

DISCLOSURES AND LEGAL COMPLIANCE

Financial Statements

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Department of Education Services have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

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



Raymond Willis
CHIEF FINANCE OFFICER

Date: 16 September 2009



Richard Strickland
ACCOUNTABLE AUTHORITY

Date: 16 September 2009

Auditor General's Opinion



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

DEPARTMENT OF EDUCATION SERVICES FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accounts, financial statements, controls and key performance indicators of the Department of Education Services.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Chief Executive Officer's Responsibility for the Financial Statements and Key Performance Indicators

The Chief Executive Officer is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

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Department of Education Services
Financial Statements and Key Performance Indicators for the year ended 30 June 2009

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Department of Education Services at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Department provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Department are relevant and appropriate to help users assess the Department's performance and fairly represent the indicated performance for the year ended 30 June 2009.



COLIN MURPHY
AUDITOR GENERAL
18 September 2009

Department of Education Services

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$ 000	2008 \$ 000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	4,730	4,382
Accommodation expenses	8	421	221
Supplies and services	9	3,067	1,972
Finance costs	10	24,782	23,425
Grants and subsidies	11	126	145
Depreciation	12	35	128
Other expenses	13	124	370
Total cost of services		33,285	30,643
Income			
Revenue			
User charges and fees	14	1,068	730
Interest revenue	15	13,072	12,602
Commonwealth grants and contributions	16	433	399
Other revenue	17	109	109
Total income other than income from State Government		14,682	13,840
NET COST OF SERVICES		(18,603)	(16,803)
INCOME FROM STATE GOVERNMENT			
Service Appropriation	18	15,826	18,611
Resources received free of charge		134	167
Total income from State Government		15,960	18,778
SURPLUS/(DEFICIT) FOR THE PERIOD		(2,643)	1,975

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

Department of Education Services

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$ 000	2008 \$ 000
ASSETS			
Current Assets			
Cash and cash equivalents	29	7,670	5,199
Restricted cash and cash equivalents	19	124	64
Amounts receivable for services	20	176	60
Receivables	21	1,001	1,800
Loans to schools	22	23,141	20,681
Total Current Assets		32,112	27,804
Non-Current Assets			
Amounts receivable for services	20	94	300
Loans to schools	22	150,888	149,063
Property, office equipment and furniture	23	1,460	1,573
Total Non-Current Assets		152,442	150,936
TOTAL ASSETS		184,554	178,740
LIABILITIES			
Current Liabilities			
Payables	25	3,293	2,174
Borrowings	26	23,311	20,753
Provisions	27	675	786
Total Current Liabilities		27,279	23,713
Non-Current Liabilities			
Borrowings	26	201,943	196,993
Provisions	27	307	166
Total Non-Current Liabilities		202,250	197,159
Total Liabilities		229,529	220,872
Net Liabilities ^(a)		(44,975)	(42,132)
EQUITY			
Contributed equity	28	18	18
Reserves		870	1,070
Accumulated (deficiency)		(45,863)	(43,220)
Total Equity		(44,975)	(42,132)

(a) Notwithstanding the Department's deficiency of net assets, the financial statements have been prepared on the going concern basis. This basis has been adopted as the Department is a State government agency which is funded by parliamentary appropriation from the Consolidated Account.

The Balance Sheet should be read in conjunction with the accompanying notes.

Department of Education Services

**STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 30 JUNE 2009**

	Note	2009 \$ 000	2008 \$ 000
Balance of equity at start of period		(42,132)	(44,497)
CONTRIBUTED EQUITY	28		
Balance at start and end of period		18	18
RESERVES	28		
Asset Revaluation Reserve			
Balance at start of period		1,070	680
Gains/(losses) from asset revaluation land		(200)	390
Balance at end of period		870	1,070
ACCUMULATED SURPLUS/(DEFICIENCY)	28		
Balance at start of period		(43,220)	(45,195)
Surplus/(deficit) for the period		(2,643)	1,975
Balance at end of period		(45,863)	(43,220)
Balance of equity at end of period		(44,975)	(42,132)
Total income and expense for the period ^(a)		(2,843)	2,365

(a) The aggregate net amount attributable to each category of equity is: Deficit \$2,643,000 plus loss from asset revaluation \$200,000. (2008: Profit \$1,975,000 plus gain from asset revaluation \$390,000)

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

Department of Education Services

**CASH FLOW STATEMENT FOR THE YEAR ENDED
30 JUNE 2009**

	Note	2009 \$ 000	2008 \$ 000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		15,696	18,481
Holding account drawdowns		220	60
Net cash provided by State Government		15,916	18,541
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(4,965)	(4,562)
Accommodation		(407)	(221)
Supplies and services		(2,695)	(1,653)
Loans advanced to schools		(29,500)	(26,500)
Finance costs		(15,303)	(16,694)
Grants and subsidies		(126)	(145)
GST payments on purchases		(370)	(229)
GST payments to taxation authority		(125)	(1,058)
Other payments		(325)	(200)
Receipts			
User charges and fees		1,200	718
Interest received on loans to schools		5,314	4,905
Repayment of loans by schools		21,991	20,192
Commonwealth grants and contributions		510	399
Other receipts		107	59
GST receipts		133	77
GST received from taxation authority		550	296
Net Cash used in operating activities	29	(24,011)	(24,617)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(126)	(29)
Net Cash used in investing activities		(126)	(29)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		32,743	26,500
Repayments of borrowings		(21,991)	(19,483)
Net Cash provided by financing activities		10,752	7,017
Net increase in cash and cash equivalents		2,531	912
Cash and cash equivalents at the beginning of period		5,263	4,351
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	29	7,794	5,263

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Department of Education Services

***SUMMARY OF CONSOLIDATED ACCOUNT
APPROPRIATIONS AND INCOME ESTIMATES
FOR THE YEAR ENDED 30 JUNE 2009***

	2009 Estimate \$ 000	2009 Actual \$ 000	Variance \$ 000	2009 Actual \$ 000	2008 Actual \$ 000	Variance \$ 000
DELIVERY OF SERVICES						
Item 95 Net amount appropriated to deliver services	19,272	15,627	(3,645)	15,627	18,418	(2,791)
Amount authorised by Other Statutes						
- Salaries and Allowances Act 1975	199	199	-	199	193	6
Total appropriations provided to deliver services	19,471	15,826	(3,645)	15,826	18,611	(2,785)
ADMINISTERED TRANSACTIONS						
Item 96 Administered grants, subsidies and other transfer payments	281,075	276,075	(5,000)	276,075	257,721	18,354
Total administered transactions	281,075	276,075	(5,000)	276,075	257,721	18,354
GRAND TOTAL	300,546	291,901	(8,645)	291,901	276,332	15,569
Details Of Expenses by Service						
Regulation, Funding and Policy Advice	35,909	33,285	2,624	33,285	30,643	2,642
Total Cost of Services	35,909	33,285	2,624	33,285	30,643	2,642
Less total income from ordinary activities	(15,814)	(14,682)	(1,132)	(14,682)	(13,840)	(842)
Net Cost of Services	20,095	18,603	(1,492)	18,603	16,803	1,800
Adjustments	(624)	(2,777)	(2,153)	(2,777)	1,808	(4,585)
Total appropriations provided to deliver services	19,471	15,826	(3,645)	15,826	18,611	(2,785)
Capital expenditure						
Purchase of non-current physical assets	360	126	234	126	29	97
Adjustment for movement for cash balances and other funding sources		94	(94)	94	31	63
Holding account draw-downs	(360)	(220)	(140)	(220)	(60)	(160)
Capital Contribution (appropriation)	-	-	-	-	-	-
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	281,464	276,452	(5,012)	276,452	258,311	18,141

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 34 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2009 and between the actual results for 2008 and 2009

Department of Education Services

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. Departmental Mission and Funding

The Department's mission is to proactively support the development of Western Australia's education and training systems for the benefit of students and the State through provision of relevant regulation, funding and policy advisory services.

The Department is mainly funded by Parliamentary appropriation supplemented by fees received for the registration of education and training providers that are charged according to the provisions contained in relevant legislation.

2. Australian Equivalents to International Financial Reporting Standards

General

The Department's financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Department has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early Adoption of Standards

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Department for the annual reporting period ended 30 June 2009.

3. Summary of Significant Accounting Policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land which has been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) or in certain cases, to the nearest dollar.

The judgements that have been made in the process of applying the Department's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 3(u) 'Critical accounting estimates, assumptions and judgements'.

(c) Reporting Entity

The reporting entity comprises the Department which has no related bodies.

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis

as the financial statements and are presented at note 39 'Administered expenses and income' and note 40 'Administered assets and liabilities'.

(d) Contributed Equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by Treasurer's instruction (TI) 955 'Contributions by Owners made to Wholly-Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 28 'Equity'.

(e) Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Rendering of services

Revenue is recognised upon delivery of service to the client. Annual Registration fees are recognised as income on issue of the invoice to the Registered Training Organisation.

Interest

Revenue is recognised as the interest accrues.

Service Appropriations

Service Appropriations are recognised as revenues in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account or credited to the holding account held at Treasury. See note 18 'Income from State Government' for further detail.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2008-09 Budget Statements, the Department retained \$14.682 million in 2009 (\$13.840 million in 2008) from the following:

- registration fees;
- Commonwealth Specific Purpose Program – Aboriginal Education and Training Council (AETC);
- miscellaneous revenue;
- GST input credits; and
- GST receipts.

Section 23 of the *Financial Management Act 2006*, relates to net appropriations. The *School Education Act 1999* and the *University of Notre Dame Australia Act 1989* allows for funds received for the borrowing of moneys, the on-lending of moneys to schools and the repayments to be retained by the Department thereby not requiring a Treasurer determination to retain these funds.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions which is usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Borrowing Costs

The Department expenses all borrowing costs in the period they are incurred.

(g) Property, Plant and Equipment

Capitalisation/Expensing of Assets

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value

at the date of acquisition.

Subsequent measurement

After recognition as an asset, the Department uses the revaluation model for the measurement of land and the cost model for all other property, plant and equipment. Land is carried at fair value less accumulated impairment losses. All other items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land is determined on the basis of current market buying values determined by reference to recent market transactions.

Where market-based evidence is not available, the fair value of land is determined on the basis of existing use. This normally applies where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost.

Independent valuations of land are provided annually by the Western Australian Land Information Authority (Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Refer to note 23 'Property, Office Equipment and Furniture' for further information on revaluations.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation reserve relating to that asset is retained in the asset revaluation reserve.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 23 "Property, Office Equipment and Furniture".

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computer equipment	3 years
Office equipment	5 years
Furniture	15 years
Software ^(a)	1 year

(a) Software that is integral to the operation of related hardware.

(h) Intangible Assets

Capitalisation/Expensing of Assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value.

Research and Development

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future recoverability can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Web site costs

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

(i) Impairment of Assets

Property, plant and equipment, and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

(j) Leases

The Department has entered into a number of operating lease arrangements for the office building, vehicles and office furniture. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(k) Financial Instruments

In addition to cash, the Department has two categories of financial instrument:

- loans and receivables and
- financial liabilities, measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services
- Loans to schools

Financial Liabilities

- Payables
- Borrowings

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The receivables (loans to schools) are at fair value initially. Subsequently these loans are at amortised cost using the effective interest method as required by AASB139 Financial Instruments "Recognition Measurement."

The fair value of short-term receivables and payables is the transaction cost or face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(l) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Accrued Salaries

The accrued salaries suspense account (see note 19 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No Interest is received on this account.

Accrued salaries (refer note 25 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for the financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(n) Amounts Receivable for Services (Holding Account)

The Department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also note 18 'Income from State Government' and note 20 'Amounts receivable for services'.

(o) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(k) 'Financial Instruments' and note 21 'Receivables'.

(p) Payables

Payables are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 3(k) 'Financial instruments' and note 25 'Payables'.

(q) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date. See note 27 'Provisions'.

(i) Provisions -Employee benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. An actuarial assessment of long service leave undertaken by Barton's Actuaries at 30 June 2009 determined the liability.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers public sector superannuation arrangements in WA.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Department has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Department makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share. See also note 3(r) 'Superannuation Expense'.

(ii) Provisions Other

Employment On-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. (See note 13 'Other Expenses' and note 27 'Provisions').

(r) **Superannuation Expense**

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – For 2007-08, the change in the unfunded employer's liability (i.e. current service cost and actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans - Employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

Defined benefit plans - For 2007-08, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer (*refer note 3(q)(i)*), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 18 'Income from State Government'. Commencing in 2008-09, the reporting of annual movements in these notional liabilities has been discontinued and is no longer recognised in the Income Statement.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans - in order to reflect the Department's true cost of services, the Department is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Account.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency's obligations to the related superannuation liability.

(s) **Resources Received Free of Charge or For Nominal Cost**

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value.

(t) **Comparative Figures**

Comparative figures are where appropriate, reclassified to be comparable with the figures presented in the current financial year.

(u) **Critical accounting estimates, assumptions and judgements**

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Adoption of fair value versus cost basis for Loans receivable.

Loans to schools are measured at fair value using the current AASB 139 'Financial Instruments: Recognition and Measurement' requirements. The Department's adoption of fair value versus cost basis was made in consultation with the Department of Treasury and Finance. Management agreed that cost basis recognition did not truly represent the value of the receivables on the balance sheet, as the loans are made at interest rates that are less than market rate. Therefore, for reporting purposes the receivables are recorded at amortized cost using the effective interest rate method.

The assumptions used in determining the fair valuation of the loans to schools are factored around the use of the Reserve Bank of Australia cash rate and Government Authority rates which are applied to each loan. Any changes in these assumptions will impact the carrying amount of the loans to schools.

The models used to value the loans receivables are constantly reviewed and any future revisions to the assumptions made will be in line with amendments to accounting standards.

(v) **Schedule of Income and Expense by Service**

This schedule is not applicable for DES as there is only one service.

(w) **Schedule of Assets and Liabilities by Service**

This schedule is not applicable for DES as there is only one service.

4. **Change in Accounting Estimates**

The Department used two external consultants to perform the fair valuation of its loans receivables. Prior to 31 January 2009, management adopted a fair valuation model designed by one consultant and from 1 February 2009 to 30 June 2009, another consultant's fair valuation model was adopted. The assumptions and estimates used by both consultants were different. One calculated the fair value starting from the first advance date of the loan, whereas the second consultant calculated the fair value based on the first repayment date of the loan.

The difference in assumptions used by both the external consultants have produced different values for the loans receivables. However, these differences are not considered to be material and, therefore, will not materially affect the financial statements.

5 Correction of Prior Period Errors

The financial statements for the year ended 30 June 2008 did not recognise a receivable of \$911,763 due from the ATO because of an overpayment of GST.

In addition, the \$911,763 paid in financial year ended 30 June 2008 was wrongly classified as a payment made out of Administered bank balance, instead of Controlled bank balance.

As these errors were made in the last financial year, the Balance Sheet and Cash Flow closing balances as at 30 June 2008 were restated as follows:

- (a) Cash and cash equivalents - Cash was reduced by \$911,763.27
- (b) Receivables - GST receivable was increased by \$911,763.27
- (c) GST Payments to taxation authority was increased by \$911,763.27

Financial Balance Affected	Note	Actual 2008 \$'000	Correction \$'000	Corrected Actual 2008 \$'000
<u>Balance Sheet Extract</u>				
Cash and Cash Equivalents	29	6,111	(912)	5,199
Receivables	21	888	912	1,800
<u>Cash Flow Statement Extract</u>				
GST Payments to taxation authority	29	146	912	1,058
<u>Note 21 Receivables</u>				
GST Receivable	21	74	912	986
<u>Notes to the Cash Flow Statement</u>				
Current receivables	29	62	912	974
<u>Categories of Financial Instruments</u>				
Cash and cash equivalents	35	6,111	(912)	5,199
<u>Financial Instrument Disclosures</u>				
Cash and cash equivalents	35	6,111	(912)	5,199
<u>Interest rate sensitivity analysis</u>				
Receivables	35	888	912	1,800
<u>Administered Assets and Liabilities</u>				
Cash Assets	40	8,996	912	9,908

6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Department:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments and AAS 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

AASB 1004 'Contributions'
AASB 1050 'Administered Items'
AASB 1051 'Land Under Roads'
AASB 1052 'Disaggregated Disclosures'

AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137.

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance otherwise there is no financial impact.

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Department has not applied early the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Department but are not yet effective. Where applicable, the Department plans to apply these Standards and Interpretations from their application date

Title	Operative for reporting period beginning on/after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Department does not expect any financial impact when the Standard is first applied.	1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. The Department does not expect any financial impact when the Standard is first applied.	1 January 2009

Changes in Accounting Estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

	2009 \$'000	2008 \$'000
7. Employee benefits expense		
Wages and Salaries ^(a)	4,027	3,550
Superannuation - defined contribution plans ^(b)	430	373
Superannuation - defined benefit plans ^{(c) (d)}	-	-
Long service leave ^(e)	(66)	162
Annual leave ^(e)	297	240
Other related expenses	42	57
	<u>4,730</u>	<u>4,382</u>

- (a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.
(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).
(c) Defined benefit plans include Pension Scheme and Gold State (pre-transfer benefit).
(d) An equivalent notional income is also recognised (See note 18 'Income from State Government'). Commencing in 2008-09, the reporting of notional superannuation expense and equivalent notional income has been discontinued.
(e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 13 'Other Expenses'. The employment on-costs liability is included at note 27 'Provisions'.

	2009 \$'000	2008 \$'000
8. Accommodation expenses		
Lease rentals	380	186
Repairs and maintenance	13	7
Cleaning	28	28
	<u>421</u>	<u>221</u>
9. Supplies and Services		
Communications	57	44
Consultants and Contractors	1,809	885
Consumables	214	215
Travel	170	131
Other	817	697
	<u>3,067</u>	<u>1,972</u>
10. Finance costs		
Loan fair value expense	11,598	9,306
Interest expense	13,184	14,119
	<u>24,782</u>	<u>23,425</u>

The loan fair value expense represents the write-down to fair value of the low interest loans made. The interest expense represents amounts charged for loans provided to the Department by the Western Australian Treasury Corporation (WATC), relating to loans provided to the Department. Refer to notes 15, 18 and 22 for further details.

11. Grants and subsidies		
<u>Recurrent</u>		
Scholarships and grants	<u>126</u>	<u>145</u>
12. Depreciation expense		
Equipment & furniture	15	15
Office Fitout	4	97
Computer Equipment	16	16
	<u>35</u>	<u>128</u>
13. Other expenses		
Employment on-costs ^(a)	74	93
Doubtful debts expense	-	170
Retirement of Assets	-	44
Other ^(b)	50	63
	<u>124</u>	<u>370</u>

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 27 'Provisions'. Superannuation contributions accrued as part of the provision for leave and employee benefits and are not included in employment on-costs.

(b) Audit fee, see note 37 'Remuneration of auditor'.

14. User charges and fees		
Registration Fees	<u>1,068</u>	<u>730</u>

Registration fees are collected by the Department under the "Education Service Providers (Full Fee Overseas Students) Registration Act 1991", "Higher Education Act 2004" and from July 2006 from the Vocational Education and Training Act 1996.

15. Interest revenue		
Interest revenue	<u>13,072</u>	<u>12,602</u>

Interest revenue has been calculated using the effective interest method in compliance with AASB 139.46. On a cash basis the interest revenue would have been \$5,406,000 in 2008-09 (2007-08 - \$4,905,000), with the remainder being an effective interest rate accrual.

Non-government education sector institutions that participate in the Low Interest Loan Scheme repay financial costs applicable to their loan/s. The balance of the interest rate charged at note 10 is met by a Government appropriation. The funding forms part of the appropriation provided at note 18.

	2009 \$'000	2008 \$'000
16. Commonwealth grants & contributions		
Aboriginal Education and Training Council	433	399

The grant is provided for recurrent purposes under the Indigenous Education Program.
The grant is received on a calendar year basis, from January to December.
At 30 June 2009, there were no unspent amounts relating to the period 1 July 2008 to 30 June 2009.

17. Other revenue		
EVS Contributions	12	6
Miscellaneous revenue	97	103
	<u>109</u>	<u>109</u>

18. Income from State Government		
Appropriation received during the year:		
Service appropriation ^(a)	15,826	18,611
	<u>15,826</u>	<u>18,611</u>

The following liabilities have been assumed by the Treasurer during the financial year

- Superannuation ^(b)	-	-
Total Liabilities assumed by the Treasurer	-	-

Resources received free of charge ^(c)

Determined on the basis of the following estimates provided by agencies:

State Solicitor's Office	14	10
Landgate	14	2
Department of Education and Training	106	155
	<u>134</u>	<u>167</u>
	<u>15,960</u>	<u>18,778</u>

- (a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- (b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. (The notional superannuation expense is disclosed at note 7 'Employee Benefits Expense'). Commencing in 2008-09, the reporting of the notional superannuation expense and equivalent notional income has been discontinued.
- (c) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenues equivalent to the fair value of the assets and/or the fair value of those services that can be reliably measured and which would have been purchased if they were not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contribution of assets or services are in the nature of contributions by owners, the Department makes an adjustment direct to equity.

19. Restricted cash and cash equivalents		
Non-current		
Accrued salaries suspense account	124	64
	<u>124</u>	<u>64</u>

Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

20. Amounts receivable for services		
Current	176	60
Non-current	94	300
	<u>270</u>	<u>360</u>

Represents the non-cash component of service appropriations. See 3(n) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement.

21. Receivables		
<u>Current</u>		
GST receivable	56	986
Receivables	68	115
Prepayments	3	-
Interest receivable from schools from low interest loans	790	699
Leave transfer recoups	84	-
	<u>1,001</u>	<u>1,800</u>

The Department does not hold any collateral as security or other credit enhancements relating to receivables.
See also note 3(o) 'Receivables' and note 35 'Financial instruments'.

	2009	2008
	\$'000	\$'000
22. Loans to schools		
The Department provides low interest loans to the non-government education sector. During 2008-09 a further \$29.5 million in loans was advanced to the sector. The loans were funded by borrowings from the WATC.		
Receivables individually determined as impaired at the balance sheet date:		
Current	23,311	20,851
Allowance for impairment of receivables	(170)	(170)
	<u>23,141</u>	<u>20,681</u>
Non-current		
Amount due and receivable after 12 months	150,888	149,063
	<u>150,888</u>	<u>149,063</u>

There are no non-current loans past due or impaired.

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year	170	-
Doubtful debts expense recognised in the income statement	-	170
Amounts written off during the year	-	-
Amount recovered during the year	-	-
Balance at end of year	<u>170</u>	<u>170</u>

Loans to the non-government sector are at a reduced average interest rate of 2.31% per annum as the Department meets the subsidised interest on behalf of the borrowers through a government appropriation (refer Note 15). The subsequent measurement is that loans are measured at amortised cost. The loans have a maturity term not exceeding 15 years, as per the LILS guidelines. These financial instruments are not held for trading purposes.

See also note 35 'Financial Instruments'

23. Property, office equipment and furniture

Land - at Albany At fair value ^(a)	1,300	1,500
Computer equipment		
At cost	49	49
Accumulated depreciation	(33)	(17)
	<u>16</u>	<u>32</u>
Equipment and furniture		
At cost	73	79
Accumulated depreciation	(47)	(38)
	<u>26</u>	<u>41</u>
Office Fitout		
At cost	605	483
Accumulated depreciation	(487)	(483)
	<u>118</u>	<u>0</u>
Total	<u><u>1,460</u></u>	<u><u>1,573</u></u>

(a) Land was revalued as at 1 July 2008 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2009 and recognised at 30 June 2009. In undertaking the revaluation, fair value was determined by reference to market values for land.

23. Property, office equipment and furniture (cont'd)

Reconciliations

Reconciliations of the carrying amounts of property, equipment and furniture at the beginning and end of the reporting period are set out below.

	Office Fitout \$'000	Land \$'000	Equipment & Furniture \$'000	Computer Equipment \$'000	Total \$'000
2009					
Carrying amount at start of year	-	1,500	41	32	1,573
Additions	122	-	-	-	122
Disposals	-	-	-	-	-
Revaluation increments/(decrements)	-	(200)	-	-	(200)
Depreciation	(4)	-	(15)	(16)	(35)
Carrying amount at end of year	118	1,300	26	16	1,460
2008					
Carrying amount at start of year	97	1,110	83	60	1,350
Additions	-	-	-	5	5
Disposals	-	-	(61)	(159)	(220)
Written back value of accumulated depreciation on Disposals	-	-	34	142	176
Revaluation increments/(decrements)	-	390	-	-	390
Depreciation	(97)	-	(15)	(16)	(128)
Carrying amount at end of year	0	1,500	41	32	1,573

24. Impairment of assets

There were no indications of impairment to property, plant and equipment at 30 June 2009.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

All surplus assets as at 30 June 2009 have been donated to Western Australian Government schools, where practicable.

25. Payables

	2009 \$'000	2008 \$'000
Current		
Accrued interest	2,978	1,869
Accrued salaries	57	15
Superannuation on accrued salaries	6	16
Trade payables	252	274
	<u>3,293</u>	<u>2,174</u>

See also note 3(p) 'Payables' and note 35 'Financial instruments'.

26. Borrowings

The Department borrows from the WATC to finance loans provided under the Low Interest Loan Scheme. In 2008-09 a further \$32.743 million was utilised to fund loans of that amount to the non-government education sector.

Current Borrowings		
WATC loans	23,311	20,753
Non-Current Borrowings		
WATC loans	201,943	196,993
Total	<u>225,254</u>	<u>217,746</u>

The carrying amounts are equivalent to their net fair values. Loans are borrowed at an average rate of interest of 4.81% (2008 - 7.59%). The \$23,311 million in current borrowings relates to the portion of principal repayments payable to WATC within the next 12 months. This amount is derived from estimates provided through the Low Interest Loans System and based on loan repayments from the schools.

27. Provisions	2009 \$'000	2008 \$'000
Current		
Employee benefits provision		
Annual leave ^(a)	333	259
Long service leave ^(b)	281	460
	<u>614</u>	<u>719</u>
Other provisions		
Employment on-costs ^(c)	61	67
	<u>675</u>	<u>786</u>
Non-current		
Employee benefits provision		
Long service leave ^(b)	274	156
Other provisions		
Employment on-costs ^(c)	33	10
	<u>307</u>	<u>166</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	273	236
More than 12 months after balance sheet date	60	23
	<u>333</u>	<u>259</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	53	23
More than 12 months after balance sheet date	502	593
	<u>555</u>	<u>616</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense is disclosed in note 13 'Other expenses'.

Movement in Other Provisions

Movements of provisions during the financial year, other than employee benefits, are set out below.

<u>Employment on-cost provision</u>		
Carrying amount at start of year	10	12
Additional provisions recognised	23	(2)
Carrying amount at end of year	<u>33</u>	<u>10</u>

28. Equity

Liabilities exceed assets for the Department and there is therefore no residual interest in the assets of the Department. The equity deficit arose through reduced appropriation being provided from government and the requirement to report loans and advances at fair value.

Contributed equity

Balance at the start of the year	18	18
Balance at the end of the year	<u>18</u>	<u>18</u>

Reserves

Asset revaluation reserve:

Balance at the start of the year	1,070	680
Net revaluation increments/(decrements):		
Land	(200)	390
Balance at the end of the year	<u>870</u>	<u>1,070</u>

Accumulated surplus/(deficit)

Balance at the start of the year	(43,220)	(45,195)
Result for the period	(2,643)	1,975
Balance at the end of the year	<u>(45,863)</u>	<u>(43,220)</u>

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
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29. Notes to the Cash Flow Statement

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	7,670	5,199
Restricted cash and cash equivalents (<i>see note 19</i>)	124	64
	<u>7,794</u>	<u>5,263</u>

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(18,603)	(16,803)
Non-cash items:		
Retirement of Assets	-	44
Depreciation expense	35	128
Doubtful Debts Expense	-	170
(Increase)/decrease in assets:		
Current receivables	207	(974)
Low interest loans	10,804	12,494
Net change in non-current low interest loans	(16,592)	(19,769)
Increase/(decrease) in liabilities:		
Current payables	(50)	94
Net GST receipts/(payments)	425	150
Change in GST in receivables/payables	(237)	(151)
Net cash provided by/(used in) operating activities	<u>(24,011)</u>	<u>(24,617)</u>

30. Commitments

Capital expenditure commitments

The Department has no capital commitments as at 30 June 2009.

Lease commitments

Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements are payable as follows:

Within one year	571	328
Later than one year and not later than five years	2,246	717
	<u>2,817</u>	<u>1,045</u>

Representing:

Cancellable operating leases	0	0
Non-cancellable operating leases	2,817	1,045
	<u>2,817</u>	<u>1,045</u>

Non-cancellable operating lease commitments:

Commitments for minimum lease payments are payable as follows:

Within one year	571	328
Later than one year and not later than five years	2,246	717
	<u>2,817</u>	<u>1,045</u>

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the Perth CPI (all groups). An option exists to renew the lease at the end of the five year term for an additional term of five years.

These commitments are all exclusive of GST

31. Resources provided free of charge

The estimated costs of resources provided free of charge are:

Curriculum Council	-	57
	<u>-</u>	<u>57</u>

32. Contingent liabilities and contingent assets

At balance sheet date there were no contingent liabilities or assets.

33. Events occurring after the balance sheet date

No events have occurred after the balance sheet date, which would cause the financial statements to be misleading in the absence of disclosure.

34. Explanatory Statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than \$500,000.

Significant variances between estimate and actual for 2009 – Total appropriation to deliver services:

	2009 Estimate \$'000	2009 Actual \$'000	Variation \$'000
Total Cost of Service Expenditure	35,909	33,285	2,624

The decrease in Total Cost of Service Expenditure is mainly due to a number of major strategic projects within the non-government school registration branch not being completed in the year, a decrease in employee benefits expense as a result of the Department not operating on full FTE levels through out the year, and a reduction in interest subsidy payments to WATC as a result of lower interest rates.

Total Income	15,814	14,682	1,132
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The net decrease in Total Income is mainly due to a lower than expected level of notional interest being received than that forecasted in the valuation model. This was offset by an increase in regulatory fees of 70% (which occurred as a result of an increase in providers and more stringent credit control) and higher than expected AETC grants for the Indigenous Education Program (in line with the new Commonwealth Funding Agreement).

Significant variances between actual for 2009 and 2008 – Total appropriation to deliver services:

	2009 \$'000	2008 \$'000	Variance \$'000
Total Appropriation to Deliver Service for the year	15,826	18,611	(2,785)

The reduction in the Total Appropriation to Deliver Services for the year was due to an above-average cash balance as at 30 June 2008, which occurred as a result of lower interest rates payable on loans held at WATC. In addition, a higher level of revenue from RTOs during 2008-09 enabled the Department to reduce its appropriation for the year.

Significant variances between actuals for 2009 and 2008 – Total administered transactions:

	2009 \$'000	2008 \$'000	Variation \$'000
Administered grants, subsidies and other transfer payments	276,075	257,721	21,088

There was an above average increase in per capita grants, which occurred as a result of a greater than expected increase in the number of students who attended non-government schools in 2009. In addition, a special-purpose supplementary financial assistance payment of \$5.5 million was made to the non-government sector during the year, to assist schools with meeting the increasing cost of teachers' salaries.

Significant variances between actual for 2009 and 2008 – Administered income

	2009 \$'000	2008 \$'000	Variation \$'000
	276,452	258,311	18,141

There was an above average increase in per capita grants, which occurred as a result of a greater than expected increase in the number of students who attended non-government schools in 2009. In addition, a special-purpose supplementary financial assistance payment of \$5.5 million was made to the non-government sector during the year, to assist schools with meeting the increasing cost of teachers' salaries.

Significant variances between estimate and actual for 2009 - Total Administered Transactions

	2009 Estimate \$'000	2009 Actual \$'000	Variation \$'000
Administered grants, subsidies and other transfer payments	281,075	276,075	5,000

The reason for the variance between the 2009 Actual and the 2009 Estimate (-1.8%) is due to slightly lower than expected expenditure on per capita grants, which occurred as a result of a minor overestimation of the projected number of students (in each respective State Funding Category) attending non-government schools in 2009.

Significant variances between estimate and actual for 2009 - Administered Income

	2009 Estimate \$'000	2009 Actual \$'000	Variation \$'000
Administered Income	281,464	276,452	5,012

The reason for the variance between the 2009 Actual and the 2009 Estimate (-1.8%) is due to slightly lower than expected expenditure on per capita grants, which occurred as a result of a minor overestimation of the projected number of students (in each respective State Funding Category) attending non-government schools in 2009.

35. Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are cash and cash equivalents, receivables, payables, loans and borrowings. All of the Department's cash is held in the public bank account (non-interest bearing) apart from restricted cash held in a special purpose account. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk arises when there is the possibility of the Department's receivables defaulting on their contractual obligations resulting in financial loss to the Department.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 35(c) 'Financial Instruments Disclosures' and Note 21 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is loans to schools and the Department does not expect any of these to fail to meet their obligations given their good credit ratings. In all cases collateral is obtained in the form of mortgages or loan agreements. For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the balance sheet date there were no significant concentrations of credit risk.

Allowance for impairment of financial assets is calculated based on objective evidence such as observable data indicating changes in client credit ratings.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due. The Department is exposed to liquidity risk through its trading in the normal course of business.

The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

The Department's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations. The Department's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the interest rate sensitivity analysis table at Note 35(c), the Department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the WATC borrowings and finance leases.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2009 \$'000	2008 \$'000
Financial Assets		
Cash and cash equivalents	7,670	5,199
Restricted cash and cash equivalents	124	64
Loans and receivables ^(a)	24,262	21,495
Financial Liabilities		
Financial liabilities	228,547	219,920

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

35. Financial instruments (cont'd)

(c) Financial Instrument disclosures

Credit Risk and Interest Rate Risk Exposure

The following tables disclose the Department's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the balance sheet date is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department holds mortgage documents, loan agreements and land titles as security relating to the financial assets it holds.

The Department does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets^(a)

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Past due but not impaired						More than 5 years \$000	Impaired financial assets \$000	
			Fixed Interest Rate	Variable interest rate \$000	Non- interest bearing \$000	Up to 3 months \$000	3-12 months \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000			
Financial Assets														
2009														
Cash and cash equivalents		7,670			7,670									-
Restricted cash and cash equivalents		124			124									-
Receivables ^{(a) (b)}		945			879	57	3	6						-
Loans to schools	8.21%	174,199	174,199											170
Amounts receivable for services		270			270									-
		183,208	174,199		8,943	57	3	6						170
2008														
Cash and cash equivalents		5,199			5,199									-
Restricted cash and cash equivalents		64			64									-
Receivables ^{(a) (b)}		1,798			1,798									-
Loans to schools	8.09%	169,744	169,744											170
Amounts receivable for services		360			360									-
		177,165	169,744		7,421									170

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(b) Included in the allowance for impairment of receivables, the Department has a particular debtor for which it has received notification of filing for bankruptcy and it is expected that only \$36,958.64 in 2009 (\$nil in 2008) of the amount of \$207,051.22 will be recovered.

35. Financial instruments (cont'd)

Liquidity Risk

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the balance sheet date. The table includes both interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure and maturity analysis of financial liabilities

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Total Nominal Amount	Maturity dates						
			Variable interest rate	Non- interest bearing	Adjustment for discounting		Up to 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	%	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<u>Financial Liabilities</u>													
2009													
Payables		3,293		3,293		3,293							
Borrowings from WATC	4.81%	225,254	225,254			5,669	17,642	24,579	24,991	23,269	21,650	107,454	
		<u>228,547</u>	<u>225,254</u>	<u>3,293</u>		<u>8,962</u>	<u>17,642</u>	<u>24,579</u>	<u>24,991</u>	<u>23,269</u>	<u>21,650</u>	<u>107,454</u>	
2008													
Payables		2,174		2,174		2,174							
Borrowings from WATC	7.59%	217,746	217,746			4,744	16,009	21,906	23,097	23,484	21,867	106,639	
		<u>219,920</u>	<u>217,746</u>	<u>2,174</u>		<u>6,918</u>	<u>16,009</u>	<u>21,906</u>	<u>23,097</u>	<u>23,484</u>	<u>21,867</u>	<u>106,639</u>	

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

35. Financial instruments (cont'd)

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rate. It is assumed that the change in interest rate is held constant throughout the reporting period.

	Carrying amount \$000	-1% change		+1% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2009					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	7,670	-	-	-	-
Receivables	945	-	-	-	-
Loans to Schools	174,199	(1,742)	(1,742)	1,742	1,742
<u>Financial Liabilities</u>					
Payables	3,291	-	-	-	-
Borrowings	225,254	2,252	2,252	(2,252)	(2,252)
2008					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	5,199	-	-	-	-
Receivables	1,800	-	-	-	-
Loans to Schools	169,914	(1,699)	(1,699)	1,699	1,699
<u>Financial Liabilities</u>					
Payables	2,007	-	-	-	-
Borrowings	217,746	2,177	2,177	(2,177)	(2,177)

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

	2009 \$'000	2008 \$'000
36. Remuneration of senior officers		
<u>Remuneration</u>		
The number of senior officers, whose total of salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$60,001 - \$70,000	-	1
\$80,001 - \$90,000	1	-
\$110,001 - \$120,000	1	-
\$120,001 - \$130,000	-	1
\$130,001 - \$140,000	1	1
\$150,001 - \$160,000	1	1
\$240,000 - \$250,000	1	1
The total remuneration for senior officers is:	<u>779</u>	<u>774</u>

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers. The Department pays part of the full entitlements for two senior officers being 25% of the salary for the chairperson of the Aboriginal Education and Training Council and 50% of the salary for the Director of Rural and Remote Education Advisory Council. This explains the reporting of remuneration of staff on less than \$100,000 p.a.. No senior officers are members of the Pension Scheme.

37. Remuneration of Auditor

Remuneration payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and performance indicators	29	30
	<u>29</u>	<u>30</u>

The expense is included at note 13 'Other expenses'

38. Supplementary Financial Information

Write-Offs

During the financial year the Department made no write-offs.

Losses Through Theft, Defaults and Other Causes

During the financial year the Department suffered no losses through theft, defaults and other causes.

Gifts of Public Property

During the financial year the Department provided no gifts of public property.

39. Administered Expenses and Income

	Note		
<u>Expenses</u>			
Transfer payments	(i)	278,809	250,723
<i>Total Administered Expenses</i>		<u>278,809</u>	<u>250,723</u>
<u>Income</u>			
For transfer	(ii)	276,452	258,311
<i>Total Administered Income</i>		<u>276,452</u>	<u>258,311</u>

40. Administered Assets and Liabilities	2009 \$'000	2008 \$'000
Current Assets		
Cash assets	7,709	9,908
Receivables	556	728
Low interest loans	5,266	6,668
<i>Total Administered Current Assets</i>	<u>13,531</u>	<u>17,304</u>
Non-Current Assets		
Low interest loans	4,556	9,823
<i>Total Administered Non-Current Assets</i>	<u>4,556</u>	<u>9,823</u>
Total Administered Assets	<u>18,087</u>	<u>27,127</u>
Current Liabilities		
Borrowings	5,266	6,668
Accrued Interest	23	38
Payables	-	-
<i>Total Administered Current Liabilities</i>	<u>5,289</u>	<u>6,706</u>
Non-Current Liabilities		
Borrowings	4,556	9,823
<i>Total Administered Non-Current Liabilities</i>	<u>4,556</u>	<u>9,823</u>
Total Administered Liabilities	<u>9,845</u>	<u>16,529</u>

Notes to the schedule of administered items

(i) Transfer payments

The Department is responsible for transfers of appropriations to eligible beneficiaries consistent with the requirements of the *School Education Act 1999*, the *School Education Regulations 2000* and applicable *Government Gazettes*. The Department does not control amounts for transfer but acts only as an agent. Except for the funding received for the unfunded superannuation liabilities of higher education institutions of \$3.7 million, and debt charges of \$57,000, the remaining \$266.7 million relates to per capita funding.

The Department of Treasury and Finance (DTF) provides for per capita grants funding, based on student growth and the movement in Average Government School Recurrent Cost (AGSRC) index. The Government's policy commitment to the non-government education sector, is that average per capita of total expenditure on non-government students, including payment of direct per capita grants to schools, should be "no less than 25%" of the adjusted AGSRC.

Financial assistance for non-government schools and independent schools	266,731	240,135
Interest payments to Department of Treasury and Finance	393	609
Other grants and subsidies	7,895	5,920
Subsidies for debt charges incurred by statutory authorities in the education sector	57	57
Subsidies for unfunded superannuation liabilities of higher education institutions	3,733	4,002
	<u>278,809</u>	<u>250,723</u>

The administered loans were funded by the Department of Treasury and Finance, prior to the enactment of the *Acts Amendment (Education Loan Scheme) Act 1998*.

This Act, together with the approval from the Department of Treasury and Finance under Section 23A of the *Financial Administration and Audit Act 1985*, allowed the Department to borrow moneys from the WATC for on-lending to the schools and to retain the loan repayments from the borrowers. Loans after the *Acts Amendment (Education Loan Scheme) Act 1998* are deemed controlled.

(ii) Transfer revenues

Financial assistance for non-government schools and independent pre-schools	264,390	247,723
Interest on loans and interest revenue on Professorial Trust Fund	377	609
Other grants and subsidies	7,895	5,920
Subsidies for debt charges incurred by statutory authorities in the education sector	57	57
Subsidies for unfunded superannuation liabilities of higher education institutions	3,733	4,002
	<u>276,452</u>	<u>258,311</u>

Key Performance Indicators

CERTIFICATION OF KEY PERFORMANCE INDICATORS

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Education Services' performance, and fairly represent the performance of the Department of Education Services for the financial year ended 30 June 2009.



Richard Strickland
ACCOUNTABLE AUTHORITY

Date: 16 September 2009

KEY PERFORMANCE INDICATORS - 2008-09

The Department's Effectiveness and Efficiency Indicators are measures of our success in achieving our Outcome through the delivery of our Services. The Department's Outcome for 2008-09 is:

Registered and/or accredited education and training providers comply with the appropriate legislative and/or other regulatory requirements.

This revised Outcome, which was approved by the Outcome Structure Review Group of the Department of Treasury and Finance in April 2007, encapsulates the principal function of the Department as the State's education and training regulatory agency.

This Outcome is consistent with the "Outcomes Based Service Delivery" Government Goal as outlined in the "Annual Reporting Framework 2008-2009" document: "Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians".

The description of the Department's Services approved by the Outcome Structure Review Group is:

Regulation, Funding, and Policy Advice.

Provision of funding and policy advice services are in addition to the principal regulatory services provided by the Department.

EFFECTIVENESS INDICATORS

General Note

Effectiveness can be measured by the percentage of registered or authorised education and training providers that comply with the relevant statutory requirements. Each statute (Act of Parliament) sets out a period for which each provider is registered or authorised and the provisions for determining and dealing with non-compliance. The higher the percentage of compliance, the more effective are the Department's processes for identifying non-compliance through inspecting, auditing and/or assessing providers.

Key Effectiveness Indicator 1		
Percentage of non self-accrediting higher education institutions complying with accreditation and authorisation requirements of the <i>Higher Education Act 2004</i>		
	TARGET %	ACTUAL %
2008-09	100.0	100.0
2007-08	100.0	90.9
2006-07	100.0	100.0

Notes to the Indicator

1. Australian universities are "self-accrediting" in that each university has authority under its own Act of Parliament to responsibly develop and provide its own higher education courses of study without reference to, or without requiring the approval of, other parties. The emergence of institutions that are not universities but who seek to develop and provide higher education has been witnessed in recent years. All States and Territories have moved to enact legislation to preserve the autonomy and authority of the universities and to require these other institutions to be "authorised" and to submit their intended courses for "accreditation" (ie recognition) against established benchmarks. For clarity, such institutions are called "non-self-accrediting" higher education institutions to distinguish them from universities.
2. This indicator is calculated by determining the number of "non-self-accrediting" higher education institutions during a financial year that fully comply with the requirements of the *Higher Education Act 2004* expressed as a percentage of the total number of authorised institutions. The total includes all existing and new institutions authorised to operate during a financial year.

3. Compliance is mainly assessed when an institution is inspected for either course accreditation and authorisation or renewal of course accreditation and authorisation, or through annual assessment of its operations. This may also occur at any time during the period of course accreditation and authorisation. An institution is considered to have complied if its course accreditation and authorisation was not revoked or suspended, or made subject to a relevant condition to satisfy the requirements of the Act. Institutions not subject to these procedures during a financial year are deemed to comply.
4. The Act provides for accreditation of courses and the consequent authorisation of an institution for a period of five years and for its operations and compliance with the Act to be assessed annually. Accreditation of courses and authorisation of institutions is determined under the Act by the Minister for Education on advice and recommendations received from Higher Education Advisory Committees appointed by the Minister (or by the Chief Executive Officer of the Department under the Minister's delegation) whose members, each with experience in higher education, assess institutions' compliance with the requirements of the Act.

Key Effectiveness Indicator 2		
Percentage of non-government schools complying with registration requirements of the <i>School Education Act 1999</i> *		
	TARGET %	ACTUAL %
2008-09	99.0	94.1
2007-08	98.0	96.8
2006-07*	98.0	100.0

* Reported Targets as published in the Budget Statements for 2006-07 shown were determined for both Catholic and non-Catholic schools. Separate targets for non-Catholic schools were not considered at those times. The Actuals and Targets from 2007-08 onwards are for non-Catholic schools only – refer to Note 4 below.

Notes to the Indicator

1. This indicator is calculated by determining the number of non-Catholic non-government schools during a financial year that fully comply with the requirements of the *School Education Act 1999* expressed as a percentage of the total number of registered non-Catholic non-government schools. The total includes all existing and new non-Catholic non-government schools registered to operate during a financial year.
2. Compliance is mainly assessed when a school is inspected for either registration or renewal of registration. This may also occur at any time during the period of registration. A school is considered to have complied if its registration was not cancelled or made subject to a condition, or no Ministerial direction to comply with a standard approved for registering schools was given. Schools not subject to these procedures during a financial year are deemed to comply.
3. The Act provides for registration and renewal of registration for a period of not less than one year and not more than seven years. Registration and re-registration is determined under the Act by the Minister for Education on advice and recommendations received from the Department following the inspection of schools.
4. Prior to 2007-08 the total number also included all Catholic schools but it was determined that because they are not subject to the Department's inspection processes they be excluded from the indicator. The Act makes provision for a "system agreement" between the Minister and the Director of the Catholic Education Office wherein responsibility for the supervision of all schools within the Catholic system is delegated to the Director who gives assurance to the Minister that Catholic schools comply with the requirements of the Act. Actual figures shown in the table for 2006-07 differ from past Annual Reports which were based on the total of Catholic and non-Catholic schools.

Key Effectiveness Indicator 3

Percentage of providers of education services to full fee international students complying with registration requirements of the *Education Service Providers (Full Fee Overseas Students) Registration Act 1991 (WA)* and the *Education Services for Overseas Students Act 2000 (C'th)*

	TARGET %	ACTUAL %
2008-09	100.0	100.0
2007-08	98.0	93.3
2006-07	98.0	100.0

Notes to the Indicator

1. This indicator is calculated by determining the number of providers during a financial year that fully comply with the requirements of the *Education Service Providers (Full Fee Overseas Students) Registration Act 1991 (WA)* and the *Education Services for Overseas Students Act 2000 (C'th)* (ESOS) expressed as a percentage of the total number of registered providers. The total includes all existing and new providers registered to operate during a financial year.
2. Compliance is mainly assessed when a provider is inspected for either registration or renewal of registration or through annual review of financial viability. This may also occur at any time during the period of registration. A provider is considered to have complied if their registration was not cancelled or suspended, or made subject to a relevant condition to satisfy the requirements of the two Acts. Providers not subject to these procedures during a financial year are deemed to comply.
3. The WA Act provides for registration and renewal of registration for no more than five years. Registration and re-registration is determined under the Act by the Chief Executive Officer of the Department on advice and recommendations received from Department staff and experienced educators and financial consultants contracted to the Department who audit and/or assess providers' compliance with the requirements of the Act.

Key Effectiveness Indicator 4

Percentage of Registered Training Organisations (RTOs) compliant with the Australian Quality Training Framework (AQTF) standards for RTOs

	TARGET %	ACTUAL %
2008-09	100.0	99.8
2007-08	100.0	100.0
2006-07	100.0	98.9

Notes to the Indicator

1. This indicator is calculated by determining the number of RTOs in a financial year that fully comply with the AQTF standards expressed as a percentage of the total number of RTOs registered. The total includes all existing and new RTOs registered to operate during a financial year.
2. Compliance is mainly assessed when an RTO is audited for either registration or renewal of registration. This may also occur at any time during the period of registration. An RTO is considered to have complied if it was not de-registered. RTOs not subject to these procedures during a financial year are deemed to comply until 10 June 2009. Under the *Vocational Education and Training Act 1996 (VET Act)*, there was no provision for the registration of RTOs to be made subject to conditions or for their operations to be suspended for not complying with the AQTF.
3. Until 10 June 2009, Ministerial Guidelines made under the VET Act provide for registration and renewal of registration for up to five years. Registration is determined under Section 27 of the VET Act by the statutory Training Accreditation Council on advice and recommendations received from experienced auditors contracted to the Department who audit RTOs' compliance with the requirements of the AQTF.
4. The amended VET Act came into effect on 10 June 2009. The notes at 2 and 3 above refer to the previous Act given that the greatest part of the reporting period fell within its jurisdiction. The references will be updated in the next reporting period.
5. One RTO in 2008-09 was deemed non compliant with the AQTF standards and as a result was de-registered. The remaining 507 RTOs (ie. 99.8%) were fully compliant with the requirements of the standards.

EFFICIENCY INDICATORS

General Note

Expenditure of \$801,160 on accommodation and other support provided by the Department to two independent Ministerial advisory councils co-located with the Department is excluded and no efficiency indicators for the councils' functions are therefore reported.

The councils are:

- ▮ The Aboriginal and Education Training Council (almost wholly funded by the Australian Government); and
- ▮ The Rural and Remote Education Advisory Council.

Key Efficiency Indicator 1						
Cost of regulatory services per registered provider/institution						
	2006-07		2007-08		2008-09	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Number of registered providers/institutions	827	793	832	911	907	964
Cost per provider/institution	\$3,603	\$6,689	\$6,059	\$4,767	\$5,680	\$5,165

Notes to the Indicator

1. The number of registered providers/institutions includes all that are registered, accredited or authorised under one or more of the relevant Acts of Parliament, or approved Ministerial guidelines, that are administered by the Department, ie universities; non self-accrediting higher education institutions; non-government schools; registered training organisations, and providers of education services to full fee international students.
2. The increase in the 2008-09 actual number of registered providers/institutions compared with 2007-08 is the result of new providers/institutions registered during the year. Accordingly, the increase in unit cost was commensurate with the increase in the number of providers/institutions for 2008-09.
3. The variance in the 2008-09 Actual number of registered providers/institutions compared with the 2008-09 Target occurred as a result of greater than expected market forces resulting in a higher number of providers entering the sector. The variance between the 2008-09 Actual cost per provider/institution compared with the 2008-09 Target occurred as a result of the increased market activity outlined above with a less than commensurate increase in FTEs for the regulatory branches.

Key Efficiency Indicator 2						
Cost of funding services per funded unit						
	2006-07		2007-08		2008-09	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Number of funded units	121,445	122,816	128,270	126,175	131,341	130,618
Cost per funded unit	\$8.99	\$6.05	\$6.09	\$4.76	\$5.49	\$5.28

Notes to the Indicator

1. A "funded unit" includes (a) a student for whom a per capita grant is paid; (b) a student to whom a scholarship is awarded; (c) an organisation recognised as a provider of a specifically funded contracted service; and (d) a loan for which an interest subsidy is paid.
2. The increase in the 2008-09 Actual number of funded units compared with 2007-08 is due primarily to natural growth in student numbers in the non-government school sector.
3. The increase in the 2008-09 Actual cost per funded unit compared with 2007-08 is due to the increase in the total cost of services for the Department for the year (used in the calculation of the efficiency indicators) which was proportionately higher than the increase in funded units.

Key Efficiency Indicator 3

Hourly cost of providing policy advice and support

	2006-07		2007-08		2008-09	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Hours spent on providing policy advice and support	8,004	7,607	9,039	18,544	18,581	22,119
Hourly cost on providing policy advice and support	\$131.13	\$88.15	\$86.38	\$77.26	\$92.60	\$90.32

Notes to the Indicator

1. This indicator was developed as a result of the Outcome Structure Review Group's acceptance that while the Department's principal function is as a regulatory agency, there is significant expenditure on provision of policy advice and support to the Minister for Education and the Minister for Training on higher education and legislative policy matters. The indicator was first calculated in 2006-07.
2. The significant increase in the Actual number of hours for 2008-09 compared with 2007-08 is explained by the appointment of additional staff to the relevant section in response to the Government's legislative agenda for the Education and Training portfolio and to satisfy requirements for information, policy and research papers across the higher education and related areas. The increase in the hourly cost in 2008-09 occurred as a result of an increase to the cost of services allocated to the Policy Advice and Support Section of the Department.