of the external actuarial expert engaged by the Department; and
- assessed key actuarial assumptions and discount rates. I assessed the reasonableness of these inputs by comparing them with accepted industry benchmarks.

Key audit matter**Valuation of Higher Education Superannuation Program (HESP) provision**

Refer to Note 'Overview – Higher education superannuation program' and Note G3 'Provisions'

I focused on the HESP liability as the valuation of the provision is complex and involves significant judgements. These judgements include the selection of discount rates and estimation of salary increase rates.

The provision is subject to an actuarial assessment and relies on the completeness and accuracy of data provided by a number of universities and their individual actuaries.

A cost sharing arrangement that includes recovery of a proportion of funds from participating States underpins the proportion of the provision that is reported by the Department which adds to the complexity of the calculation.

For the year ended 30 June 2018, the provision was reported as \$6.5 billion.

How the audit addressed the matter

To address this key audit matter, I:

- evaluated the design, effectiveness and implementation of key actuarial controls, including data reconciliations and the Department's review of the estimate;
 - engaged an expert to assist me in understanding and evaluating the Department's actuarial methodology. I also assessed the work and findings of the external actuarial expert engaged by the Department;
 - assessed whether the Department's actuarial methodologies were consistent with those used in prior periods; and
 - assessed key actuarial assumptions including the allocation of the total unfunded liability between the State and Commonwealth, demographic inputs and discount rates applied. I assessed the reasonableness of these assumptions by comparing them with accepted industry benchmarks related to bond, salary and pension rates.
-

Key audit matter	How the audit addressed the matter
<p>Accuracy of ‘Assistance to families with children’ personal benefit payments, receivable and provision.</p> <p><i>Refer to Note ‘ Overview – Personal benefits – child care fee assistance’ and Notes G1.2 ‘Receivables’ and G3 ‘Provisions’</i></p> <p>I focused on the personal benefit payments, receivable and provision because:</p> <ul style="list-style-type: none"> the payments are based on information provided by the payment recipients and the accurate recording of expenditure may be significantly impacted by the provision of incorrect/misleading information; and the receivable and the provision are large balances underpinned by significant judgements and uncertainties, including selection of discount rates and estimations of future claims. They are determined based upon a complex actuarial assessment and rely on the accuracy of information submitted by claimants. <p>The Department is reliant on the Department of Human Services for registration and assessment of eligibility for payment recipients.</p> <p>During 2017-18 the Department recognised personal benefits expenses of \$6.99 billion, a receivable of \$439 million and a provision of \$911 million.</p>	<p>To address this key audit matter, I:</p> <ul style="list-style-type: none"> assessed the key internal controls related to the accreditation and registration of child care providers that submit claims for personal benefit payments; assessed, on a sample basis, the registration and eligibility of parents for child care fee assistance; assessed the compliance framework including testing a sample of attendance checks to verify information provided to the Department that is used as a basis for payment calculations; assessed the information used in the estimation process for accuracy and completeness; evaluated the methodology and model used by the Department in estimating the child care personal benefits receivable and provision balances; and assessed the reasonableness of key actuarial assumptions, including discount rates, against accepted industry benchmarks and estimated future claims against historical trends.

Accountable Authority’s Responsibility for the Financial Statements

As the Accountable Authority of the Department, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department’s ability to continue as a going concern, taking into account whether the entity’s operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
18 September 2018

**Department of Education and Training
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL
OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Education and Training will be able to pay its debts as and when they fall due.

Signed *Michele Bruniges*
Dr Michele Bruniges AM
Secretary
18 September 2018

Signed *Kym Partington*
Kym Partington FCPA
Acting Chief Financial Officer
18 September 2018

Department of Education and Training
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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Objectives of the Department of Education and Training

The Department of Education and Training (the department) is an Australian Government controlled not-for-profit entity.

The department provides advice to the Government and administers programs to achieve the Government's objectives for education and training. The department works in partnership with the states and territories, non-government authorities, providers and industry.

For the financial period ended 30 June 2018, the department was structured to meet the following outcomes:

Outcome 1: Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.

The continued existence of the department in its present form and with its present programs is dependent on Government policy and on continued funding by the Parliament for the department's administration and programs.

The department's activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Government, of items controlled or incurred by the Government.

There has been no change to the functions of the department during 2017-18 other than the transfer of the Australian Institute of Aboriginal and Torres Strait Islander Studies from the Education and Training portfolio to the Prime Minister and Cabinet portfolio on 19 April 2018. Note 12 refers.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with the *Public Governance,*

Performance and Accountability (Financial Reporting Rule) 2015 (FRR) and the Australian Accounting Standards and Interpretations.

In accordance with the FRR and AASB 1053 *Application of Tiers of Australian Accounting Standards and other reporting requirements*, the department has applied tier 2 reporting requirements (as a minimum).

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Unless otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards and Interpretations.

Tier 1 reporting requirements have been applied to administered disclosures in respect of AASB 7 *Financial Instrument: Disclosure* and AASB 13 *Fair Value Measurement*.

Significant Accounting Judgements and Estimates

During the 2017-18 financial year the department made the following judgements that had an impact on the amounts recorded in the financial statements.

The recreation and long service leave provisions are measured at the present value of the estimated future cash flows. In 2016-17 the Australian Government Actuary undertook an assessment of leave provisions taking into account the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and discount rates. The Australian Government Actuary confirmed their assessment on 23 April 2018.

Opteon (North West WA) Pty Ltd undertook the valuation of a property in Kununurra, Western Australia as at 30 October 2017 for pre-sale advice which resulted in a write-down of the carrying value of the land and buildings of \$0.1 million. Jones Lang LaSalle Public Sector Valuations Pty Ltd undertook a

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

desktop valuation review of non-financial assets except for computer software and prepayments as at 30 June 2018. No material differences were identified between the carrying amounts and fair values of non-financial assets (2016-17: \$1.0 million increase to the fair value of leasehold improvements). Non-financial assets are assessed annually for impairment and where appropriate, the asset's carrying value is written down.

Personal benefits – child care fee assistance

The child care fee assistance program is aimed at assisting families with the cost of child care. Recipients receive regular payments, either as a fee reduction via the child care provider or in some instances directly. The benefits are paid on the basis of family circumstances, including an estimate of taxable income. The lodgement of a recipient's tax return at the end of the financial year establishes actual income and may result in an adjustment to the recipient's entitlement.

At any point in time there are recipients entitled to receive benefits who have not received their full entitlement. The department estimates a provision for these benefits. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risk and uncertainties that surround the events and circumstances that affect the provision. The provision calculates the current year and earlier years' liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles and reconciliation adjustments.

Conversely, there are also a number of eligible recipients who have received in excess of their entitlements and owe money to the Commonwealth. The department estimates a receivable for overpaid benefits.

In 2016-17 the child care estimation model was updated to use a single data source and undertake time series modelling based upon historic data over a statistically valid time period. An independent review confirmed that the estimation model provides a reliable and robust method to estimate the administered child care receivable and provision.

The child care personal benefits impairment provision relies upon a profile of past customer behaviour and was assessed by the Australian Government Actuary in 2018.

As at 30 June 2018 the fair value of the personal benefits receivable is \$0.4 billion (2017: \$0.4 billion) and the provision is \$0.9 billion (2017: \$1.0 billion). Notes G1.2 and G3 refer.

From 2 July 2018 the child care fee assistance program will be replaced by the child care subsidy program. One feature of the new program is that in most cases individuals are no longer able to receive payments directly, but rather payments are made to child care providers to be passed on as a fee reduction to families. The Government will withhold a small portion of subsidy to cover end of financial year reconciliation adjustments.

Higher education loan program

The higher education loan program (HELP) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees. It is administered under the *Higher Education Support Act 2003* and the *VET Student Loans Act 2016*. The HELP debt, recognised as an administered receivable, comprises: HECS-HELP, FEE-HELP, OS-HELP, VET FEE-HELP and the VET student loans program. The Australian Taxation Office collects repayment of these debts through the tax system.

The Australian Government Actuary has developed a microsimulation model to provide estimates of a number of financial measures related to the HELP receivables, including an estimate of the debt that is not expected to be repaid. Significant judgements, estimates and assumptions are re-evaluated for each reporting period in light of historical experience, new loan schemes and changes to reasonable expectations of future events. Consideration is given to: projections of future income of debtors, pattern and timing of repayments, changes in legislation, the recoverability of concessional debt and yield curve for discounting future cash flows. Only measures that have been legislated are incorporated into the estimates for financial statement reporting purposes.

The VET student loans (VSL) program replaced the VET FEE-HELP scheme on 1 January 2017. The VSL program provides income contingent loans to eligible students undertaking vocational education and training in eligible courses. The contribution of VSL debt to total debt is relatively minor and any difference in repayment behaviour is considered immaterial in the context of the overall HELP receivable.

As at 30 June 2018 the Australian Government Actuary estimated the present value of the HELP debt to be \$39.9 billion (2017: \$35.9 billion) based upon the 45 year yield curve of Commonwealth bond rates and expected repayment patterns. This resulted in an administered fair value loss of \$0.8 billion in 2017-18 (2016-17: \$6.1 billion). Further information is provided at notes F1.7 and G1.2.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Trade support loans scheme

The trade support loans (TSL) scheme is an income contingent loan scheme that came into effect during 2014-15 to assist apprentices with costs of living while training toward their qualification. There are three elements that need to be taken into account when considering the TSL receivable: debt not expected to be repaid due to the compulsory repayment threshold not being met; the deferral adjustment, that is, the gap between the Commonwealth's borrowing costs and the movement in the consumer price index (CPI); and the discount arising upon successful completion of the apprenticeship. Only measures that have been legislated are incorporated into the estimates for financial statement reporting purposes.

Having reference to advice from the Australian Government Actuary and noting the relatively short period of time over which the scheme has been in operation and the uncertainty around: loan take up, income distribution, repayment prospects and prevailing discount rates, the present value of the TSL scheme as at 30 June 2018 is estimated at \$420.3 million (2016: \$282.5 million). A fair value loss of \$29.1 million has been recorded in 2017-18 (2016-17: \$10.2 million) reflecting a reduction in the deferral rate to reflect current government bond and indexation rates. Notes F1.7 and G1.2 refer.

Higher education superannuation program

The higher education superannuation program (HESP) provides supplementary funding to eligible higher education providers to cover certain superannuation expenses incurred for staff who are members of identified State government emerging cost superannuation schemes. A portion of the funding is recovered from the relevant States under cost-sharing arrangements.

As at 30 June 2018 the Australian Government Actuary estimated the present value of the superannuation liability to be \$6.5 billion (2017: \$6.5 billion) using the 2030 Government bond rate of 2.7 per cent (2017: 3.0 per cent). The Australian Government Actuary estimated the State's share of the total liability to be \$0.4 billion (2017: \$0.4 billion). Note G1.2 refers. A fair value loss of \$0.2 billion has been recognised in 2017-18 (2016-17: \$0.4 billion fair value gain). Notes F1.7 and F2.3 refer. Further information on the provision is provided at note G3.

New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

All new, revised, amending standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the department's financial statements in 2017-18 or future years.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date.

Changes to AASB 9 *Financial Instruments* are effective for reporting periods commencing from 2018-19. An assessment of the changes has been undertaken and the standard will not have a material impact on the financial statements in 2018-19.

The department will apply AASB 15 *Revenue from Contracts with Customers* from 2019-20. The standard requires revenue from such contracts to be recognised as the entity transfers goods and services to the customer. An assessment has been undertaken and the standard is not expected to have a material financial impact, however there will be a change to disclosures in the financial statements for 2019-20 and future years.

The department will apply AASB 1058 *Income of Not-for-Profit Entities* from 2019-20. The standard outlines revenue recognition requirements for not-for-profit entities that receive volunteer services or enter into other transactions to acquire an asset for significantly less than its fair value to enable the entity to achieve its objectives. An assessment has been conducted alongside the assessment for AASB 15 and the standard is not expected to have a material financial impact, however there will be a change to disclosures in the financial statements for 2019-20 and future years.

The department will apply AASB 16 *Leases* from 2019-20. The vast majority of the department's current operating leases will move to the balance sheet, leaving a small proportion to be accounted for as expenses. The exact impact of this change cannot be reliably estimated at this time as it is dependent on the magnitude of the department's operating leases as at 1 July 2019 and the individual characteristics of each lease held at that time.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Changes in Accounting Policy

There have been no changes to accounting policies that impact on the 2017-18 financial results or position.

Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under appropriation made by law. Payments made which are not supported by an appropriation contravene section 83 of the Constitution.

In 2017-18, three students and four education providers received overpayments totalling \$118,285 under the Tuition Protection Service. The overpayments were incorrectly paid from the Overseas Student Tuition Fund, a special account established by the *Education Services for Overseas Students Act 2000*. Controls have been put in place to prevent similar events occurring in future. All the overpayments have been repaid.

In 2016-17 nine payments for the VSL program totalling \$329,142 were incorrectly paid from the *Higher Education Support Act 2003* appropriation instead of the *VET Student Loans Act 2016* appropriation. This error was rectified in 2016-17 and controls put in place to prevent similar breaches occurring.

Shared Service Arrangements

The department and the then Department of Employment (Employment) established a Shared Services Centre (SSC) that provided operational, transactional, advisory, and support functions for information technology and a range of corporate services from 1 July 2014 to 30 November 2016.

The SSC was classed as a joint operating arrangement under AASB 11 *Joint Arrangements*, whereby the department and Employment had joint control of the arrangement with rights to the revenue, expenses, assets and obligations for the liabilities relating to the SSC. The rights and obligations, as well as the contributions by the partner departments were underpinned by a heads of agreement between the two partner departments.

The financial statements of both departments recognised their interest in the SSC with approximately 50 per cent recognised in both departments' accounts up until 30 November 2016.

On 1 December 2016, following a machinery of government announcement, functions previously supported by the SSC transitioned to new arrangements with: core transactional services transferring to the Department of Finance; information and communications technology and other corporate services such as records management, mailroom, facilities, and financial viability assessments transferring to Employment; and library, and audio visual services returning to the department. The department has established memorandums of understanding with Employment (now the Department of Jobs and Small Business) and the Service Delivery Office, Department of Finance for the provision of services that were transferred to their respective departments.

Events after the Reporting Period

On 1 July 2018 sixty seven Indigenous services, currently funded through the Budget Based Funded (BBF) Program and 29 non-Indigenous services, funded through BBF and Community Support Programs transferred from the department to the Department of the Prime Minister and Cabinet and the Department of Social Services, respectively. There is expected to be minimal impact on departmental net assets as a result of the transfer.

From 2014-15 onwards, annual Appropriation Acts include an automatic repeal clause, where the Acts have a life span of up to three years. As a result, administered quarantined amounts under *Appropriation Act (No. 1) 2015-16*, \$543.9 million, and *Appropriation Act (No. 2) 2015-16*, \$3.2 million, are not legally available from 1 July 2018. Note H1.2 refers.

From 1 July 2018 the balance of the Early Years Quality Fund Special Account, \$42.1 million, has been quarantined pending return to the Official Public Account (OPA). Note H2 refers.

The Services for Other Entities and Trust Moneys (SOETM) Special Account established under the *Financial Management and Accountability Determination 2008/14* is due to sunset on 1 October 2018. The establishment of a new SOETM special account has been requested to replace the sunset account. The balance of the sunset account will transfer to the new account.

4 Financial statements

Department of Education and Training STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Original Budget ¹ \$'000
NET COST OF SERVICES				
EXPENSES				
Employee benefits	A1.1	226,248	229,309	201,270
Supplier	A1.2	152,670	138,985	153,229
Grants		1,596	131	-
Depreciation and amortisation	B2.1	21,332	23,979	28,733
Write-down and impairment of assets	A1.3	9,877	492	-
Losses from asset sales		-	2	-
Total expenses		411,723	392,898	383,232
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services	A2.1	8,873	14,666	15,683
Rental income	A2.2	8,627	6,778	-
Resources received free of charge	A2.3	8,422	9,335	6,743
Total own-source revenue		25,922	30,779	22,426
Gains				
Gain from sale of assets		33	-	-
Reversal of previous asset write-downs	A2.4	-	976	-
Other gains	A2.5	103	343	-
Total gains		136	1,319	-
Total own-source income		26,058	32,098	22,426
Net cost of services		385,665	360,800	360,806
Revenue from Government	A2.6	350,331	339,789	332,073
Deficit on continuing operations		(35,334)	(21,011)	(28,733)
Total comprehensive loss	C4	(35,334)	(21,011)	(28,733)

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

Department of Education and Training
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

		2018	2017	2018 Original Budget ¹
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	B1.1	6,381	5,831	6,132
Trade and other receivables	B1.2	72,811	66,266	70,794
Accrued revenue		199	4,183	1,996
Total financial assets		79,391	76,280	78,922
Non-financial assets				
Land and buildings	B2.1	32,817	35,784	33,115
Infrastructure, plant and equipment	B2.1	837	1,105	11,599
Computer software	B2.1	49,318	60,531	99,096
Prepayments		3,273	2,765	10,126
Total non-financial assets		86,245	100,185	153,936
Total assets		165,636	176,465	232,858
LIABILITIES				
Payables				
Supplier payables	B3.1	17,541	29,677	17,282
Other payables	B3.2	18,774	18,237	32,307
Total payables		36,315	47,914	49,589
Provisions				
Employee provisions	B4.1	63,792	66,531	73,568
Other provisions	B4.2	877	532	1,739
Total provisions		64,669	67,063	75,307
Total liabilities		100,984	114,977	124,896
Net assets		64,652	61,488	107,962
EQUITY				
Contributed equity		190,770	152,273	230,544
Reserves		1,244	1,244	59
Accumulated deficit		(127,362)	(92,029)	(122,641)
Total equity		64,652	61,488	107,962

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

4 Financial statements

Department of Education and Training STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Original Budget ¹ \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		152,273	170,610	195,124
Adjustment		2	(2)	-
Adjusted opening balance		152,275	170,608	195,124
Transactions with owners				
Distribution to owners				
Equity return	C1.2	(68)	-	-
Contributions by owners				
Equity injection - appropriations	C1.1	15,779	5,985	12,636
Departmental capital budget	C1.1	22,784	23,281	22,784
Restructuring	D2	-	(47,601)	-
Total transactions with owners		38,495	(18,335)	35,420
Closing balance as at 30 June		190,770	152,273	230,544
ACCUMULATED DEFICIT				
Opening balance				
Balance carried forward from previous period		(92,029)	(71,015)	(93,908)
Adjustment		1	(3)	-
Adjusted opening balance		(92,028)	(71,018)	(93,908)
Comprehensive income				
Deficit on continuing operations		(35,334)	(21,011)	(28,733)
Closing balance as at 30 June		(127,362)	(92,029)	(122,641)
ASSET REVALUATION RESERVES				
Opening balance				
Balance carried forward from previous period		1,244	1,244	59
Closing balance as at 30 June		1,244	1,244	59
Total equity as at 30 June		64,652	61,488	107,962

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

Department of Education and Training
STATEMENT OF CASH FLOWS
for the period ended 30 June 2018

		2018	2017	2018
	Notes	\$'000	\$'000	Original Budget ¹ \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		384,669	345,457	331,780
Sale of goods and rendering of services		13,293	9,700	15,683
Net GST received		9,877	9,407	-
Other		9,378	7,701	-
Total cash received		417,217	372,265	347,463
Cash used				
Employee benefits		226,529	222,892	200,976
Suppliers		164,559	135,005	146,487
Grants		1,596	131	-
Section 74 receipts transferred to the Official Public Account (OPA)		22,833	17,241	-
Total cash used		415,517	375,269	347,463
Net cash from/(used by) operating activities		1,700	(3,004)	-
INVESTING ACTIVITIES				
Cash received				
Proceeds from the sale of infrastructure, plant and equipment		-	4	-
Proceeds from the sale of land and buildings		281	-	-
Total cash received		281	4	-
Cash used				
Development of computer software		15,416	16,080	35,420
Purchase of land and buildings		1,882	3,158	-
Purchase of infrastructure, plant and equipment		102	291	-
Total cash used		17,400	19,529	35,420
Net cash used by investing activities		(17,119)	(19,525)	(35,420)
FINANCING ACTIVITIES				
Cash received				
Contributed equity - equity injection		4,973	9,135	-
Contributed equity - departmental capital budget		10,996	13,093	35,420
Total cash received		15,969	22,228	35,420
Net cash from financing activities		15,969	22,228	35,420
Net increase/(decrease) in cash held		550	(301)	-
Cash and cash equivalents at the beginning of the reporting period		5,831	6,132	6,132
Cash and cash equivalents at the end of the reporting period	B1.1	6,381	5,831	6,132

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

A. Departmental Financial Performance

A1: Expenses

	2018	2017
	\$'000	\$'000
<u>A1.1: Employee benefits</u>		
Salaries and entitlements	180,187	188,629
Superannuation:		
Defined benefit plans	18,901	20,359
Defined contribution plans	13,425	13,099
Separations and redundancies	11,047	4,476
Other	2,688	2,746
Total employee benefits	<u>226,248</u>	<u>229,309</u>

The accounting policies for employee benefits are described in note B4.1.

A1.2: Supplier

Goods and services supplied or rendered

Consultants and contractors	48,905	38,021
IT services	37,268	30,575
Managed services	12,210	8,740
Resources received free of charge	8,422	9,335
Property	5,564	6,161
Travel	2,784	3,163
Other	9,132	11,669
Total goods and services supplied or rendered	<u>124,285</u>	<u>107,664</u>

Goods supplied	2,724	3,025
Services rendered	121,561	104,639
Total goods and services supplied or rendered	<u>124,285</u>	<u>107,664</u>

Other supplier expenses

Operating lease rentals	27,083	29,105
Workers compensation expenses	1,302	2,216
Total other supplier expenses	<u>28,385</u>	<u>31,321</u>
Total supplier expenses	<u>152,670</u>	<u>138,985</u>

Department of Education and Training

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Operating lease commitments

The following significant leasing arrangements, representing 95 per cent of the department's lease commitments, are:

(a) 50 Marcus Clarke Street, Canberra: the current term for office accommodation expires on 23 May 2025 with one five year option, and is subject to a 3.35 per cent fixed annual increase except for a market review in May 2025.

(b) 226 Adelaide Terrace, Perth: the current term for office accommodation expires on 5 July 2020 with one three year option, and is subject to a 5 per cent fixed annual increase.

	2018	2017
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases (including GST)		
Within 1 year	31,118	30,982
Between 1 to 5 years	117,860	115,797
More than 5 years	57,441	86,304
Total operating lease commitments	206,419	233,083

The above commitments include lease arrangements with other government agencies.

A1.3: Write-down and impairment of assets

Computer software	9,696	163
Land and buildings	147	10
Infrastructure, plant and equipment	33	3
Receivables - goods and services	1	316
Total write-down and impairment of assets	9,877	492

A2: Income

A2.1: Sale of goods and rendering of services

Provision of goods	473	470
Rendering of services	8,400	14,196
Total sale of goods and rendering of services	8,873	14,666

A2.2: Rental income

Sublease rent	8,627	6,778
Total rental income	8,627	6,778

Sublease rental income commitments

The department in its capacity as lessor of 50 Marcus Clarke Street, Canberra subleases spaces to various public and private sector entities with the latest option period ending in May 2025. Leasing arrangements include a 3.35 per cent fixed annual increase in all years.

The department in its capacity as lessor of 226 Adelaide Terrace, Perth subleases spaces to various public sector entities with the latest lease end date being July 2020, with option periods to July 2023. Leasing arrangements include a fixed annual increase of between 4 and 5 per cent with a market review occurring at commencement of the option period.

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018 \$'000	2017 \$'000
Commitments for sublease rental income receivable (including GST)		
Within 1 year	8,190	7,226
Between 1 to 5 years	13,741	10,424
More than 5 years	<u>4,792</u>	<u>-</u>
Total sublease rental income commitments receivable	<u>26,723</u>	<u>17,650</u>

The above commitments include sublease arrangements with other government agencies.

A2.3: Resources received free of charge

Australian Taxation Office collection of revenues on behalf of the department	7,322	8,085
Australian National Audit Office financial statement audit fee	<u>1,100</u>	<u>1,250</u>
Total resources received free of charge	<u>8,422</u>	<u>9,335</u>

A2.4: Reversal of previous asset write-downs

Increase to the fair value of leasehold improvement assets	<u>-</u>	<u>976</u>
Total reversal of previous asset write-downs	<u>-</u>	<u>976</u>

A2.5: Other gains

Other gains include incidental transactions and events outside of ordinary operations such as contributions of assets at no cost or for nominal consideration recognised at their fair value when the asset qualifies for recognition and reversals of provisions.

A2.6: Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted to reflect formal additions, reductions and restructures) are recognised as revenue from Government when the department gains control of the appropriation.

Amounts appropriated which are designated as equity injections (less any formal reductions) and the departmental capital budget are recognised directly in contributed equity in that year.

Due to an interpretation of the financial framework, the department was unable to recognise \$12.6 million of revenue from Government in 2017-18. This amount comprised two matters which contributed to the department's operating deficit:

- On 18 December 2017, the Minister for Finance approved the transfer of \$5.3 million of departmental capital budget in 2017-18 from the department to the Department of Jobs and Small Business (JSB). The net additional appropriation provided to the department in *Appropriation Act (No. 3) 2017-18* was \$11.8 million, comprising an increase of \$17.1 million in operating funding and a reduction to the departmental capital budget of \$5.3 million. An interpretation of the FRR only permitted recognition of the net appropriation amount of \$11.8 million as revenue from Government.
- On 6 April 2018, the Minister for Finance approved a reclassification of \$7.3 million from the department's 2017-18 departmental capital budget to the operating budget. As the Australian Accounting Standards do not permit the reclassification of capital contributions to income, this amount has not been recognised as revenue from Government.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B. Departmental Financial Position

B1: Financial Assets

	2018	2017
	\$'000	\$'000
<u>B1.1: Cash and cash equivalents</u>		
Cash on hand or on deposit	2,292	1,742
Cash held in the OPA - special account	4,089	4,089
Total cash and cash equivalents	6,381	5,831
<u>B1.2: Trade and other receivables</u>		
Goods and services receivable		
Goods and services	3,389	1,893
Total goods and services receivable	3,389	1,893
Appropriations receivable		
Operating annual appropriations	50,378	56,612
Equity injections	17,522	6,716
Total appropriations receivable	67,900	63,328
Other receivables		
GST receivable from the Australian Taxation Office	1,571	1,361
Total other receivables	1,571	1,361
Total trade and other receivables (gross)	72,860	66,582
Less impairment allowance		
Goods and services receivable	(49)	(316)
Total impairment allowance	(49)	(316)
Total trade and other receivables (net)	72,811	66,266

Credit terms for goods and services receivable are net 30 days (2017: 30 days).

Movements in impairment allowance

	Goods and services 2018	Goods and services 2017
	\$'000	\$'000
Opening balance as at 1 July	(316)	(98)
Amounts written off against the provision	224	98
Amounts recovered and reversed	44	-
Increase recognised in operating result	(1)	(316)
Closing balance as at 30 June	(49)	(316)

Financial assets are assessed for impairment at the end of each reporting period.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B2: Non-Financial Assets

B2.1: Reconciliation of the opening and closing balances of land and buildings, infrastructure, plant and equipment and computer software

	<u>Land and buildings</u>		Infrastructure, plant and equipment \$'000	Computer software \$'000	Total \$'000
	Land and buildings \$'000	Leasehold improvements \$'000			
As at 1 July 2017					
Gross book value	400	35,393	1,426	104,546	141,765
Accumulated depreciation, impairment and amortisation	(9)	-	(321)	(44,015)	(44,345)
Net value as at 1 July 2017	391	35,393	1,105	60,531	97,420
Additions					
By purchase	-	1,882	70	-	1,952
By development	-	-	-	14,998	14,998
Other	-	-	48	-	48
Write-down and impairment recognised in net cost of services	(147)	-	(33)	(9,696)	(9,876)
Depreciation and amortisation	(6)	(4,458)	(353)	(16,515)	(21,332)
Disposals	(238)	-	-	-	(238)
Net value as at 30 June 2018	-	32,817	837	49,318	82,972
Net value as at 30 June 2018 represented by					
Gross book value	-	37,275	1,514	109,848	148,637
Accumulated depreciation, impairment and amortisation	-	(4,458)	(677)	(60,530)	(65,665)
Net value as at 30 June 2018	-	32,817	837	49,318	82,972

Purchases of non-financial assets are recognised initially at cost in the statement of financial position, except for purchases costing less than the asset capitalisation thresholds. Purchases below the threshold are expensed in the year of acquisition other than where they form part of a group of similar items which are significant in total.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

The asset thresholds and useful lives for each asset class remain unchanged from 2017.

Asset class	2018 Useful life	2018 Threshold
Buildings on freehold land	37-51 years	nil
Buildings - leasehold improvements	Lease term	\$50,000
Infrastructure, plant and equipment	3-25 years	\$2,000
Computer software	2-15 years	\$200,000

Unless otherwise stated, depreciation and amortisation rates are applied on a straight-line basis and rates are reviewed annually, as are useful lives and residual values. Any necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

All non-financial assets are assessed annually for indications of impairment and, where appropriate, the asset's carrying value is adjusted to fair value, except for software assets under development which are recognised at cost.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Land, buildings and leasehold improvements

There are no (2017: nil) leased properties that the department manages which are due to expire within the next 12 months that have leasehold improvement assets. All leasehold improvements are assessed for indications of impairment at the end of each reporting period. No indicators of impairment were found for leasehold improvements in 2017-18 (2016-17: nil).

Infrastructure, plant and equipment

No material amounts of infrastructure, plant and equipment are expected to be sold or disposed of within the next 12 months. All infrastructure, plant and equipment are assessed for indications of impairment at the end of each reporting period. No indicators of impairment were found for infrastructure, plant and equipment in 2017-18 (2016-17: nil).

Computer software

The department's computer software comprises of internally developed software for internal use. No material amounts of computer software are expected to be sold or disposed of within the next 12 months.

All computer software assets are assessed for indications of impairment at the end of each reporting period. This resulted in impairment expense of \$9.7 million in 2017-18 (2016-17: \$0.2 million), note A1.3 refers. In 2017-18 the Australian Apprenticeship Management System was written-off resulting in \$9.7 million of impairment expense.

Revaluations of non-financial assets

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. Revaluations are conducted by an independent valuer. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Opteon (North West WA) Pty Ltd undertook the valuation of a property in Kununurra, Western Australia as at 30 October 2017 for pre-sale advice which resulted in a write-down of the carrying value of the land and buildings by \$0.1 million. Subsequently, a small gain on sale (\$0.03 million) was recognised upon sale of the property in March 2018, as the proceeds (\$0.28 million) exceeded the carrying value of the land and buildings and cost of disposal as at transaction date.

In 2017-18 Jones Lang LaSalle Public Sector Valuations Pty Ltd undertook a desktop valuation review of non-financial assets except for computer software and prepayments. No material differences were identified between the carrying amounts and fair values (2016-17: \$1.0 million increase to the fair value of leasehold improvements).

	2018 \$'000	2017 \$'000
Capital commitments payable (including GST)		
Leasehold improvements		
Within 1 year	-	111
Total leasehold improvements	-	111
Total capital commitments payable	-	111

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B3: Payables

	2018	2017
	\$'000	\$'000
<u>B3.1: Supplier payables</u>		
Trade creditors and accruals	17,082	27,440
Operating lease rentals	459	2,237
Total supplier payables	17,541	29,677

Settlement is usually due within 30 days. All supplier payables are expected to be settled within 12 months.

B3.2: Other payables

Lease incentives	9,650	11,062
Separations and redundancies	4,756	3,796
Wages and salaries	2,016	1,993
Unearned income	1,068	834
Superannuation	931	246
Other employee benefits	353	306
Total other payables	18,774	18,237

Payables are recognised to the extent that the goods or services have been received and not paid or where payments for services have been received in advance.

Lease incentives taking the form of 'free' leasehold improvements are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability over the term of the lease.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B4: Provisions

	2018	2017
	\$'000	\$'000
B4.1: Employee provisions		
Annual and long service leave provisions	63,792	66,531
Total employee provisions	63,792	66,531

As required by AASB 119 *Employee Benefits*, the estimate of future cash outflows takes into account estimated attrition, probability factors, future salary rates and ancillary costs. Liabilities for short-term employee benefits expected to be paid within 12 months of the end of reporting period are measured at the one year Commonwealth government bond rate of 1.9 per cent (2017: 1.5 per cent). Liabilities for long term employee benefits are discounted using the 10 year Commonwealth government bond rate of 2.6 per cent (2017: 2.5 per cent).

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

Provision is made for separation and redundancy benefits when the department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Employees of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other elected defined contribution schemes.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered financial statements.

The department makes employer contributions to defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The department accounts for the contributions as if they were contributions to defined contribution plans.

The payable for superannuation recognised at 30 June represents outstanding contributions owed by the department to the superannuation schemes. Note B3.2 refers.

B4.2: Other provisions

	Legal obligations	Surplus lease space	Onerous contracts	Total other provisions
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017	-	-	532	532
Additional provisions made	384	730	-	1,114
Amounts used	-	(237)	(532)	(769)
Total as at 30 June 2018	384	493	-	877

The department currently has no onerous contracts (2017: one) and surplus lease space at one property (2017: nil).

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

C. Departmental Funding

C1: Appropriations

	2018	2017
	\$'000	\$'000
<u>C1.1: Annual appropriations ('recoverable GST exclusive')</u>		
Ordinary annual services		
Annual appropriations ¹		
Operating ²	343,882	333,539
Departmental capital budget ^{2,3}	22,784	23,281
PGPA Act section 74 receipts	22,833	17,241
PGPA Act section 75 transfers	-	(14,390)
Total appropriations - ordinary annual services	389,499	359,671
Appropriations applied (current and prior years)	394,905	361,586
Variance⁴	(5,406)	(1,915)
Other services		
Annual appropriations ¹		
Equity injection	15,779	5,985
Total appropriations - other services	15,779	5,985
Appropriations applied (current and prior years)	4,973	9,135
Variance⁵	10,806	(3,150)

¹ No amounts have been quarantined in 2017-18 (2016-17: nil).

² In the Portfolio Additional Estimates Statements 2017-18, the department received additional net departmental funding of \$11.8 million (page 12 refers). This comprised \$17.1 million of operating funding partially offset by a transfer of \$5.3 million departmental capital budget to JSB that was approved by the Minister for Finance on 18 December 2017. An interpretation of the FRR means that the transfer could not be recognised as a transfer of capital between entities in the 2017-18 financial statements, resulting in a reduction of operating appropriations of \$5.3 million.

³ Departmental capital budgets are appropriated through *Appropriation Acts (No. 1, 3, 5)*. As they are not separately identified in the Appropriation Acts, the designation of amounts appropriated as capital and operating is set out in the Portfolio Budget Statements and the Additional Estimates Statements. A reclassification of \$7.3 million of departmental capital to departmental operating expenditure in 2017-18 was approved by the Minister for Finance on 6 April 2018. As the reclassification of capital contributions are not permitted under the Australian Accounting Standards, this transfer has not been reflected in this appropriation note nor has the amount been recognised as revenue from Government in the Statement of Comprehensive Income. This amount is included as a contribution by owner in the Statement of Changes in Equity and aligns with the original designation.

⁴ The variance reflects the movement in cash at bank, appropriations receivable and GST receivable less the lapsed appropriation. Note C1.2 refers.

⁵ The variance reflects the movement in the appropriation receivable - equity injection.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
	\$'000	\$'000
C1.2: Unspent annual appropriations ('recoverable GST exclusive')		
<i>Appropriation Act (No. 1) 2017-18</i>	38,569	-
<i>Appropriation Act (No. 2) 2017-18</i>	10,056	-
<i>Appropriation Act (No. 3) 2017-18</i>	11,809	-
<i>Appropriation Act (No. 4) 2017-18</i>	3,143	-
<i>Appropriation Act (No. 1) 2016-17</i>	-	38,424
<i>Appropriation Act (No. 2) 2016-17</i>	1,331	2,365
<i>Appropriation Act (No. 3) 2016-17</i>	-	14,484
<i>Appropriation Act (No. 4) 2016-17</i>	2,992	2,992
<i>Supply Act (No. 1) 2016-17</i>	-	1,014
<i>Supply Act (No. 2) 2016-17</i>	-	468
<i>Appropriation Act (No. 1) 2015-16</i>	-	2,622
<i>Appropriation Act (No. 4) 2015-16</i>	-	891
<i>Appropriation Act (No. 1) 2013-14¹</i>	-	68
Cash at bank	2,292	1,742
Total unspent annual appropriations	70,192	65,070

As at 30 June 2018, total unspent annual appropriations comprise: cash at bank (excluding special account) \$2.3 million and appropriation receivable \$67.9 million.

There are no quarantined appropriations at 30 June 2018.

¹ *Appropriation Act (No. 1) 2013-14* was repealed when *Appropriation Bill (No. 4) 2017-2018* received Royal Assent on 28 March 2018. The quarantined amount of \$0.068 million has been recognised as an equity return in accordance with subsection 39(1) of the FRR.

C2: Special Accounts

	Student Identifiers Special Account ¹	
Balance as at 1 July (represented by cash held in the OPA)	4,089	3,536
Increases		
Appropriations credited to special account	6,449	6,250
Total increases	6,449	6,250
Available for payments	10,538	9,786
Decreases		
Payments made	(6,449)	(5,697)
Total decreases	(6,449)	(5,697)
Balance as at 30 June (represented by cash held in the OPA)	4,089	4,089

¹ Student Identifiers Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Student Identifiers Act 2014*; subsection 48(1).

Purpose: For paying or discharging the costs, expenses and other obligations incurred by the Commonwealth in the performance of the Registrar's functions, paying any remuneration and allowances payable to any person under the Act and meeting the expenses of administering the account.

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

C3: Regulatory Charging

	2018 \$'000	2017 \$'000
Amounts applied		
Annual appropriation	17,748	5,307
Total amounts applied	<u>17,748</u>	<u>5,307</u>
Expenses		
Employee benefits	10,454	4,746
Supplier	9,180	2,192
Total expenses	<u>19,634</u>	<u>6,938</u>
External revenue		
Sale of goods and rendering of services	1,886	1,631
Total external revenue	<u>1,886</u>	<u>1,631</u>

The department undertakes regulatory charging activities relating to:

- The Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS);
- Certain programs managed by Trades Recognition Australia (TRA); and
- The VET Student Loans program (charging arrangements commenced on 1 July 2017).

Further information on the above activities is available at:

- CRICOS: www.internationaleducation.gov.au
- TRA: www.tradesrecognitionaustralia.gov.au
- VET Student Loans program: www.education.gov.au

C4: Net Cash Appropriation Arrangements

Total comprehensive surplus/(loss) less depreciation and amortisation expenses previously funded through revenue appropriations	(14,002)	2,968
Depreciation and amortisation expenses	<u>(21,332)</u>	<u>(23,979)</u>
Total comprehensive loss as per the statement of comprehensive income	<u>(35,334)</u>	<u>(21,011)</u>

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D. Departmental Other Items

D1: Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the statement of financial position. They may arise from uncertainty as to the existence of an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Quantifiable contingencies

The department had no quantifiable contingent assets or liabilities as at 30 June 2018 (2017: nil).

Unquantifiable contingencies

As at 30 June 2018, the department had unquantifiable contingent assets in respect of three litigation matters (2017: three). These contingent assets relate to costs awarded to the department, however it is not possible to estimate the amounts of any eventual receipts.

The department had no unquantifiable contingent liabilities as at 30 June 2018.

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D2: Restructuring

Function Entity	2017	
	Shared Services Department of Employment ¹ \$'000	Shared Services Department of Finance ¹ \$'000
FUNCTIONS ASSUMED		
Assets recognised		
Trade and other receivables	751	-
Land and buildings	246	-
Infrastructure, plant and equipment	445	-
Computer software	418	-
Prepayments	125	-
Total assets recognised	1,985	-
Liabilities recognised		
Supplier	1	-
Other payables	6	-
Employee provisions	525	-
Other provisions	466	-
Total liabilities recognised	998	-
Net assets recognised	987	-
Income		
Recognised by the receiving entity	4,539	-
Recognised by the losing entity	1,293	-
Total income	5,832	-
Expenses		
Recognised by the receiving entity	7,820	-
Recognised by the losing entity	3,810	-
Total expenses	11,630	-
FUNCTIONS RELINQUISHED		
Assets relinquished		
Trade and other receivables	(20,226)	(3,175)
Accrued revenue	(3,202)	-
Land and buildings	(753)	(64)
Infrastructure, plant and equipment	(10,565)	(17)
Computer software	(4,074)	(9,444)
Prepayments	(6,714)	(649)
Total assets relinquished	(45,534)	(13,349)
Liabilities relinquished		
Supplier	(815)	-
Other payables	(1,746)	(668)
Employee provisions	(5,372)	(1,576)
Other provisions	(118)	-
Total liabilities relinquished	(8,051)	(2,244)
Net assets relinquished	(37,483)	(11,105)

¹ Functions previously supported by the Shared Services Centre, a joint venture between the Department of Education and Training and the then Department of Employment, were transferred to new arrangements on 1 December 2016. Transactional services were transferred to the Department of Finance, information and communications technology and some corporate services to the then Department of Employment, and library and audio-visual services to the department. The net assets relinquished were \$48.6 million and net assets recognised were \$1.0 million.

There were no transfers of functions in 2017-18.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D3: Key Management Personnel Remuneration

	2018	2017
	\$'000	\$'000
Short-term employee benefits	2,645	2,236
Post-employment benefits	421	365
Other long-term employee benefits	265	379
Termination benefits	573	-
Total key management personnel remuneration	3,904	2,980

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the department. The department has determined the KMP to be the Portfolio Minister, the Secretary, the Associate Secretary and the Deputy Secretaries. Other senior executives may at times act in one of these positions for a short period of time during the year. These officers are not reported as KMP unless they have acted in the position for more than three consecutive months.

The above table includes the remuneration for eight officers occupying KMP positions during the year (2016-17: seven). This includes one officer on secondment from another agency to support the implementation of child care reform. The remuneration and benefits for the Portfolio Minister are excluded from the table as they are set by the Remuneration Tribunal and are not paid by the department.

The amounts in the table are prepared on an accrual basis and include: salary, superannuation, annual and long service leave expense (including revaluations of leave provisions), allowances and changes in ancillary costs and probability rates on leave provisions.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D4: Related Party Disclosures

The department is an Australian Government controlled entity. Related parties to the department are key management personnel as described in note D3.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of child care benefits or higher education loans which are not included in this note.

Transactions with entities where KMP have an interest

Several of the department's KMP are members of the board of directors for a number of educational institutions and councils. During 2017-18 and 2016-17 the department purchased services from these entities in relation to the:

- Support of quality teaching and school leadership
- Collection of data, development and delivery of research studies, questionnaires and assessments.

	2018 \$'000	2017 \$'000
Expenses		
Supplier expenses	1,852	1,666
Total expenses	<u>1,852</u>	<u>1,666</u>
Payables		
Supplier payables	913	-
Total payables	<u>913</u>	<u>-</u>

All purchases were conducted under normal terms and conditions.

Details of administered related party transactions and balances associated with the above activities are separately disclosed. Note I3 refers.

D5: Budgetary Reporting

Statement of comprehensive income

In 2017-18 the department reported an operating deficit on continuing operations of \$35.3 million against a budgeted deficit of \$28.7 million as reported in the 2017-18 Portfolio Budget Statements^{1,2}.

The department's total expenses of \$411.7 million were \$28.5 million more than originally budgeted and includes an increase in expense associated with the work that started on 1 November 2017 under the Family Day Care Payment Integrity measure, which was published in the Mid-year Economic and Fiscal Outlook 2017-18.

Supplier and grants expense are not separately classified in the Portfolio Budget Statements. When these two expense items are taken together, they total \$154.3 million, a minor 0.7 per cent variance to the budget.

The department incurred depreciation and amortisation expense of \$21.3 million, \$7.4 million less than the original budget estimate. The budget estimates were revised down during the course of the year³ to reflect the transfer of assets to the Department of Finance and the then Department of Employment following the change to shared service arrangements on 1 December 2016. Further, the annual assessment of computer software assets resulted in a change to the estimated useful lives of some assets including the write-off of the Australian Apprenticeship Management System. This had the effect of reducing amortisation expense and increasing write-down and impairment expense.

¹ The government does not provide operating funding for make-good, depreciation or amortisation expenses. Rather, capital funding is received when assets need to be replaced and is recognised directly in equity.

² The original budget was published in May 2017. As a consequence the budgeted opening balance as at 1 July 2017 needed to be estimated. Accordingly, variances to budget can at least in part, be attributed to the prior year results.

³ Revised estimates are published in the Portfolio Additional Estimates Statements 2017-18.

Department of Education and Training

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The department reported own source income of \$26.1 million, \$3.6 million more than originally budgeted.

Sales of goods and services and rental income are not separately classified in the Portfolio Budget Statements. When taken together they total \$17.5 million, \$1.8 million greater than the original budget. This variance primarily reflects an increase in sub-lease rental income received from other Government entities sharing the department's office space.

Resources received free of charge was \$1.7 million greater than budget which primarily reflects higher than anticipated receipt collection services provided free of charge by the Australian Taxation Office.

Revenue from Government totalled \$350.3 million in 2017-18, \$18.2 million more than originally budgeted. Additional operating funding totalling \$11.8 million was provided through additional estimates for new measures, primarily the Family Day Care Payment Integrity measure.

Statement of financial position

As at 30 June 2018 the department's total equity was \$64.7 million compared to the original budget of \$108.0 million¹.

The original 2017-18 budget was prepared based on 30 June 2016 data being the latest available at that time¹. This decrease of \$43.3 million therefore still reflects, and is predominantly driven by, the transfer of assets and liabilities following the machinery of government announcement on 1 December 2016. All balance sheet items, as at 30 June 2017, with the exception of cash, were impacted by this transfer.

Statement of changes in equity

The original budget was published in May 2017. As a consequence the budgeted opening balance as at 1 July 2017 needed to be estimated. The difference between that estimate and the actual opening balance at 1 July 2017 is almost entirely reflected in the variance to budget seen in the closing equity balance. This movement resulted primarily from the transfer of assets following the change to shared service arrangements as previously described.

Equity injection – appropriations exceeded budget due to additional funding of \$3.1 million provided through additional estimates for new measures.

Statement of cash flows

The variances between budget and actuals in the statement of cash flows are primarily the flow on effect from the events already described and timing differences between cash receipts and payments to revenue and expense.

¹ The original budget was published in May 2017. As a consequence the budgeted opening balance as at 1 July 2017 needed to be estimated. Accordingly, variances to budget can at least in part, be attributed to the prior year results.

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

E. Departmental Managing Uncertainties

E1: Financial Instruments

	2018	2017
	\$'000	\$'000
<u>E1.1: Categories of Financial instruments</u>		
Financial assets		
Loans and receivables		
Cash and cash equivalents	6,381	5,831
Goods and services receivable	3,340	1,577
Accrued revenue	199	4,183
Total financial assets	9,920	11,591
Financial liabilities measured at amortised cost		
Trade creditors and accruals	17,082	27,440
Total financial liabilities measured at amortised cost	17,082	27,440

Financial assets are assessed for impairment at the end of each reporting period.

E1.2: Net gains or losses on financial assets

Impairment of receivables - goods and services	1	316
Net losses on financial assets	1	316

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

E2: Fair Value Measurement

Fair value is a market based, rather than entity specific, measurement. The objective in all cases is to estimate the price at which an orderly transaction to sell the asset would take place between market participants under current market conditions at the measurement date. Where possible the assets are valued based upon observable inputs, such as quoted prices in active markets or other market transactions or information. Where this information is not available valuation techniques rely upon unobservable inputs. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.

Level 3: Unobservable inputs for the asset.

An analysis of the fair value of non-financial assets by level is provided below.

Fair value measurement as at 30 June				Valuation technique ³	Inputs used
	2018 \$'000	2017 \$'000	Level ²		
Non-financial assets					
Land	-	170	2	Market	Adjusted market transactions
Buildings	-	221	2	Market	Adjusted market transactions
Leasehold improvements	32,659	32,951	3	Depreciated replacement cost	Replacement cost new Useful life and consumed economic benefit / obsolescence of asset
Leasehold improvements - under construction	158	2,442	2	Replacement cost	Current prices relevant to the location of the asset
Infrastructure, plant and equipment	374	429	2	Market	Adjusted market transactions
Infrastructure, plant and equipment	69	78	3	Depreciated replacement cost	Replacement cost new Useful life and consumed economic benefit / obsolescence of asset
Infrastructure, plant and equipment	394	598	3	Market	Adjusted market transactions
Total¹	33,654	36,889			

¹ The book value of these assets equals the fair value.

² There has been no transfer between levels during the period.

³ The methods and valuation techniques used for the purpose of measuring fair value of assets in 2018 are unchanged from the previous reporting period.

4 Financial statements

Department of Education and Training ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Original Budget ¹ \$'000
NET COST OF SERVICES				
EXPENSES				
Supplier	F1.1	661,746	675,657	726,376
Subsidies	F1.2	408,279	416,764	406,266
Personal benefits	F1.3	7,023,785	7,342,692	7,622,938
Grants	F1.4	28,424,953	26,698,895	28,428,781
Interest	F1.5	195,000	194,000	555,497
Write-down and impairment of assets	F1.6	125,185	73,881	60
Payments to corporate Commonwealth entities		16,318	19,891	19,567
Fair value losses	F1.7	1,027,807	6,060,445	1,704,706
Act of grace payments		5,249	2,091	-
Total expenses		37,888,322	41,484,316	39,464,191
INCOME				
Revenue				
Taxation revenue				
Levies		6,135	9,774	10,431
Total taxation revenue		6,135	9,774	10,431
Non-taxation revenue				
Interest	F2.1	567,469	503,048	1,657,366
Other revenue	F2.2	277,346	399,397	617,715
Total non-taxation revenue		844,815	902,445	2,275,081
Total revenue		850,950	912,219	2,285,512
Gains				
Fair value gains	F2.3	-	402,418	-
Reversal of previous asset write-downs and impairment	F2.4	562	675	-
Total gains		562	403,093	-
Total income		851,512	1,315,312	2,285,512
Net cost of services		37,036,810	40,169,004	37,178,679
Deficit		(37,036,810)	(40,169,004)	(37,178,679)
OTHER COMPREHENSIVE INCOME				
Change in asset revaluation reserve	G1.3	385,055	220,047	-
Total other comprehensive income		385,055	220,047	-
Total comprehensive loss		(36,651,755)	(39,948,957)	(37,178,679)

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

Department of Education and Training
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Original Budget ¹ \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	G1.1	90,736	85,478	-
Receivables	G1.2	41,051,129	37,122,775	53,016,712
Investments	G1.3	2,683,465	2,338,384	2,118,936
Total financial assets		43,825,330	39,546,637	55,135,648
Total assets administered on behalf of Government		43,825,330	39,546,637	55,135,648
LIABILITIES				
Payables				
Trade creditors and accruals	G2.1	133,122	95,137	67,855
Personal benefits		129,617	117,778	103,830
Grants	G2.2	4,600	13,744	20,679
Statutory payable		18,706	15,195	32,796
Total payables		286,045	241,854	225,160
Provisions				
Personal benefits	G3	911,569	979,439	1,010,912
Higher education superannuation program	G3	6,517,000	6,467,000	6,626,301
Total provisions		7,428,569	7,446,439	7,637,213
Total liabilities administered on behalf of Government		7,714,614	7,688,293	7,862,373
Net assets		36,110,716	31,858,344	47,273,275

¹Budget reported in the 2017-18 Portfolio Budget Statements published on 5 May 2017.

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

4 Financial statements

Department of Education and Training ADMINISTERED RECONCILIATION SCHEDULE for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July	31,858,344	31,981,945
Net cost of services		
Income	851,512	1,315,312
Expenses		
Other than corporate Commonwealth entities	(37,872,004)	(41,464,425)
Corporate Commonwealth entities	(16,318)	(19,891)
Other comprehensive income		
Revaluations transferred to reserves	385,055	220,047
Transfers (to) from the Australian Government		
Appropriation transfers from the OPA		
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	1,831,662	1,640,366
Payments to corporate Commonwealth entities	16,318	19,891
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	41,863,267	40,935,029
Appropriation transfers to the OPA		
Transfers to the OPA	(2,728,152)	(2,736,866)
Transfers to the OPA (withholdings)	(29,576)	(30,318)
Restructuring	(39,974)	-
Other movements	(9,418)	(2,746)
Closing assets less liabilities as at 30 June	36,110,716	31,858,344

Revenue collected by the department for use by the Government rather than the department is administered revenue. Collections are transferred to the OPA, maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the department on behalf of the Government and reported as such in the administered cash flow statement and in the administered reconciliation schedule.

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

Department of Education and Training
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		43	44
Net GST received		1,203,735	1,176,776
Levies		6,135	9,774
Other revenue		143,916	149,116
Total cash received		<u>1,353,829</u>	<u>1,335,710</u>
Cash used			
Suppliers		680,873	779,784
Subsidies		408,279	416,764
Personal benefits		7,093,192	7,266,842
Grants		29,920,666	28,132,663
Payments to corporate Commonwealth entities		16,318	19,891
Total cash used		<u>38,119,328</u>	<u>36,615,944</u>
Net cash used by operating activities		<u>(36,765,499)</u>	<u>(35,280,234)</u>
INVESTING ACTIVITIES			
Cash received			
Repayments of loans		2,695,488	2,388,159
Total cash received		<u>2,695,488</u>	<u>2,388,159</u>
Cash used			
Loans provided		6,906,783	6,995,987
Total cash used		<u>6,906,783</u>	<u>6,995,987</u>
Net cash used by investing activities		<u>(4,211,295)</u>	<u>(4,607,828)</u>
Net decrease in cash held		<u>(40,976,794)</u>	<u>(39,888,062)</u>
Cash from the Official Public Account			
Appropriations		43,711,247	42,595,286
GST appropriations		1,218,512	1,169,788
Special accounts		25,833	36,536
Total cash from the Official Public Account		<u>44,955,592</u>	<u>43,801,610</u>
Cash to the Official Public Account			
Administered Receipts		(2,728,152)	(2,657,925)
Return of GST appropriations		(1,214,295)	(1,192,314)
Special accounts		(31,093)	(49,923)
Total cash to the Official Public Account		<u>(3,973,540)</u>	<u>(3,900,162)</u>
Cash and cash equivalents at the beginning of the reporting period		85,478	72,092
Cash and cash equivalents at the end of the reporting period	G1.1	<u>90,736</u>	<u>85,478</u>

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

4 Financial statements

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

F. Administered Financial Performance

F1: Expenses

	2018	2017
	\$'000	\$'000
<u>F1.1: Supplier</u>		
Services rendered		
Assistance to families with children	74,596	56,232
General research	174	226
Higher education	19,701	9,747
School education - specific funding	66,407	47,229
Vocational and industry training	500,738	562,142
Total services rendered	661,616	675,576
Other supplier expenses		
Operating lease rentals	130	81
Total other supplier expenses	130	81
Total supplier expenses	661,746	675,657
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases (including GST)		
Within 1 year	98	89
Between 1 to 5 years	402	454
More than 5 years	979	799
Total operating lease commitments	1,479	1,342
The above commitments include lease arrangements with another government agency.		
<u>F1.2: Subsidies</u>		
Vocational and industry training	350,512	361,766
Assistance to families with children	57,767	54,998
Total subsidies	408,279	416,764
<u>F1.3: Personal benefits</u>		
Assistance to families with children	6,994,639	7,296,879
Trade support loans discount	26,681	22,571
Student assistance	-	20,524
Vocational and industry training	2,465	2,718
Total personal benefits	7,023,785	7,342,692

Department of Education and Training

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
<u>F1.4: Grants</u>	\$'000	\$'000
Public sector		
Australian Government entities	34,318	44,156
State and Territory Governments	18,357,384	17,090,700
Private sector		
Non-profit organisations	141,770	143,896
Multi-jurisdictional sector	9,651,391	9,208,019
Other	240,090	212,124
Total grants	28,424,953	26,698,895
<u>F1.5: Interest</u>		
Higher education superannuation program	195,000	194,000
Total interest	195,000	194,000
<u>F1.6: Write-down and impairment of assets</u>		
Impairment of goods and services receivable	57,087	70,646
Impairment of personal benefits receivable	68,098	3,235
Total write-down and impairment of assets	125,185	73,881
<u>F1.7: Fair value losses</u>		
Higher education loans	813,880	6,050,278
Higher education superannuation program	184,786	-
Trade support loans	29,141	10,167
Total fair value losses	1,027,807	6,060,445

Changes in the fair value of the higher education loans, the higher education superannuation program and the trade support loans are brought to account through the administered schedule of comprehensive income. Fair value gains are disclosed at note F2.3. Further information regarding fair value estimation of these balances is provided in the overview.

As at 30 June 2018, the Australian Government Actuary estimated the fair value of the higher education loans to be \$39.9 billion (note G1.2 refers). This balance takes into account new loans and repayments made during 2017-18, unwinding of discount and a fair value loss totalling \$0.8 billion. The main factors contributing to this fair value loss are: \$1.4 billion of debt not expected to be recovered on new loans due to the income contingent nature of the program, plus \$0.2 billion concessional loan discount and \$0.4 billion adjustment for the actuarial estimate of new debt and repayments that have not been credited against individuals, partially offset by a movement in the yield curve, \$1.2 billion.

As at 30 June 2018, the Australian Government Actuary estimated the fair value of the higher education superannuation program provision to be \$6.5 billion (note G3 refers). The higher education superannuation program provision is subject to an annual actuarial assessment. The 2018 actuarial assessment applied an interest rate of 2.7% (2017: 3.0%).

As at 30 June 2018, the Australian Government Actuary estimated the fair value of the trade support loan scheme to be \$420.3 million (note G1.2 refers). This balance takes into account new loans and repayments made during 2017-18, unwinding of discount and a fair value loss of \$29.1 million. The main factors contributing to this fair value loss are: \$20.0 million of debt not expected to be recovered on new loans due to the income contingent nature of the program and \$9.1 million adjustment for changes in the discount rate, the deferral adjustment and indexation.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

F2: Income

	2018	2017
	\$'000	\$'000
<u>F2.1: Interest</u>		
Higher education loans	560,363	499,036
Trade support loans	7,063	3,968
Other sources	43	44
Total interest	567,469	503,048

F2.2: Other revenue

Loan fee revenue	168,551	276,131
Refunds of prior year payments	22,708	51,623
Education investment fund special account	-	22,593
Other special accounts	17,278	18,370
Cost recovery	17,211	11,552
Other	51,598	19,128
Total other revenue	277,346	399,397

All administered revenues relate to ordinary activities performed by the department on behalf of the Australian Government. Administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of funds as directed.

Administered revenue is recognised when the service is provided. Collectability of the debt is reviewed at balance date. Impairment allowances are made when collectability of the debt is judged to be less, rather than more likely.

F2.3: Fair value gains

Higher education superannuation program	-	402,418
Total fair value gains	-	402,418

Further information regarding fair value estimation of this balance is provided in the overview and at note F1.7.

F2.4: Reversal of previous asset write-downs and impairment

Reversal of impairment losses for goods and services receivable	562	675
Total reversal of previous asset write-downs and impairment	562	675

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

G. Administered Financial Position

G1: Financial Assets

	2018	2017
	\$'000	\$'000
<u>G1.1: Cash and cash equivalents</u>		
Cash held in the OPA - special accounts	90,736	85,478
Total cash and cash equivalents	90,736	85,478
<u>G1.2: Receivables</u>		
Goods and services receivable		
Goods and services receivable	186,328	198,618
Total goods and services receivable	186,328	198,618
Advances and loans		
Higher education loans	39,856,123	35,916,286
Trade support loans	420,333	282,520
Child care loans	66	145
Total advances and loans	40,276,522	36,198,951
Other receivables		
GST receivable from the Australian Taxation Office	20,603	18,435
Higher education superannuation program receivable	352,000	372,000
Personal benefits receivable	439,211	434,206
Total other receivables	811,814	824,641
Total receivables (gross)	41,274,664	37,222,210
Less impairment allowance		
Goods and services receivable	(130,733)	(78,491)
Personal benefits receivable	(92,802)	(20,944)
Total impairment allowance	(223,535)	(99,435)
Total receivables (net)	41,051,129	37,122,775

Goods and services receivable are with entities external to the Australian Government. Credit terms are payment within 30 days (2017: 30 days).

Movements in impairment allowance

	Goods and services 2018 \$'000	Goods and services 2017 \$'000	Personal benefits 2018 \$'000	Personal benefits 2017 \$'000
Opening balance as at 1 July	(78,491)	(11,557)	(20,944)	(17,709)
Amounts written off against the provision	13	2,688	-	276
Amounts recovered and reversed	43	558	-	5
Reversal of previous impairment	519	112	-	-
Movement	3,760	-	(3,760)	-
Increase recognised in net cost of services	(56,577)	(70,292)	(68,098)	(3,516)
Closing balance as at 30 June	(130,733)	(78,491)	(92,802)	(20,944)

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
	\$'000	\$'000
Concessional loans		
Higher education loans		
Nominal value	60,039,891	55,424,526
Unexpired discount	(408,099)	(1,019,462)
Impairment	(19,775,669)	(18,488,778)
Carrying amount	<u>39,856,123</u>	<u>35,916,286</u>
Trade support loans		
Nominal value	538,903	363,052
Unexpired discount and discount on completion (new loans)	(53,609)	(38,386)
Impairment	(59,112)	(42,146)
Deferral adjustment	(5,849)	-
Carrying amount	<u>420,333</u>	<u>282,520</u>
Child care loans		
Nominal value	66	145
Carrying amount	<u>66</u>	<u>145</u>
Total concessional loans	<u><u>40,276,522</u></u>	<u><u>36,198,951</u></u>

G1.3: Investments

Australian Institute for Teaching and School Leadership	6,306	4,695
Australian Curriculum, Assessment and Reporting Authority	1,934	1,792
Australian National University	2,675,225	2,295,141
Australian Institute of Aboriginal and Torres Strait Islander Studies	-	36,756
Total investments	<u><u>2,683,465</u></u>	<u><u>2,338,384</u></u>

The department retains 100 per cent ownership in each of the investments.

Administered investments are measured at their fair value as at 30 June. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities.

Movements between years are recognised at fair value through other comprehensive income. In 2017-18 the increase was \$385.1 million (2016-17: \$220.0 million).

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) transferred from the Education and Training portfolio to the Prime Minister and Cabinet portfolio following the Administrative Arrangements Order of 19 April 2018. The net assets of AIATSIS were \$40 million as at the date of transfer, being 30 April 2018.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

G2: Payables

G2.1: Trade creditors and accruals

Settlement is usually due within 30 days. All trade creditors are expected to be settled within 12 months.

	2018	2017
	\$'000	\$'000
G2.2: Grants		
Public sector		
State and Territory Governments	-	4,936
Private sector		
Non-profit organisations	-	251
Other	<u>4,600</u>	<u>8,557</u>
Total grants	<u>4,600</u>	<u>13,744</u>

Settlement is usually within 30 days of performance or eligibility according to the conditions of each grant.

G3: Provisions

	HESP 2018 \$'000	HESP 2017 \$'000	Personal benefits 2018 \$'000	Personal benefits 2017 \$'000
Opening balance as at 1 July	6,467,000	6,959,011	979,439	872,819
Amounts used	(334,757)	(289,443)	(762,338)	(757,075)
Increase (decrease) recognised in net cost of services	384,757	(202,568)	694,468	863,695
Total as at 30 June	6,517,000	6,467,000	911,569	979,439

Higher education superannuation program (HESP)

As at 30 June 2018, the Australian Government Actuary estimated the present value of the Commonwealth's total superannuation liability in respect of current and former university employees who are members of State superannuation schemes. The present value of the liability was estimated using an interest rate of 2.7 per cent (2017: 3.0 per cent) based upon the 2030 Government bond rate. The actuary estimated that approximately \$0.4 billion (2017: \$0.4 billion) is recoverable from the States, note G1.2 refers. A fair value loss of \$0.2 billion is reported at note F1.7 (2016-17: \$0.4 billion fair value gain, note F2.3 refers).

Prior to the establishment of the Superannuation Scheme for Australian Universities in 1983, university employees belonged to various unfunded or partly funded institution and/or State based superannuation schemes. The State based schemes have been closed to new members, but university employees have been able to continue as members.

Historically, the responsibility for funding universities' superannuation liabilities has been shared between the Commonwealth and the States, apart from the period between 1974 and 1982, when the Commonwealth bore the full cost of benefits. The current cost share arrangements are based on allocating the emerging cost of benefits between the States and the Commonwealth based on the split of responsibility at the time the benefits accrued.

The HESP provision is based upon: the total value of the superannuation liabilities for universities in Victoria, South Australia, Western Australia and Tasmania; and 78 per cent of the total value of the superannuation liabilities for universities in NSW (reflecting the partially funded nature of the NSW schemes).

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Personal benefits

The department administers personal benefit programs on behalf of the government that provide entitlements to individuals, mostly to provide child care fee assistance. Payments are determined in accordance with provisions under social security law and other legislation.

The department made child care fee assistance payments in accordance with family assistance law (comprising the *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999* as well as associated legislation and other subordinate legislation. These payments were assessed and determined by officers of the Department of Human Services under delegation from the department.

The *A New Tax System (Family Assistance) (Administration) Act 1999* imposes an obligation on recipients and customers to disclose information about financial and personal circumstances that affect entitlement to payment.

Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. The department oversees a comprehensive risk management strategy which minimises the potential for incorrect payment by subjecting recipients and customers to a variety of review processes.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

H. Administered Funding

H1: Appropriations

	2018	2017
	\$'000	\$'000
H1.1: Annual appropriations ('recoverable GST exclusive')		
Ordinary annual services		
Annual appropriations		
Operating	2,078,106	1,879,988
Payments to corporate Commonwealth entities	19,493	19,817
PGPA Act section 75 transfers	(3,249)	-
Total appropriations - ordinary annual services	2,094,350	1,899,805
Appropriations applied (current and prior years)	1,810,219	1,603,460
Variance	284,131	296,345
Other services		
Annual appropriations		
States, ACT, NT and local government	40,221	42,686
Payments to corporate Commonwealth entities	74	74
Total appropriations - other services	40,295	42,760
Appropriations applied (current and prior years)	37,756	41,241
Variance	2,539	1,519
H1.2: Unspent annual appropriations ('recoverable GST exclusive')		
<i>Appropriation Act (No. 1) 2017-18</i>	204,938	-
<i>Appropriation Act (No. 3) 2017-18</i>	13,549	-
<i>Appropriation Act (No. 4) 2017-18</i>	4,058	-
<i>Appropriation Act (No. 5) 2017-18</i>	167,104	-
<i>Appropriation Act (No. 1) 2016-17¹</i>	273,435	374,894
<i>Appropriation Act (No. 2) 2016-17</i>	-	1,519
<i>Appropriation Act (No. 1) 2015-16²</i>	543,924	543,924
<i>Appropriation Act (No. 2) 2015-16²</i>	3,243	3,243
<i>Appropriation Act (No. 1) 2014-15³</i>	-	268,354
<i>Appropriation Act (No. 3) 2014-15³</i>	-	14,836
<i>Appropriation Act (No. 2) 2014-15³</i>	-	2,257
<i>Appropriation Act (No. 1) 2013-14³</i>	-	110
<i>Appropriation Act (No. 3) 2013-14³</i>	-	8,144
Total unspent annual appropriations	1,210,251	1,217,281

¹ The balance is legally available until 1 July 2020 and represents permanent quarantines.

² These balances are legally available until 1 July 2018 and represent permanent quarantines.

³ These balances were repealed during 2017-18 and are no longer available.

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
H1.3: Special appropriations applied ('recoverable GST exclusive')	\$'000	\$'000
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	7,066,549	7,201,756
<i>Australian Education Act 2013</i>	18,321,450	17,039,994
<i>Higher Education Support Act 2003, section 238-12</i>	16,020,699	16,324,974
<i>Trade Support Loans Act 2014, section 104</i>	255,460	173,175
<i>VET Student Loans Act 2016, section 11</i>	199,083	40,688
<i>Public Governance, Performance and Accountability Act 2013, section 77</i>	26	-
Total special appropriations applied	<u>41,863,267</u>	<u>40,780,587</u>

H1.4: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

The department had drawing rights for the Department of Foreign Affairs and Trade administered annual appropriation for the New Colombo Plan program. The payments in relation to this program in 2017-18 were \$48.2 million (2016-17: \$26.5 million).

H2: Special Accounts

	EIF Research Portfolio Special Account ¹		EIF Education Portfolio Special Account ²	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance as at 1 July (represented by cash held in the OPA)	-	-	-	-
Increases				
Appropriation credited to special account	-	-	-	22,593
Total increases	-	-	-	22,593
Available for payments	-	-	-	22,593
Decreases				
Payments made	-	-	-	(22,593)
Total decreases	-	-	-	(22,593)
Balance as at 30 June (represented by cash held in the OPA)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

¹ EIF (Education Investment Fund) Research Portfolio Special Account
Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing Instrument: *Nation-building Funds Act 2008*, section 188.
Purpose: To make grants of financial assistance in relation to the creation and development of research infrastructure.
There have been no transactions through this special account in 2017-18 or the prior year. Legislation to close the EIF was passed through the House of Representatives on 25 October 2017 and is currently awaiting Senate debate.

² EIF (Education Investment Fund) Education Portfolio Special Account
Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing Instrument: *Nation-building Funds Act 2008*, section 181.
Purpose: To make grants of financial assistance to eligible higher education institutions in relation to capital expenditure and research facilities.
There have been no transactions through this special account in 2017-18. Legislation to close the EIF was passed through the House of Representatives on 25 October 2017 and is currently awaiting Senate debate.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Growth Fund Skills and Training Special Account 2015 ³		Early Years Quality Fund Special Account ⁴	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance as at 1 July (represented by cash held in the OPA)	16,013	4,757	32,624	34,039
Increases				
Appropriation credited to special account	5,249	2,091	-	-
Receipts	12,778	15,150	9,657	854
Total increases	18,027	17,241	9,657	854
Available for payments	34,040	21,998	42,281	34,893
Decreases				
Payments made	(24,368)	(5,985)	(138)	(2,269)
Total decreases	(24,368)	(5,985)	(138)	(2,269)
Balance as at 30 June (represented by cash held in the OPA)	9,672	16,013	42,143	32,624

³ Growth Fund Skills and Training Special Account 2015

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *PGPA Act (Growth Fund Skills and Training Special Account 2015 – Establishment) Determination 2015/04*, section 5.

Purpose: For paying amounts to enable Australian workers and former workers in the Australian automotive industry to obtain career advice, education, training and re-skilling support to exit the industry and obtain new forms of employment.

⁴ Early Years Quality Fund Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Early Years Quality Fund Special Account Act 2013*, section 5.

Purpose: To provide funding to approved centre based long day care services to be used exclusively for paying remuneration and other employment-related costs and expenses in relation to employees in the early childhood education and care sector.

As at 30 June 2018 \$30.0 million has been quarantined pending return to the Official Public Account.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Overseas Student Tuition Fund ⁵		Services for Other Entities and Trust Moneys ⁶	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance as at 1 July (represented by cash held in the OPA)	34,579	28,167	2,260	5,125
Increases				
Receipts	6,474	9,756	2,184	1,570
Total increases	6,474	9,756	2,184	1,570
Available for payments	41,053	37,923	4,444	6,695
Decreases				
Payments made	(4,163)	(3,344)	(2,413)	(4,435)
Total decreases	(4,163)	(3,344)	(2,413)	(4,435)
Balance as at 30 June (represented by cash held in the OPA)	36,890	34,579	2,031	2,260

⁵ Overseas Student Tuition Fund

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Education Services for Overseas Students Act 2000*, taking into account amendments to *Education Services for Overseas Students Legislation Amendment (Tuition Protection Services and Other Measures) Act 2012*, section 52A.

Purpose: For expenditure in connection with assisting international students whose education providers are unable to deliver their course of study in full.

⁶ Services for Other Entities and Trust Moneys Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Financial Management and Accountability Determination 2008/14 to establish the Department of Education, Employment and Workplace Relations Services for Other Entities and Trust Moneys Special Account*, section 3.

Purpose: To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth; in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and to repay amounts where an Act or other law requires or permits the repayment of an amount received.

The special account is due to sunset on 1 October 2018. The establishment of a new Services for Other Entities and Trust Moneys (SOETM) special account has been requested to replace the sunset account. The balance of the sunset account will transfer to the new account.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

H3: Regulatory Charging

	2018	2017
	\$'000	\$'000
Expenses		
Supplier	2,116	1,327
Total expenses	2,116	1,327
External revenue		
Cost recovery	17,173	11,552
Total external revenue	17,173	11,552
Amounts written off	1	-

The department undertakes regulatory charging activities relating to:

- The Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS);
- Certain programs managed by Trades Recognition Australia (TRA); and
- The VET Student Loans program (charging arrangements commenced on 1 July 2017).

Further information on the above activities is available at:

- CRICOS: www.internationaleducation.gov.au
- TRA: www.tradesrecognitionaustralia.gov.au
- VET Student Loans program: www.education.gov.au.

I. Administered Other Items

I1: Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the administered schedule of assets and liabilities. They may arise from uncertainty as to the existence of an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Quantifiable contingencies

There were no administered quantifiable contingent assets or liabilities as at 30 June 2018 (2017: nil).

Unquantifiable contingencies

The Government is undertaking compliance action to recover VET FEE-HELP payments from VET providers where loans were inappropriately issued to students by providers. There is a potential financial risk to the Commonwealth in the event that compliance action results in student loan debts being remitted but the Commonwealth is unable to recover the payments from providers.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

I2: Restructuring

Function	2018	
	AIATSIS	Department of the Prime Minister and Cabinet
Entity	\$'000	
FUNCTIONS RELINQUISHED		
Assets relinquished		
Investment		(39,974)
Total assets relinquished		<u>(39,974)</u>
Net assets relinquished		<u>(39,974)</u>

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) transferred from the Education and Training portfolio to the Prime Minister and Cabinet portfolio following the Administrative Arrangements Order of 19 April 2018. The investment relinquished is represented by the net assets of AIATSIS as at the date of transfer, 30 April 2018.

There were no transfers of administered functions in 2016-17.

I3: Related Party Disclosures

Related party disclosures and departmental transactions and balances are provided at notes D3 and D4.

During 2017-18 and 2016-17 administered transactions with related parties included payments and grants made in relation to:

- Support of quality teaching and school leadership
- Support of the national quality framework for early childhood education and care
- Collection of data, development and delivery of research studies, questionnaires and assessments
- Hosting and maintaining the Foundation Skills Assessment Tool.

	2018	2017
	\$'000	\$'000
Expenses		
Supplier expenses	3,781	1,143
Grant expenses	<u>33,905</u>	<u>35,213</u>
Total expenses	<u>37,686</u>	<u>36,356</u>
Payables		
Supplier payables	<u>927</u>	<u>216</u>
Total Payables	<u>927</u>	<u>216</u>

All purchases were conducted under normal terms and conditions and grants were awarded in accordance with the Commonwealth Grants Policy Framework.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

I4: Budgetary Reporting

Administered schedule of comprehensive income

In 2017-18 the department administered \$37.9 billion of expenses on behalf of the government, of which, \$28.4 billion (75 per cent) represented grants primarily to schools and higher education facilities which were delivered in accordance with the original budget estimate.

During 2017-18 the department administered \$7.0 billion of personal benefits against a budget of \$7.6 billion. The difference can be attributed to the impact of child care compliance measures and lower fee growth than originally estimated.

At the time the budget was prepared the fair values of the higher education superannuation provision, higher education loans and trade support loans were estimated on 2015-16 data and actuarial assumptions. The actual fair value at 30 June 2018 is based upon updated data, any changes in the actuary's assessment and the Government bond rates used to discount future cash flows. This impacts on the amount recognised as fair value gains or losses, interest expense, loan fee revenue and interest revenue.

Payments to corporate Commonwealth entities were \$16.3 million in 2017-18 compared to the original budget of \$19.6 million. AIATSIS transferred from the Education and Training portfolio to the Prime and Cabinet portfolio on 30 April 2018. Accordingly, payments for the remainder of the year were processed by the Department of the Prime Minister and Cabinet. The estimates were revised during the course of the year¹.

In 2017-18 the department administered revenue totalling \$0.9 billion compared to a budget of \$2.3 billion. This variance was predominantly driven by changes in actuarial assumptions reducing the amount of interest revenue on higher education loans as compared to budget.

Movements in administered investments, write-downs and impairments of assets, act of grace payments and reversals of previous write-downs are difficult to predict and are not included in the budget estimates.

Administered schedule of asset and liabilities

As at 30 June 2018 assets administered on behalf of government totalled \$43.8 billion compared to an original budget of \$55.1 billion².

The actual value of the receivables at 30 June are impacted by updated data, any changes resulting from the actuary's assessment and the Government bond rates as previously described.

Administered investments have increased by \$345.1 million during the year and are valued at \$2.7 billion at 30 June 2018 compared to the original budget of \$2.1 billion². The estimates were revised during the course of the year to \$2.3 billion to reflect the transfer of AIATSIS to the Prime Minister and Cabinet portfolio^{1,3}. The remaining variance predominantly reflects an increase in the net assets of the Australian National University as at 30 June 2018.

As at 30 June 2018, payables total \$286.0 million, \$60.8 million more than the budget of \$225.2 million. The value of invoices on hand at the end of the financial year are by nature difficult to predict with the estimates being based upon previous years' averages.

As at 30 June 2018, provisions totalled \$7.4 billion compared to a budget of \$7.6 billion, a variance of 2.7 per cent. Again, given the timing of the original budget the movement can in part be attributed to prior year results. The personal benefit provision was statistically estimated at \$1.0 billion compared to an actual closing balance of \$0.9 billion. The decrease is consistent with the trend in personal benefits expense.

The 30 June 2018 provision for the higher education superannuation program was assessed by the Australian Government Actuary at \$6.5 billion against an original budget of \$6.6 billion, a minor variance of 1.7 per cent.

¹ Estimated actuals are published in the Portfolio Budget Statements 2018-19.

² The original budget was published in May 2017. As a consequence the budgeted opening balance as at 1 July 2017 needed to be estimated. Accordingly, variances to budget can at least in part, be attributed to the prior year results.

³ Revised estimates are published in the Portfolio Additional Estimates Statements 2017-18.

4 Financial statements

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

J. Administered Managing Uncertainties

J1: Financial Instruments

	2018	2017
	\$'000	\$'000
J1.1: Categories of financial instruments		
FINANCIAL ASSETS		
Financial assets at fair value through other comprehensive income		
Investments	2,683,465	2,338,384
Total financial assets at fair value through other comprehensive income	2,683,465	2,338,384
Loans and receivables		
Cash and cash equivalents	90,736	85,478
Goods and services receivable	55,595	120,127
Total loans and receivables	146,331	205,605
Financial assets at fair value through profit or loss (designated)		
Concessional loans		
Higher education loans	39,856,123	35,916,286
Trade support loans	420,333	282,520
Child care loans	66	145
Total financial assets at fair value through profit or loss (designated)	40,276,522	36,198,951
Total financial assets categorised as financial instruments	43,106,318	38,742,940
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	133,122	95,137
Grants payable	4,600	13,744
Total financial liabilities measured at amortised cost	137,722	108,881
Total financial liabilities	137,722	108,881
J1.2: Net gains or losses on financial assets		
Financial assets at fair value through other comprehensive income		
Gains recognised in equity	385,055	220,047
Net gains from financial assets at fair value through other comprehensive income	385,055	220,047
Loans and receivables		
Interest revenue	43	44
Reversal of impairment - goods and services receivable	562	675
Write-down and impairment	(57,087)	(70,646)
Net losses from loans and receivables	(56,482)	(69,927)
Financial assets at fair value through profit or loss (designated)		
Interest revenue	567,426	503,004
Loan fee revenue	168,551	275,792
Trade support loan discount	(26,681)	(22,571)
Fair value losses	(843,021)	(6,060,445)
Net losses at fair value through profit or loss (designated)	(133,725)	(5,304,220)
Net gains (losses) on financial assets	194,848	(5,154,100)

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

J1.3: Credit risk

The fair value of investments is represented by the Government's proportional interest in the net assets of the entities which are not exposed to a high level of credit risk. Movements in the net asset values are brought to account through other comprehensive income. Note G1.3 refers.

Administered loans and receivables predominantly represent cash or goods and services receivable and as such are not exposed to a high level of credit risk. Credit risk is managed by undertaking background and credit checks prior to entering into debtor relationships and applying debt recovery policies and procedures. The risk of default on payments has been assessed and an impairment provision brought to account. Note G1.2 refers.

The recoverability of financial assets designated to be measured at fair value through profit and loss are factored into the annual fair value actuarial assessments. Movements in the assessments take into account future income projections, the pattern and timing of repayments and debt not expected to be recovered. Movements in the actuarial assessment are recognised as a gain or loss in the administered schedule of comprehensive income. Note F1.7 refers.

Credit quality of financial assets not past due or individually determined as impaired	Not past due nor impaired	Past due or impaired	Not past due nor impaired	Past due or impaired
	2018	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through other comprehensive income				
Investments	2,683,465	-	2,338,384	-
Loans and receivables				
Cash and cash equivalents	90,736	-	85,478	-
Goods and services receivable	55,595	130,733	42,420	156,198
Fair value through profit or loss (designated)				
Concessional loans				
Higher education loans	39,856,123	-	35,916,286	-
Trade support loans	420,333	-	282,520	-
Child care loans	66	-	145	-
Total	43,106,318	130,733	38,665,233	156,198

Ageing of financial assets that were past due but not impaired as at	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
30 June	\$'000	\$'000	\$'000	\$'000	\$'000
Goods and services receivable 2018	42,041	1,713	139	1,394	45,287
Goods and services receivable 2017	58,569	1,219	4,159	13,760	77,707

J1.4: Liquidity risk

The department is exposed to minimal liquidity risk and is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

J2: Fair Value

J2.1: Fair value measurement of level 2 and 3 financial instruments

Fair value measurement as at 30 June

	2018 \$'000	2017 \$'000	Level ²	Valuation technique ³	Inputs used
Financial assets					
Concessional loans					
Higher education loans	39,856,123	35,916,286	3	Loan conditions	Principal due
Trade support loans	420,333	282,520	3	Loan conditions	Principal due
Child care loans	66	145	3	Loan conditions	Principal due
Investments	2,683,465	2,338,384	3	Net assets of the entity	Net assets of the entity
Total¹	42,959,987	38,537,335			

¹ The book value of these assets equals the fair value.

² There has been no transfer between levels during the period.

³ The methods and valuation techniques used for the purpose of measuring fair value of assets in 2018 are unchanged from the previous reporting period.

J2.2: Movement in level 2 and 3 fair value measurement

	Financial assets			
	Concessional loans		Investments	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 1 July	36,198,951	36,953,923	2,338,384	2,118,337
Total losses recognised in net cost of services	(133,724)	(5,304,220)	-	-
Total gains recognised in comprehensive income	-	-	385,055	220,047
Total losses recognised in administered equity			(39,974)	-
Issues	6,906,783	6,995,987	-	-
Settlements	(2,695,488)	(2,446,739)	-	-
As at 30 June	40,276,522	36,198,951	2,683,465	2,338,384



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Appendices

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APPENDIX 1 AGENCY RESOURCE STATEMENTS AND RESOURCES FOR OUTCOMES

Table 5.1: Agency Resource Statement, 2017–18

Agency Resource Statement, 2017–18	Actual Available Appropriations for 2017–18 \$'000	Payments Made 2017–18 \$'000	Balance Remaining \$'000
Ordinary Annual Services			
Departmental appropriation¹			
Prior year departmental appropriation	56,612	56,612	-
Departmental appropriation ²	366,666	316,288	50,378
S.74 Retained Revenue receipts	22,833	22,833	-
Total	446,111	395,733	50,378
Administered expenses			
Outcome 1	479,818	479,026	
Outcome 2	1,598,288	1,314,949	
Payments to corporate Commonwealth entities	19,493	16,244	
Total	2,097,599	1,810,219	
Total ordinary annual services	2,543,710	2,205,952	
Other services³			
Administered expenses			
Specific payments to states, ACT, NT and local government			
Outcome 1	40,221	37,682	
Payments to corporate Commonwealth entities	74	74	
Total	40,295	37,756	
Departmental non-operating			
Prior year departmental appropriation	6,716	2,393	4,323
Equity injections	15,779	2,580	13,199
Previous years' outputs			
Total	22,495	4,973	17,522
Total other services	62,790	42,729	
Total available annual appropriations	2,606,500	2,248,681	



Agency Resource Statement, 2017–18	Actual Available Appropriations for 2017–18 \$'000	Payments Made 2017–18 \$'000	Balance Remaining \$'000
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>		7,066,549	
<i>Australian Education Act 2013</i>		18,321,450	
<i>Higher Education Support Act 2003</i>		16,020,699	
<i>VET Student Loans Act 2016</i>		199,083	
<i>Trade Support Loan Act 2014</i>		255,460	
<i>PGPA Act 2013 – S77</i>		26	
Total special appropriations		41,863,267	
Special Accounts			
Opening Balance	87,305		
Appropriation receipts	11,698		
Non-appropriation receipts to Special Accounts	28,909		
Payments made (through restructuring)		-	
Payments made		35,118	
Closing Balance			92,794
Total resourcing and payments	2,734,412	44,147,066	
Less appropriations drawn from annual or special appropriations above and credited to special accounts	(11,698)	(11,698)	
and/or payments to corporate entities through annual appropriations	(19,567)	(16,318)	
Total net resourcing and payments for Education	2,703,147	44,119,050	

- 1 *Appropriation Act (No. 1) 2017–2018 and Appropriation Act (No. 3) 2017–2018.* This also includes prior year departmental appropriation and section 74 retained revenue receipts.
- 2 Includes an amount of \$22.8m in 2017–18 for the departmental capital budget.
- 3 *Appropriation Act (No. 2) 2017–2018 and Appropriation Act (No. 4) 2017–2018.*

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Table 5.2: Resources for outcome 1

Outcome 1	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Administered expenses			
Program 1.1: Support for the Child Care System			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
Child Care Services Support	301,880	252,470	49,410
Jobs, Education and Training, Child Care Fee Assistance (JETCCFA)	36,335	49,941	(13,606)
Child Care Subsidy Communications Campaign	15,867	15,480	387
Special Account Expenses			
<i>Early Years Quality Fund Special Account Act 2013</i>	-	424	(424)
<i>SOETM – Child Care</i>	-	179	(179)
Total for Program 1.1	354,082	318,494	35,588
Program 1.2: Child Care Benefit			
Special Appropriations			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	3,538,305	3,246,593	291,712
Total for Program 1.2	3,538,305	3,246,593	291,712
Program 1.3: Child Care Rebate			
Special Appropriations			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	3,798,480	3,766,600	31,880
Total for Program 1.3	3,798,480	3,766,600	31,880
Program 1.5: Government Schools National Support			
Other Services (Appropriation Act Nos. 2 and 4)			
Additional Support for Northern Territory	1,629	1,629	-
Special Appropriations			
<i>Australian Education Act 2013</i>	7,121,908	7,108,786	13,122
Total for Program 1.5	7,123,537	7,110,415	13,122
Program 1.6: Non-government Schools National Support			
Other Services (Appropriation Act Nos. 2 and 4)			
Non-Government Representative Bodies	24,228	24,228	-
Short term emergency assistance	1,539	-	1,539



Outcome 1	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Adjustment assistance	11,825	11,825	-
Special Appropriations			
<i>Australian Education Act 2013</i>	11,161,955	11,210,558	(48,603)
Total for Program 1.6	11,199,547	11,246,611	(47,064)
Program 1.7: Early Learning and Schools Support			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
Australian Early Development Census	10,381	10,380	1
Australian Government Response to TEMAG	4,100	4,100	-
Boost the Learning for Life Program	10,100	10,100	-
Early Learning Languages Australia (ELLA)	1,622	1,622	-
Educating Against Domestic Violence	2,057	2,057	-
English Language Learning for Indigenous Children	803	793	10
Flexible Literacy Learning for Remote Primary Schools	5,420	5,474	(54)
Grants and Awards	1,353	762	591
Helping Children with Autism	5,818	5,818	-
Inspiring all Australians in Digital Literacy and STEM	16,496	16,308	188
Maths and Science Participation	1,000	1,000	-
National Assessment Reform	-	3,600	(3,600)
National Schools Reform	14,020	13,666	354
National School Resourcing Board	295	295	-
Quality Outcomes	35,218	37,079	(1,861)
Quality Schools – communication campaign	3,650	-	3,650
Science, Technology, Engineering and Mathematics (STEM)	4,875	4,866	9
Teach for Australia	7,028	7,028	-
Universal Access	1,500	1,500	-
Other Services (Appropriation Act Nos. 2 and 4)			
Literacy Support for Tasmanian Students	1,000	1,000	-

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Outcome 1	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Special Account Expenses			
<i>SOETM – Students with Disabilities</i>	578	80	498
Total for Program 1.7	127,314	127,528	(214)
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)	479,818	444,339	35,479
Other services (Appropriation Act Nos. 2 and 4)	40,221	38,682	1,539
Special Appropriations	25,620,648	25,332,537	288,111
Special Accounts	578	683	(105)
Departmental expenses			
Departmental appropriations ¹	177,419	172,869	4,550
Expenses not requiring appropriation in the Budget year	13,231	10,320	2,911
Total for Outcome 1	26,331,915	25,999,430	332,485
Average staffing level (number)	909	813	96

* 2017–18 Budget, including any subsequent adjustment made at Additional Estimates.

¹ Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 & 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Table 5.3: Resources for outcome 2

Outcome 2	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Administered expenses			
Program 2.1: Commonwealth Grants Scheme			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Cluster Fund and Place Loadings	6,944,496	6,917,013	27,483
Regional Loading	71,852	71,852	-
Total for Program 2.1	7,016,348	6,988,865	27,483
Program 2.2: Higher Education Superannuation Program			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Higher Education Superannuation Program	245,592	379,786	(134,194)
Total for Program 2.2	245,592	379,786	(134,194)
Program 2.3: Higher Education Support			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
National Disability Coordination Officer	4,309	4,309	-
Quality Indicators for Learning and Teaching	8,842	6,880	1,962
Rural and Regional Enterprise Scholarships	4,000	3,963	37
Menzies Institute and Library ¹	7,000	7,000	-
Teaching Awards – Universities Australia ¹	600	600	-
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Central Coast Health and Wellbeing Precinct	1,250	-	1,250
Disability Support Program	7,445	7,376	69
Diversity and Structural Reform	7,000	6,929	71
Higher Education Partnerships and Participation Program	144,277	135,571	8,706
Improved Support for Regional Universities	4,443	-	4,443
Jobs and Growth in Tasmania	10,000	10,000	-
National Institutes	218,905	218,868	37

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Outcome 2	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Promotion of Excellence in Learning and Teaching in Higher Education	3,621	1,962	1,659
Quality Initiatives	495	494	1
Supporting more women into STEM Careers (AMSI Intern)	6,600	6,600	-
Special Account Expenses			
<i>Education Investment Fund – Higher Education</i>	2,000	-	2,000
Total for Program 2.3	430,787	410,552	20,235
Program 2.4: Higher Education Loan Program			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Higher Education Loan Program	1,250,166	613,501	636,665
<i>VET Student Loans Act 2016</i>			
VET Student Loans	561,563	255,349	306,214
Total for Program 2.4	1,811,729	868,850	942,879
Program 2.5 Investment in Higher Education Research			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Research Support Program	923,709	923,709	-
Research Training Program	1,019,495	1,019,494	1
Total for Program 2.5	1,943,204	1,943,203	1
Program 2.6 Research Capacity			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
Commonwealth – ANU Strategic Relationships	500	500	-
National Collaborative Research Infrastructure Strategy	421,267	421,267	-
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Academic Centres of Cyber Security Excellence	470	470	-
Higher Education Research Promotion	4,876	4,875	1



Outcome 2	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
Payments to corporate entities			
Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)	19,493	16,318	3,175
Total for Program 2.6	446,606	443,430	3,176
Program 2.7 International Education Support			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
International Education Support	49,832	49,280	552
Special Account Expenses			
<i>Overseas Student Tuition Fund</i>	9,592	4,282	5,310
<i>SOETM – Cheung Kong</i>	-	925	(925)
Total for Program 2.7	59,424	54,487	4,937
Program 2.8 Building Skills and Capability			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)			
Sub-Program 2.8.1: Industry Competitiveness			
Industry Skills Fund	15,316	4,768	10,548
National Workforce Development Fund	702	471	231
Sub-Program 2.8.2: Skills Development			
Australian Apprenticeship Support Network	189,473	138,932	50,541
Australian Apprenticeships Incentives Program	392,083	358,397	33,686
Industry Specialist Mentoring for Australian Apprentices	19,375	18,520	855
Job Ready Program – Trades Recognition Australia	4,634	2,031	2,603
South Australian Enterprise Scholarships	8,180	5,146	3,034
Special Appropriations			
<i>Trade Support Loans Act 2014</i>			
Trade Support Loans	69,278	56,103	13,175
Special Account Expenses			
<i>Growth Fund Skills and Training</i>	21,436	15,160	6,276
Sub-Program 2.8.3: Access to Training			
Adult Migrant English Program	275,037	210,612	64,425

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Outcome 2	Budget * 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
	A	B	A-B
National Foundation Skills Strategy	50	19	31
Skills for Education and Employment Program	103,642	97,030	6,612
Sub-Program 2.8.4: Support for the National Training System			
Australian Industry and Skills Committee	1,489	882	607
Industry Workforce Training	49,880	47,045	2,835
My Skills Website	552	550	2
National Centre for Vocational Education Research	686	686	-
National Training System COPE	34,607	25,621	8,986
Licensing of International Vocational Education and Training (VET) Courses	983	937	46
Total for Program 2.8	1,187,403	982,910	204,493
Outcome 2 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act Nos. 1, 3 and 5)	1,593,039	1,405,446	187,593
Special Appropriations	11,495,533	10,629,952	865,581
Special Accounts	33,028	20,367	12,661
Payments to corporate Commonwealth entities	19,493	16,318	3,175
Departmental expenses			
Departmental appropriations ²	185,679	203,573	(17,894)
Special Accounts	1,737	5,527	(3,790)
Expenses not requiring appropriation in the Budget year	20,558	19,434	1,124
Total for Outcome 2	13,349,067	12,300,617	1,048,450
Average staffing level (number)	908	872	36

* 2017–18 Budget, including any subsequent adjustment made at Additional Estimates.

1 Reported in PBS as an annual appropriation, paid from the special appropriation.

2 Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 & 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

APPENDIX 2 ANNUAL REPORT OF THE TRADE SUPPORT LOANS PROGRAM

Based on the requirements set out in the *Trade Support Loans Act 2014*, this report provides a summary of the administrative operation of the Trade Support Loans (TSL) program from 1 July 2017 to 30 June 2018.

Overview

The Australian Government's *Better Support of Australian Apprentices* policy included the introduction of TSL, which provides Australian apprentices with access to an income-contingent loan over the course of their apprenticeship. At the time the TSL program was introduced, Australian apprentices were able to access up to \$20,000 over the course of their apprenticeship.⁵

The TSL program aims to meet the Government's commitment to deliver improved productivity and competitiveness to the Australian economy by ensuring there are highly skilled individuals in priority trades where there are growing skills shortages.

The program provides financial support to eligible Australian apprentices to assist them with expenses associated with living, learning and completing an apprenticeship, and helps them focus on completing their trade qualification. To be eligible for TSL payments, Australian apprentices must:

- reside in Australia and be an Australian citizen, or the holder of a permanent visa
- be undertaking one or more of the following:
 - certificate III or IV qualification that leads to an occupation on the TSL Priority List
 - certificate II, III or IV agricultural qualification specified on the TSL Priority List
 - certificate II, III or IV horticulture qualification specified on the TSL Priority List, while working in rural or regional Australia
- meet the eligibility criteria outlined in the TSL program guidelines.

Governance

The program is governed by the *Trade Support Loans Act 2014*. Two legislative instruments are in place to administer the program:

- The Trade Support Loan Rules 2014 provide for matters relating to qualification for TSL, granting TSL, application forms and other matters.
- The *Trade Support Loans Priority List 2014* is established and maintained by the Minister to determine occupations or qualifications leading to occupations that the Minister considers high priority.

The Australian Apprenticeship Support Network (AASN), the Department of Education and Training, and the Australian Taxation Office (ATO) deliver the TSL program jointly.

⁵ From 1 July 2017, and each later year on 1 July, the lifetime limit and yearly rates (defined in sections 5 and 24 of the *Trade Support Loans Act 2014*, respectively) are indexed according to a Consumer Price Index annual indexation factor. Subsection 99(4) of the Act provides the formula for calculating the annual indexation factor.

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Operation of the program

Under the TSL program, apprentices apply for a loan through their local AASN provider. Apprentices can apply for a maximum amount that depends on which year of their apprenticeship they are in.

The loans are flexible, meeting the needs of individual apprentices. The loan amounts are highest in the early years of training to support apprentices while their wages are lower. Apprentices who successfully complete their apprenticeship will have the amount of their loan reduced by 20 per cent.

2017–18 Trade Support Loan Payment Rates

TSL lifetime limit: \$20,420

Yearly and monthly instalment rates for Australian apprentices are:

Apprentice year	Yearly rate	Monthly instalment rate
First	\$8,168	\$680.67
Second	\$6,126	\$510.50
Third	\$4,084	\$340.33
Fourth	\$2,042	\$170.17

Apprentices repay TSL loans through the taxation system when their income reaches the minimum income threshold. In 2017–18, the minimum income threshold was \$54,874. Apprentices may also choose to make voluntary payments on the loan before they reach the repayment threshold. TSL debts are indexed annually with the Consumer Price Index.

Performance information

In its fourth year of operation, the TSL program continues to provide eligible apprentices with substantial support, helping them with the costs of living and learning while undertaking an apprenticeship.

From program commencement to 30 June 2018, the department:

- received and processed 87,455 successful TSL applications
- made 1,139,241 payments to eligible apprentices.

In 2017–18, the department:

- received and processed 20,555 TSL applications
- made 391,141 payments to eligible apprentices
- applied a completion discount to 9,253 apprentices who successfully completed their apprenticeship.

Table 5.4: Program 2.8.2 Trade Support Loans performance information

Performance information	Estimate	Actual
Trade Support Loans (TSL) – Number of Australian apprentices in receipt of TSL payments	45,000 ^a	51,920 ^b

^a Estimate in the Education and Training Portfolio Budget Statement 2017–18 to reflect projections.

^b The Training and Youth Internet Management System (TYIMS). Data extracted on 8 August 2018.



Figure 5.1: Number of successful Trade Support Loans applications received by quarter, 2017–18

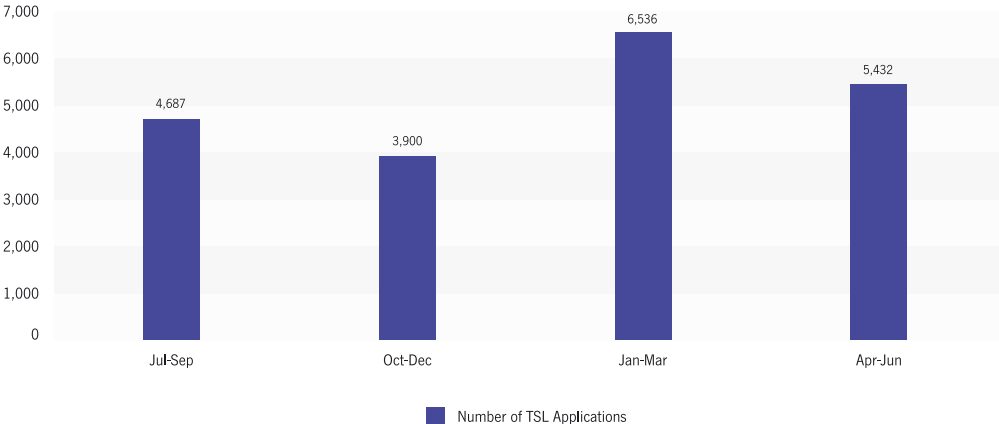
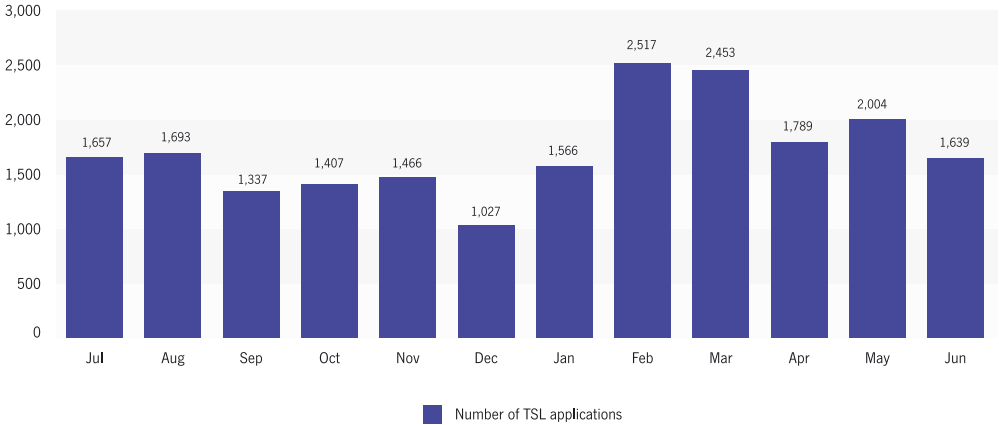


Figure 5.2: Number of successful Trade Support Loans applications received by calendar month, 2017–18



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Figure 5.3: Number of Trade Support Loans payments made by quarter, 2017–18



Figure 5.4: Number of successful Trade Support Loans applications received by apprenticeship stage, 2017–18

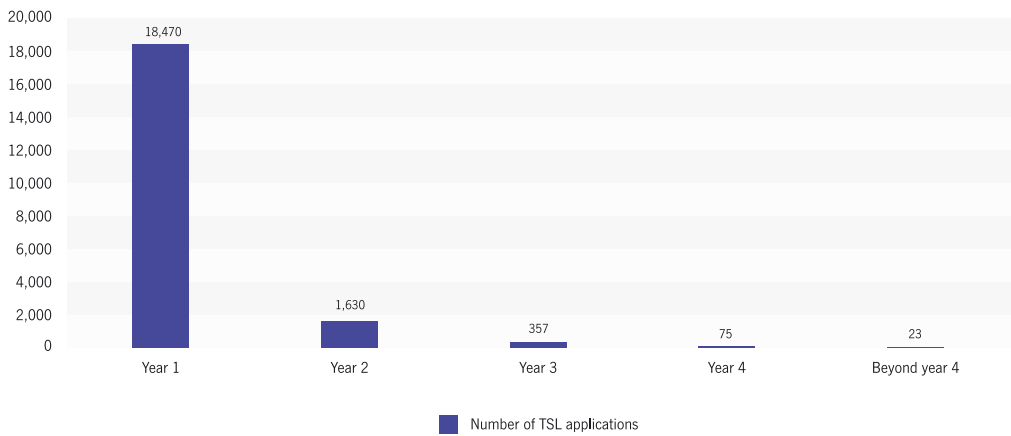


Figure 5.5: Number of successful Trade Support Loans applications received by state/territory, 2017-18

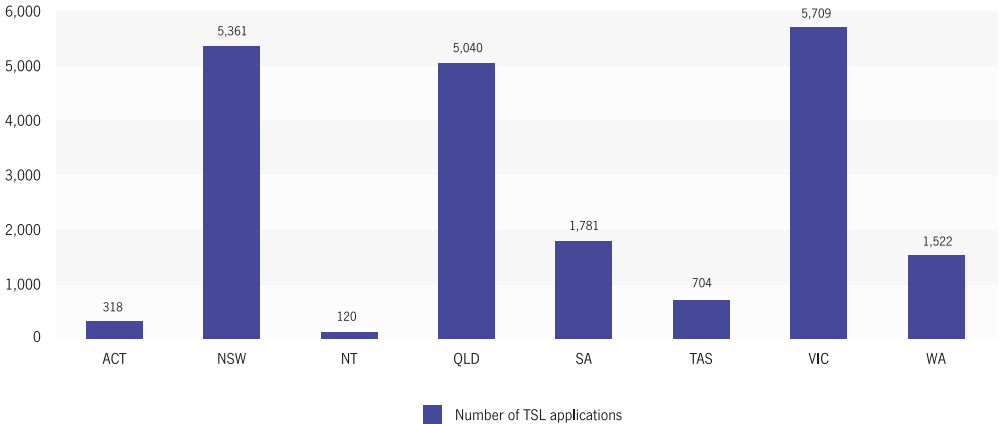
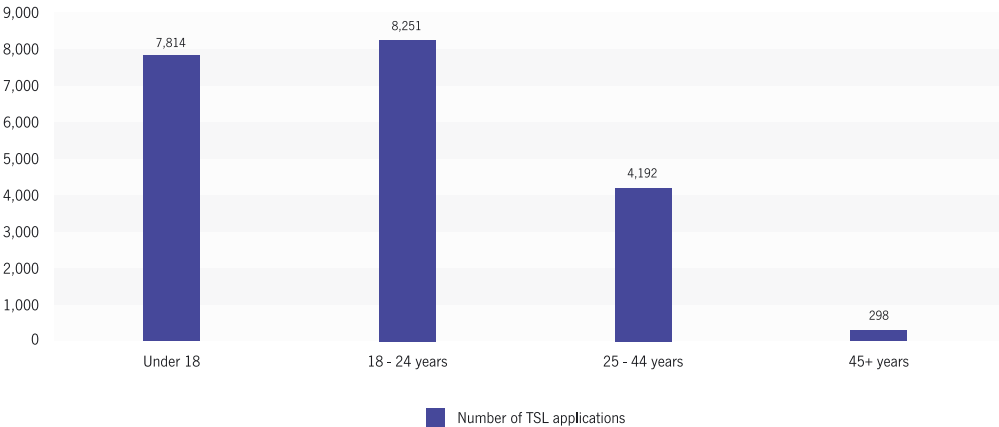


Figure 5.6: Number of successful Trade Support Loans applications received by age categories, 2017-18



APPENDIX 3 ANNUAL REPORT OF THE TUITION PROTECTION SERVICE

The Tuition Protection Service (TPS) is a placement and refund service for international students on a student visa who have been affected by an education provider closure. The TPS may also assist students who have withdrawn or not started their course and are eligible for a refund of tuition fees.

An annual TPS levy, paid by all Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) registered providers, is paid into the Overseas Students Tuition Fund (OSTF). The levy income is used to build reserves in the OSTF and to fund TPS operations.

This report summarises the activities of the TPS from 1 July 2017 to 30 June 2018, in compliance with the *Education Services for Overseas Students Act 2000* (ESOS Act). It includes an assessment of issues affecting TPS operations, the outlook for the year ahead and any potential risks to the OSTF.

Governance

A statutorily appointed TPS Director and TPS Advisory Board (the Board) govern the TPS. The Board's primary function is to provide advice and recommendations to the TPS Director on the annual TPS levy, which all institutions delivering education services to international students must pay.

The Board comprises five specified government agency representatives and up to seven non-government members. There are currently four non-government members, including the Chair and Deputy Chair.

Table 5.5: Tuition Protection Service Advisory Board Members as at 30 June 2018

Position	Advisory Board member
Board Chair	Ms Helen Zimmerman
Deputy Chair	Dr Kevin Donnelly AM
Non-government member	Mr Peter Emmerton
Non-government member	Ms Karen Howard
Australian Prudential Regulation Authority representative	Mr Michael Horton
Department of Home Affairs representative	Ms Alice Maclean
Department of Finance representative	Ms Leonie McGregor
Department of Education and Training representative	Ms Karen Sandercock
Australian Government Actuary representative	Mr Guy Thorburn

A small secretariat provided by the department supports the TPS Advisory Board and TPS Director. The director is also supported by an external service provider, which is engaged to ensure students receive the appropriate support following a provider closure.

Operation of the Tuition Protection Service

The TPS delivers a world class tuition assurance service that is professional, responsive and transparent.

Over the 12 months to 30 June 2018, 13 closures displaced some 1,495 students. Of note this year was the closure in March of a larger English Language Intensive Courses for Overseas Students (ELICOS) provider. This resulted in 540 students being displaced, with the TPS already assisting 419 of these. This is a high number of resolved claims given the few months since closure. Once a provider has closed:

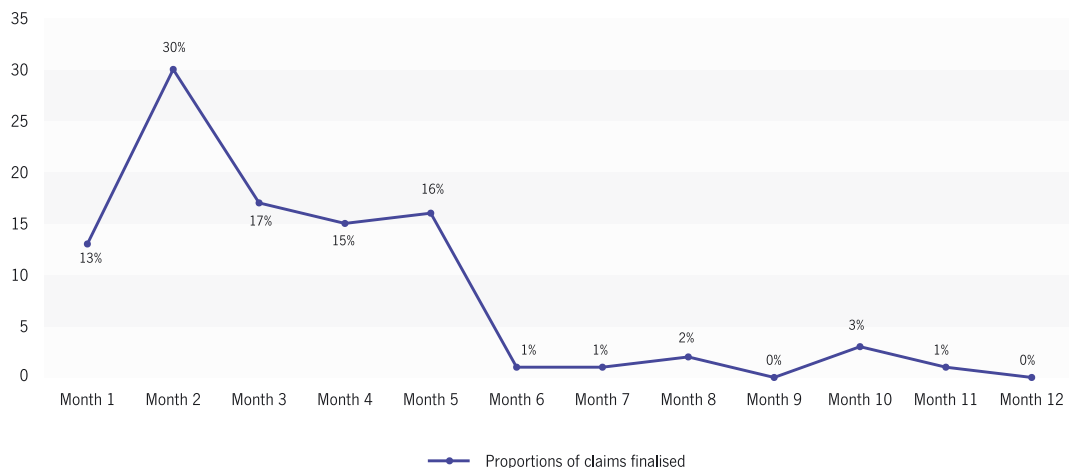
- TPS holds a meeting with affected students to inform them of visa arrangements and how the TPS can help them
- TPS helps students find placements with alternative providers
- students lodge proof of identification and evidence in support of their claims
- TPS assesses claims, assists students to settle into new placement or pays refund of unspent tuition.

Most students receive prompt assistance once they submit supporting evidence for their claim. However, there are a number of factors that can increase the time it takes to finalise claims:

- in the early stages after a closure, students are sometimes not aware that the TPS exists
- students may have difficulty locating and submitting information in support of their claim
- communication sometimes takes longer with offshore students
- the involvement of third parties (often agents) can make claims more complex and longer to resolve.

Figure 5.7 shows a typical pattern of claims trajectory following a closure. In this example, about 30 per cent of students were highly motivated and submitted necessary evidence within the first two months for their claim to be processed. After this, there is a gradual slowing of claims being made and a long tail with final claims received and processed between 12 and 24 months after the closure.

Figure 5.7: Proportion of claims finalised month by month following a provider closure



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The TPS enables students affected by a closure to continue their studies in Australia. Figure 5.8 shows to which countries in the world TPS assistance is paid. The vast majority of the funds paid remain in Australia. Amounts paid to students in other countries largely include those who were refused a student visa and those who had not yet arrived in Australia when the provider they had enrolled with closed. Many of these students go on to study with another provider in Australia.

Figure 5.8: Countries where Tuition Protection Service assistance paid

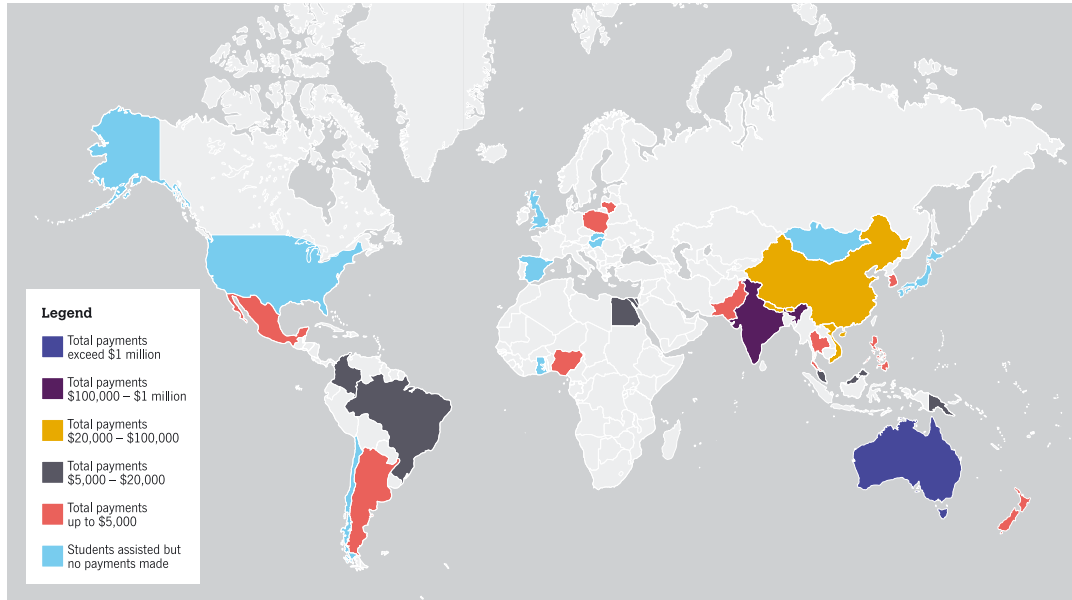


Table 5.6 shows six closures in which the TPS directly assisted students. It also shows seven instances in which, with TPS support, the providers met their obligations and TPS assistance to students was not required.

Some closures occur suddenly and require the TPS to provide immediate support to students. Others occur more slowly, with providers spending weeks or months on the brink of closure.

In some cases, those on the brink of closure experience financial difficulty, whereas others are under regulatory action. The TPS works with each of these providers to ensure students receive appropriate information and assistance during the period of uncertainty. The TPS also ensures, as much as it can, that it captures up-to-date student contact details. TPS activity includes written correspondence (including issuing formal notices under the ESOS Act), face-to-face meetings and ongoing dialogue, as well as monitoring student outcomes.

Although Table 5.6 shows only seven providers that closed and met their obligations to students, the TPS worked with a number of others, which do not appear on the list but were able to recover and continue delivering courses to international students.

The TPS strives to assist and encourage education providers to meet their obligations to students, and in over six years of operation, the majority of providers affected by regulatory action met their obligations to students. Active cooperation between the TPS, regulators and providers is proving effective in minimising the disruption to international students' study in Australia.

Table 5.6: Provider closures and students displaced in 2017–18

Provider	Sector	Number of students displaced/assisted	Number of students placed or refunded by the TPS	Default reason
Provider 1	VET	0	0	Business failure
Provider 2	VET	154	0	Regulatory action
Provider 3	VET	49	0	Regulatory action
Provider 4	VET	42	22	Business failure
Provider 5	VET	410	0	Regulatory action
Provider 6	VET	121	4	Regulatory action
Provider 7	VET	540	419	Business failure
Provider 8	VET	0	0	Regulatory action
Provider 9	VET	12	1	Business failure
Provider 10	VET	12	1	Regulatory action
Provider 11	VET	42	1	Regulatory action
Provider 12	VET	113	0	Regulatory action
Provider 13	VET	149	0	Regulatory action
Total:		1,495	448^a	

^a The number of students placed or refunded is less than the calls made (see Table 5.7) because calls relate to the number of enrolments. As many students had more than one enrolment, sometimes several, there is a discrepancy between number of calls and number of students.

Table 5.6 also shows that the Australian Skills Quality Authority (ASQA) has been active in the sector, which led to nine closures of providers who did not meet the required standards. The TPS worked with these providers to assist them to meet their obligations to students. As a result, only two students from these closures required TPS assistance.

The TPS Director is supported in his role of providing assistance to students by Vincents Chartered Accountants, which is contracted to provide a closure and student claim management service. The current contract expires on 31 January 2019 with an option to extend for up to two additional years.

2018 Tuition Protection Service Levy: settings and collection

In 2018, the TPS continued on a pathway of reducing the levy imposed on the sector. Of note is the 75 per cent reduction in the administrative and base fee components for 2018 and a further reduction in the risk rated premium. The cumulative effect in levy adjustments over the past three years has resulted in a more than 50 per cent reduction in levy paid by non-exempt low risk providers.

In formulating the levy settings, the Board and the TPS Director aim for an appropriate balance between ensuring there are sufficient reserves in the Overseas Students Tuition Fund (OSTF) to meet potential demand while ensuring the levy collected is reasonable for providers and reserves accumulated are not excessive.

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In finding this balance, the Board seeks advice from stakeholders across the sector including industry peak bodies, the regulators and the Australian Government Actuary.

As at 30 June 2018 the balance in the OSTF was a healthy \$36.4 million which is within the TPS Advisory Board's 2017 reserves target of \$30 million to \$50 million. The Board reviews this target each year and adjusts as necessary.

In 2018, \$6 million was collected from across the international education sector, which was about \$3 million less than was collected in 2017.

The TPS levy is made up of the following four components:

- administrative fee
- base fee
- risk rated premium
- special tuition protection component.

With advice from the Board, the TPS Director determines the levy settings for the risk rated premium (which is only paid by private providers) and the special tuition protection component (which is payable by all providers). To date, since the TPS was established, the special tuition protection component has not been activated.

As the reserves in the OSTF have been rising over recent years, the TPS Director has sought to reduce the amount collected by reducing the risk rated premium. However, this carries the risk of dampening the incentive for higher risk providers to reduce their level of risk, and also does not reduce the amount paid by universities and other lower risk public providers.

Consequently, on advice from the department and the Australian Government Actuary, the Minister made a legislative instrument in 2017 to reduce the administrative and base fee amounts by 75 per cent which has benefitted all education providers and resulted in a slowing of the growth in reserves.

The Minister's changes to the levy settings have been welcomed by industry.

Each year a post implementation review is undertaken of the levy collection process. In 2018, the process of collection progressed smoothly, with no significant issues raised by CRICOS providers or sector peak bodies. By 30 June 2018, all providers had paid the levy.

Working with stakeholders

The TPS is part of the international education sector's broad regulatory and consumer protection framework. The TPS Director engages and works co-operatively with a range of stakeholders to help maintain and improve Australia's world-class international education sector.

Each closure, depending on its circumstances, usually requires the input and collaboration of a number of agencies including state and territory governments, the Department of Home Affairs, ASQA and the Tertiary Education Quality Standards Agency (TEQSA). The TPS continues to maintain close working relationships with these agencies, which ensures that it is able to respond to regulatory action in a proactive and constructive manner to achieve good outcomes for students. During 2017–18, the TPS renewed its memoranda of understanding with both TEQSA and ASQA.

The TPS continues to work closely with the Overseas Students Ombudsman (OSO) to resolve disputes between providers and international students over the payment of tuition fee refunds.

The TPS Service Charter sets out our service standards, communication protocols and decision review options. It was updated in 2017 and is designed for students and other stakeholders in the international education sector. The charter can be found on the TPS website: www.tps.gov.au.

Outlook for the year ahead

The international education sector of the past six years or so is characterised by sustained and strong enrolment growth; however, the risks associated with this include:

- potential inability of the education infrastructure to keep up with demand and for quality to be maintained
- potential for business failure among providers and consequent displacement of affected students if there is a sudden fall in enrolments.

The general economic conditions in Australia appear benign and Australia's education system has good credentials in terms of quality. These combine to make Australia an attractive destination for overseas students.

The Government is taking a keen interest in international education with a number of reviews, reforms and marketing strategies. The regulators are identifying and putting in place measures to mitigate sector specific risks as they arise.

The size (in terms of number of providers) and shape of the industry (in terms of distribution of providers across sectors) appears to be quite stable. There has been comparatively large churn of providers in the private VET sector and it is this sector that has seen the largest number of provider closures in which the TPS has become involved.

The number and distribution of providers has remained largely stable. The source country mix has elements of stability (several years of approximately 40 per cent of students coming from China and India) and diversification with new markets like Nepal and Brazil growing rapidly.

As the average size of providers has grown, the scale of risk has grown with it. Although there have not been many closures to date, it is likely that claims per provider closure are likely to be significantly higher than they have been in recent years. For this reason the TPS will be monitoring the level of reserves in the OSTF, and ensuring the reserves target is reviewed from time to time and adjusted as conditions dictate. The TPS positions itself where it is able to meet demand should there be a significant and sustained fall in the international education market.

The above issues highlight the current strength in the international education sector and some of the challenges it may face in the years ahead.

The TPS Director would like to take this opportunity to thank the Chair of the Board, Ms Helen Zimmerman and members of the Board for their support, sage advice and guidance over the past twelve months.

Placement and payment activity 2017–18

Table 5.7: Tuition Protection Service calls 2017–18

Calls on the OSTF	Quantity
Total calls made on the OSTF during 2017–18	1,897 ^a

^a The number of calls relates to the number of enrolments against which a call was made. As many students had more than one enrolment, sometimes several, there is a discrepancy between number of calls and number of students. See Table 5.6 for number of students who were placed or paid a refund.

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Table 5.8: Tuition Protection Service placement activity 2017–18

Number of students placed by the TPS		
Within 30 days	Over 30 days	Total
36	52	88 ^a

^a More than 88 students have been found a placement during the year which, due to system limitations, are not identified through TPS on-line system. Also, many of the students who received a refund from the TPS (see Table 5.9) went on to continue their studies in Australia.

Table 5.9: Time taken to make payments from the Overseas Students Tuition Fund 2017–18

	Refunds to students		Payment to providers		Total paid \$'000
	Within 30 days	31 days and over	Within 30 days	31 days and over	
Payments made to students during 2017–18 who were affected by closures which occurred between 1 July 2012 and 30 June 2018	702	718	36	52	\$2,707

Table 5.10: Financial status of the Overseas Students Tuition Fund

Status of the Overseas Student Tuition Fund	\$'000
Opening balance at 1 July 2017	\$34,579
TPS annual levy collected	\$6,106
Other revenue collected	\$29
Total revenue	\$6,135
Student and provider payments	(\$2,707)
TPS administrator services	(\$1,332)
Other operational/administrative expenses ^a	(\$242)
Total expenditure	(\$4,281)
Balance as at 30 June 2018 ^b	\$36,433

^a Other expenditure relates to TPS operations, TPS Advisory Board meetings, legal and actuarial advice and other sundry items.

^b As at 30 June 2018, the annual financial statements (refer to Note H2) disclose the balance of the OSTF as \$36,890 on a cash basis. The difference between this balance and the above table is due to the inclusion of non-cash transactions.

Note: In 2017–18, three students and four education providers received an overpayment of their entitlement under the Tuition Protection Service (TPS) due to a systems error. This resulted in overpayments totalling \$118,285 being incorrectly paid from the Overseas Students Tuition Fund (OSTF). This systems error has been rectified and controls put in place to prevent similar events occurring in the future. All the overpayments were repaid by affected recipients and remitted to the OSTF.



APPENDIX 4 ANNUAL REPORT OF THE STUDENT IDENTIFIERS REGISTRAR

As part of national vocational education and training (VET) data collections, the Unique Student Identifier (USI) links together records of nationally recognised training that an individual has undertaken at different training providers, in different states and territories, and across different years. Since inception of the USI initiative in January 2015, over 8.6 million USIs have been created.

USIs collected from students are included in training activity data reported to the national VET data collections held by the National Centre for Vocational Education Research (NCVER). Verification of USIs by registered training organisations (RTOs) ensures training activity data is recorded against the correct individual. In 2017–18, RTOs verified over 4 million USIs.

The USI Transcript Service gives individuals access to a single authenticated electronic record of their national VET history since January 2015. The Transcript Service was activated in May 2017 and in the first year of operation over half a million authenticated VET transcripts were viewed or downloaded.

As part of the May 2018 Budget, the Australian Government committed \$23.6 million over four years for the USI initiative, including legislative and ICT system changes required to enable access for third parties, such as employers and licensing bodies, to authenticate VET transcripts electronically. This will assist in streamlining recruitment processes and offer stronger, real time assurance that credentials provided as evidence of training achievements are accurate.

Governance

The USI initiative is overseen by the statutorily appointed Student Identifiers Registrar.

The *Student Identifiers Act 2014* (Act) sets out the Registrar's primary functions, which comprise assigning and verifying student identifiers, resolving USI related problems and providing access to transcripts or extracts of transcripts of VET.

The USI legislative framework includes the Act, Student Identifiers Regulation 2014, Student Identifiers (Exemption) Instrument 2014 and Student Identifiers (VET Admission Bodies) Instrument 2015. The Standards for Registered Training Organisations (RTOs) 2015, administered by the national VET regulator, include Student Identifier requirements for RTOs.

A USI Working Group, comprising representatives from the Commonwealth and state and territory training authorities and the NCVER, advises the Student Identifiers Registrar about USI initiative operations and future directions. The Working Group met 3 times in 2017–18.

Structure

The USI Office supports the Student Identifiers Registrar. Staff necessary to assist the Registrar are made available by the Secretary of the Department of Education and Training in accordance with the Act. USI Office functions include maintenance and enhancement of the information technology system, development of operational policy and procedures, stakeholder communications and direct support for students, RTOs and other stakeholders.

USI Operations

The USI Registry System supports individuals, RTOs, VET-related and VET-admission bodies to complete USI-related online transactions through the Student and Organisational Portals. RTOs using Student Management Systems can connect directly via webservices allowing streamlined data entry and USI transactions.

USI Registry System enhancements released in 2017–18 to meet stakeholder needs, included:

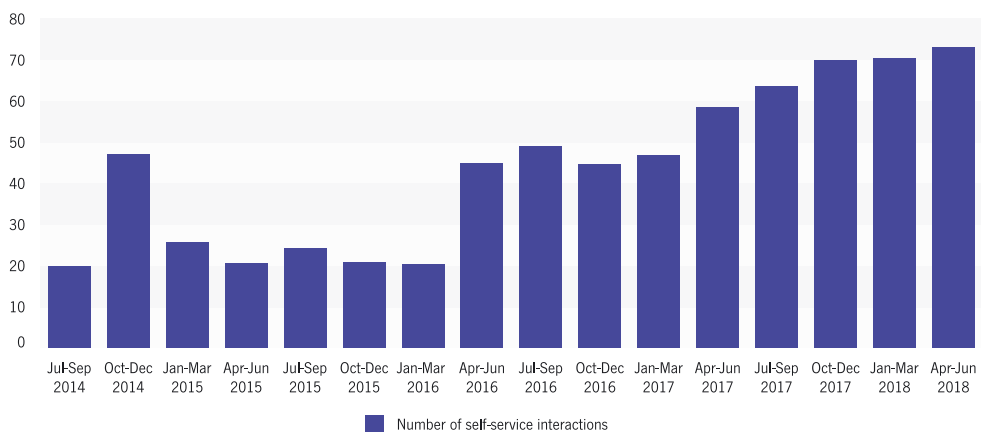
- Student Portal changes including introduction of a 'Preferred Name' field to improve 'Forgotten USI' or 'Forgotten Password' retrieval
- updated webservices functionality, to align with USI Organisation Portal changes, for RTOs using Student Management Systems
- in both the Student and Organisation Portals, a major re-design of the Create USI process layout to make identity document verification easier.

Support for individuals


USIs can be created by training participants, or with assistance from a parent or other party, or by RTOs acting with the individual's permission. Training participants created 85 per cent of USIs in 2017–18.

Almost all USI transactions are completed using USI Registry System self-service functions. Over time, the ratio of self-service to assisted transactions has significantly increased. By 30 June 2018, this ratio reached over 70 self-service-transactions for each contact centre assisted transaction as indicated in Figure 5.9.

Figure 5.9 Support for Individuals



While almost all USIs are created using standard identity documents, which can be verified online, a range of alternative forms of identification can be used to assist training participants who have not been issued with the standard documents. Between 1 July 2017 and 30 June 2018, 19,886 USIs (less than 1.5 per cent of the USIs created) were assigned using these arrangements.



The USI Contact Centre provides frontline services to support individuals and RTOs to resolve USI problems via phone, email, and electronic help requests. In 2018, Customer Relationship Management software was introduced to support improved Contact Centre interactions with USI users, response times and quality of service.

The USI Contact Centre managed 195,327 client contacts – phone, email and electronic help requests – between 1 July 2017 and 30 June 2018

Improved USI reporting

The percentage of USIs missing from training activity data submissions has decreased each year since 2015. Preliminary annual data for 2017 shows further improvement with USIs included in over 90 per cent of records in scope.

Since January 2018, all RTOs have been able to submit training activity data to the NCVET on a quarterly basis to improve the currency of USI transcripts for their students.

To improve the completeness and quality of USI transcripts, the USI Office worked with the NCVET and VET Regulators to enable early submission of valid training records from closed or closing RTOs and early availability of these records as part of transcripts.

In 2017–18, 475 RTOs used the USI Transcript Update Tool administered by the NCVET to amend transcript data, which they had previously reported to the national VET data collections, for 21,548 training participants.

Communications materials and activities

In 2017–18, USI Office stakeholder communications focused on improving USI reporting by RTOs, improving and encouraging increased stakeholder USI system self-service transactions and raising awareness of USI privacy provisions. Communications activities and stakeholder support materials included:

- eleven stakeholder engagement events, comprising one webinar, six face-to-face VET sector presentations and presence at four careers expos
- seventeen publications, comprising sixteen USI e-Bulletins and an article in one issue of Student News
- production of seven USI videos for RTOs and students, comprising five promotional videos for future publication on the USI website and two short social media grabs (10 second promotional videos) for Facebook.

Protecting stakeholder personal information

The Act requires the Registrar to take reasonable steps to protect a record of student identifiers kept by the Registrar from misuse, interference or loss, and from unauthorised access, modification or disclosure. Under the Act, the Australian Information Commissioner has functions additional to those mandated under the *Privacy Act 1988* to help ensure the protection of personal information collected and held by the Student Identifiers Registrar.

No USI related privacy complaints were received or data breaches identified by the Office of the Australian Information Commissioner in 2017–18

To satisfy requirements of the Notifiable Data Breaches Scheme and the Australian Government Agencies Privacy Code introduced in 2018, the USI Office established a Data Breach Response Plan and Register, and a Privacy Management Plan.

5 Appendices

A Privacy Impact Assessment of the USI Transcript Service conducted by the Department of Education and Training found there was a low privacy risk for the transcript function, which reflected good privacy practices.

In collaboration with the Office of the Australian Information Commissioner, the USI Office introduced a new quarterly bulletin for RTOs in December 2017 that focuses on privacy matters.

Assisting research, policy development and program administration

The USI assists development of VET policy and targeting of government funding by providing a more reliable link between VET enrolment and completion information.

In 2017–18, the USI was used to support a number of research initiatives, including the National Student Outcomes Survey and the Longitudinal Surveys of Australian Youth–VET Data Linkage Project, administered by the NCVET, and a Department of Education and Training proof of concept project for broader research into student exchange between the university and VET sectors.

Performance Information

Access

Figure 5.10: Performance measure—accessible, user friendly and accurate USI Registry System

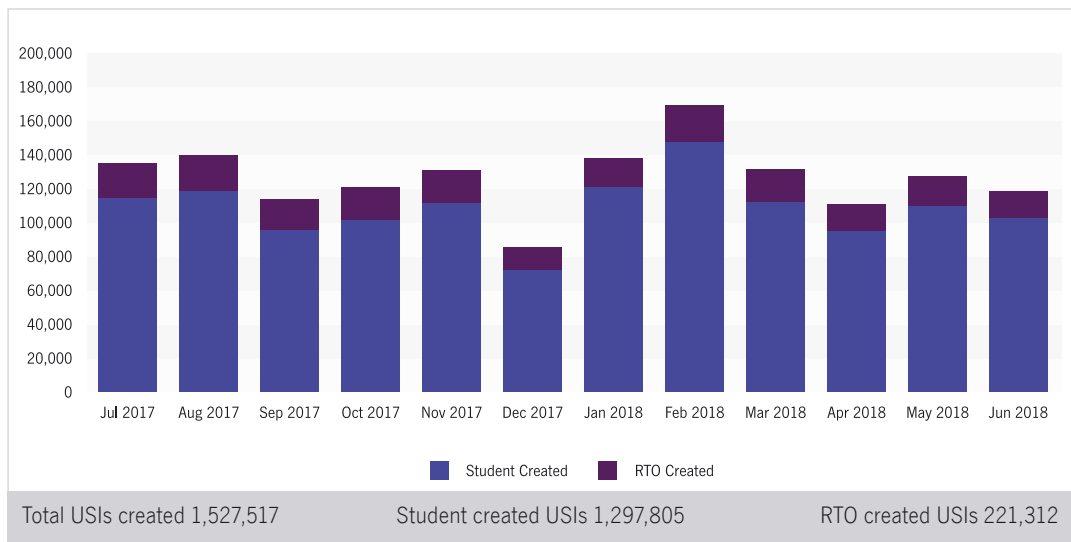
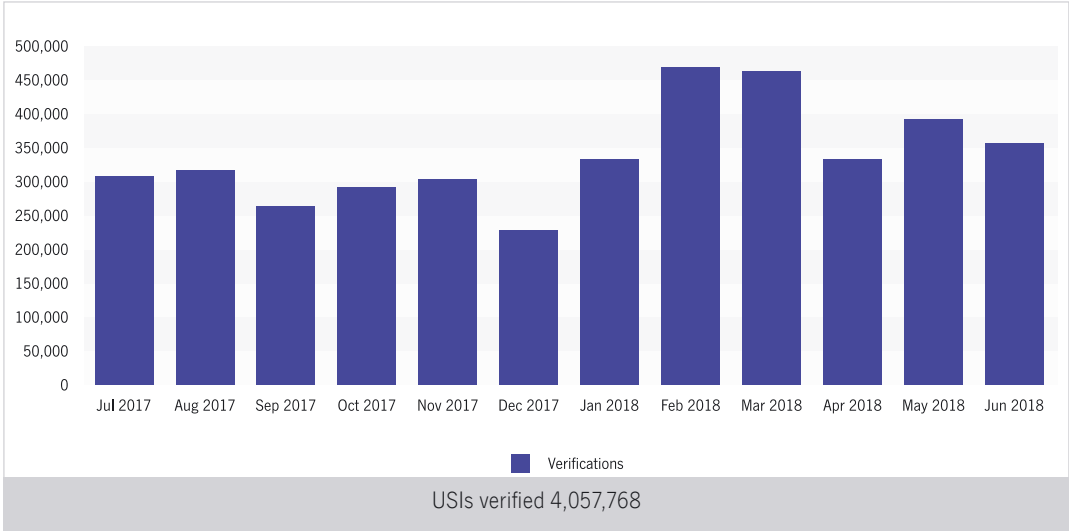


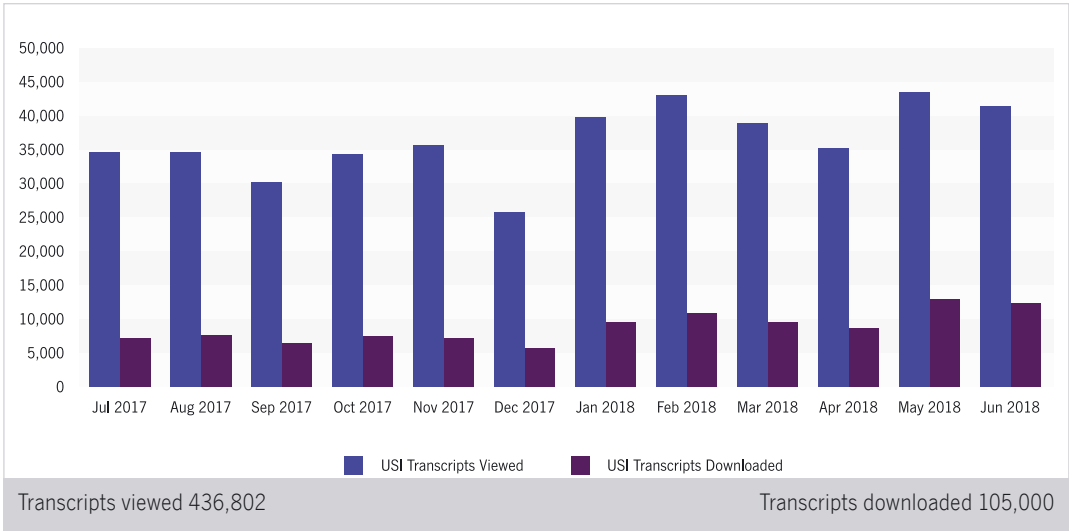


Figure 5.11: Performance measure—accessible, user friendly and accurate USI Registry System



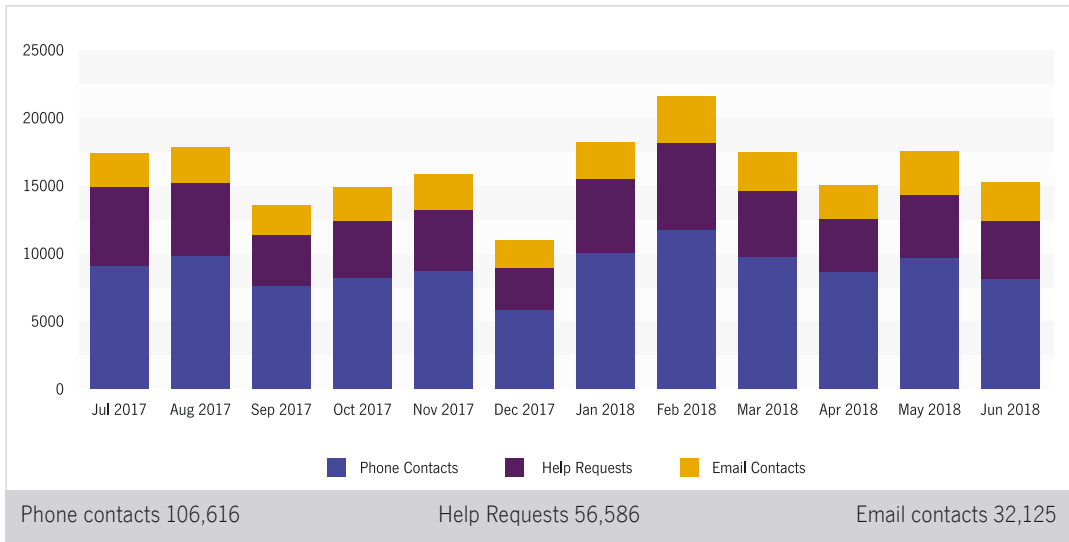
USI Transcript Service

Figure 5.12: Performance measure—provide access to authenticated VET transcripts 2017–18



Stakeholder support

Figure 5.13: Performance measure—provide effective stakeholder support



USI operational review

A Post Implementation Review of the USI initiative commenced in April 2018. The Review included consultations with RTOs, Student Management System providers, state and territory training authorities and education sector representatives, as well as Regulators, the NCVET and the Department of Education and Training. Four hundred and ninety five RTOs participated in a survey, conducted as part of the Review, which supported the qualitative feedback provided in face-to-face consultations and workshops.

A Review to assess user satisfaction with the USI website and self-service functions was also undertaken in 2018. Training participants and RTOs were invited to take part in online testing of the usability of the website. Re-design of the USI website, based on user feedback, is planned for 2018–19.



Outlook for the year ahead

In 2018–19, the USI Office expects to:

- work with the Department of Education and Training to progress proposed legislative and ICT changes required for training participants to grant third parties online access to their USI transcripts
- respond to the USI initiative Post Implementation Review findings
- provide policy advice and work with the Department of Education and Training on arrangements for the proposed expansion of the USI to the schools and higher education sectors
- participate in the Australian Government myGovID pilot program. myGovID will allow individuals to establish their identity once for use across multiple government services
- progress relocation of the USI Office to Adelaide announced as part of the Government's decentralisation agenda in the 2018 Budget.



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LIST OF REQUIREMENTS

Description	Requirement	Reference	Page
Letter of transmittal			
A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	Introductory pages	iii
Aids to access			
Table of contents.	Mandatory	Introductory pages	iv
Alphabetical index.	Mandatory	Part 6	172
Glossary of abbreviations and acronyms.	Mandatory	Part 6	167
List of requirements.	Mandatory	Part 6	160
Details of contact officer.	Mandatory		ii
Entity's website address.	Mandatory		ii
Electronic address of report.	Mandatory		ii
Review by accountable authority			
A review by the accountable authority of the entity.	Mandatory	Secretary's review	2
Overview of the entity			
A description of the role and functions of the entity.	Mandatory	Part 1	2
A description of the organisational structure of the entity.	Mandatory	Part 1	8
A description of the outcomes and programs administered by the entity.	Mandatory	Part 2	13
A description of the purposes of the entity as included in corporate plan.	Mandatory	Part 2	13
An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory	Part 1	5
Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory	N/A	N/A

Description	Requirement	Reference	Page
Report on the Performance of the entity			
Annual Performance Statements			
Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	Part 2	11
Report on Financial Performance			
A discussion and analysis of the entity's financial performance.	Mandatory	Part 3 and Part 4	67 75
A table summarising the total resources and total payments of the entity.	Mandatory	Appendix 1	130
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory.	Part 3 and Part 4	67 75
Management and Accountability			
Corporate Governance			
Information on compliance with section 10 (fraud systems).	Mandatory	Part 3	57
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	Letter of transmittal	iii
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	Letter of transmittal	iii
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	Letter of transmittal	iii
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	Part 3	56
A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory	N/A	N/A

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Description	Requirement	Reference	Page
External Scrutiny			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	Part 3	72
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory	Part 3	73
Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory	Part 3	72
Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory	N/A	N/A
Management of Human Resources			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	Part 3	59
Statistics on the entity's APS employees on an ongoing and non ongoing basis; including the following: <ul style="list-style-type: none"> • Statistics on staffing classification level; • Statistics on full time employees; • Statistics on part time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous. 	Mandatory	Part 3	60
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	Part 3	60
Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	Part 3	60
The salary ranges available for APS employees by classification level.	Mandatory	Part 3	60
A description of non-salary benefits provided to employees.	Mandatory	Part 3	60
Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory	N/A	N/A
Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory	N/A	N/A
Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory	N/A	N/A
Information on aggregate amount of performance payments.	If applicable, mandatory	N/A	N/A

Description	Requirement	Reference	Page
Assets Management			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	N/A	N/A
Purchasing			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	Part 3	67
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	Part 3	68
A statement that <i>"During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory	Part 3	68
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	Part 3	68
A statement that <i>"Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."</i>	Mandatory	Part 3	68
Australian National Audit Office Access Clauses			
If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory	N/A	N/A

6 Reference materials

Description	Requirement	Reference	Page
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory	N/A	N/A
Small business			
A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory	Part 3	68
An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	Part 3	68
If the entity is considered by the department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, mandatory	Part 3	68
Financial Statements			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	Part 4	75
Other Mandatory Information			
If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, mandatory	Part 3	69
If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory	N/A	N/A

Description	Requirement	Reference	Page
A statement that “ <i>Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].</i> ”	If applicable, mandatory	Part 3	68
Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	Part 3	74
Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	Part 3	74
Correction of material errors in previous annual report	If applicable, mandatory	N/A	N/A
Information required by other legislation	Mandatory	Part 2 Appendix 2 Appendix 3 Appendix 4	16 139 144 151

GLOSSARY

Term	Definition
Administered item	Revenues, expenses, assets and liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Appropriation	An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose.
AusTender	The Australian Government's web-based procurement system, which provides centralised access to all publicly available approaches to market, multi-use lists, annual procurement plans and reported contracts.
Corporate Plan	The primary planning document of an entity that sets out its purposes, capability and intended results over a four-year horizon. The plan describes how the achievement of results will be assessed against an entity's purpose (i.e. a description of planned performance). Commonwealth entities are required to publish an updated corporate plan at the start of the reporting period.
Outcomes	The Government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Government.
Portfolio Budget Statements	Budget-related paper detailing Budget initiatives and explanations of appropriations specified by outcome and program for each agency within a portfolio.
Programs	Government programs that deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
Table A providers	Refers to universities that are listed as Table A providers under the <i>Higher Education Support Act 2003</i> .
Table B providers	Refers to universities that are listed as Table B providers under the <i>Higher Education Support Act 2003</i> .

ABBREVIATIONS AND ACRONYMS

Acronym/Abbreviation	Definition
AAIP	Australian Apprenticeships Incentives Programme
AASB	Australian Accounting Standards Board
AASB	Australian Accounting Standards Board
AASN	Australian Apprenticeship Support Network
ABS	Australian Bureau of Statistics
AC	Companion of the Order of Australia
ACARA	Australian Curriculum, Assessment and Reporting Authority
AGA	Australian Government Actuary
AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
AISC	Australian Industry and Skills Committee
AM	Member of the Order of Australia
AMEP	Adult Migrant English Program
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
ASQA	Australian Skills Quality Authority
ATO	Australian Taxation Office
BBF	Budget-Based Funded
CALD	culturally and linguistically diverse
CCCF	Community Child Care Fund
CCMS	Child Care Management System
CCS	Child Care Subsidy
CCSS	Child Care Subsidy System
CGS	Commonwealth Grant Scheme
CPI	consumer price index
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
CSS	Commonwealth Superannuation Scheme
DHS	Department of Human Services
ECEC NWC	Early Childhood Education and Care National Workforce Census
EDW	Enterprise Data Warehouse
EIF	Education Investment Fund
ELICOS	English Language Intensive Courses for Overseas Students

6 Reference materials

Acronym/Abbreviation	Definition
ERA	Excellence for Research in Australia
ESO	Employee Support Officer
ESOS Act	<i>Education Services for Overseas Students Act 2000</i>
FBT	Fringe Benefits Tax
FCCA	Fellow of CPA Australia
FDC	Family Day Care
FEE-HELP	FEE-HELP is a loan scheme that assists eligible fee paying students pay all or part of their tuition fees.
FOFMS	FaHCSIA Online Funding Management System
FOI Act	<i>Freedom of Information Act 1982</i>
FRR	Public Governance, Performance and Accountability (Financial Reporting Rule) 2015
FTE	Full-time equivalent
GST	Goods and Services Tax
HECS-HELP	Higher Education Contribution Scheme – Higher Education Loan Program
HEIMS	Higher Education Information Management System
HELP	Higher Education Loan Program
HESP	Higher Education Superannuation Program
IAGDP	Indigenous Australian Government Development Program
IAP	Indigenous Apprenticeships Programme
ICT	Information and Communications Technology
IHC	In Home Care
ISP	Inclusion Support Programme
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
JSB	Department of Jobs and Small Business
KMP	key management personnel
LLN	Language, Literacy and Numeracy
MJ	megajoule
MP	Member of Parliament
NAPLAN	National Assessment Program – Literacy and Numeracy
NCRIS	National Collaborative Research Infrastructure Strategy
NCVER	National Centre of Vocational Education Research
NMS	national minimum standard
NP	National Partnership
OPA	Official Public Account

Acronym/Abbreviation	Definition
OS-HELP	Overseas – Higher Education Loan Program
OSO	Overseas Student Ombudsman
OSTF	Overseas Students Tuition Fund
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
P-TECH	Pathways in Technology
QA	Quality Assurance
QILT	Quality Indicators in Learning and Teaching
QTAC	Queensland Tertiary Admissions Centre
RAP	Reconciliation Action Plan
RTO	Registered Training Organisations
SAF	Skilling Australia Foundation
SA-HELP	Loan scheme that assists eligible students to pay for all or part of their student services and amenities fee
SDG	United Nations' Sustainable Development Goal
SEE	Skills for Education and Employment
SEIFA	Australian Bureau of Statistics Socio-Economic Index For Areas classification
SEMIS	Schools Education Management Information System
SES	Senior Executive Service
SME	Small and Medium Enterprises
SOETM	Services for Other Entities and Trust Moneys
SSC	Shared Services Centre
STEM	Science, Technology, Engineering and Mathematics
TEQSA	Tertiary Education Quality Standards Agency
TOOCS	Type of Occurrence Classification System
TPS	Tuition Protection Service
TRA	Trades Recognition Australia
TSL	Trade Support Loans
TYIMS	Training and Youth Internet Management System
USI	Unique Student Identifier
VET FEE-HELP	Loan scheme for eligible students to pay for all or part of their tuition fees for a VET qualification (diploma level and above) at an approved VET provider
VET	vocational education and training
VSL	VET Student Loans

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