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**To the Chair, TAFE SA Board
TAFE SA**

Opinion

I have audited the financial report of TAFE SA for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of TAFE SA as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chair, TAFE SA Board, the Acting Chief Executive and the Chief Finance Officer

Basis for opinion

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

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

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

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

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the financial report of TAFE SA for the financial year ended 30 June 2022.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TAFE SA's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson
Auditor-General

20 September 2022

TAFE SA

**Financial Statements
For the year ended 30 June 2022**

TAFE SA
Certification of Financial Statements
for the year ended 30 June 2022

We certify that:

- the financial statements of TAFE SA:
 - are in accordance with the accounts and records of TAFE SA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position for TAFE SA at the end of the financial year and the result of its operation and cash flows for the financial year.

Internal controls employed by TAFE SA for the financial year over its financial reporting and its preparation of the financial statements have been effective.



Joanne Denley
Chair, TAFE SA Board
15 September 2022



Mark Hayward
A/Chief Executive
15 September 2022



Michaela Welby
Chief Finance Officer
15 September 2022

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Income</u>			
Grants and subsidies from Department for Innovation and Skills	2.1	236 495	231 332
Student and other fees and charges	2.2	77 278	82 634
Commonwealth-sourced grants and funding	2.3	3 756	5 541
Other grants and contributions	2.4	608	67
SA Government grants, subsidies and transfers	2.5	2 185	4 823
Resources received free of charge	2.6	2 805	2 938
Net gain from disposal of non-current assets	2.7	-	29
Other income		3 636	3 351
Total income		326 763	330 715
<u>Expenses</u>			
Employee benefits expenses	3.3	208 701	205 960
Supplies and services	4.1	66 733	61 552
Depreciation and amortisation	5.1, 5.3	26 116	26 156
Grants and subsidies		75	76
Net loss from disposal of non-current assets	2.7	163	-
Borrowing costs	7.2	6	13
Other expenses	4.2	3 645	3 787
Total expenses		305 439	297 544
Net result		21 324	33 171
Total comprehensive result		21 324	33 171

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

TAFE SA
Statement of Financial Position
as at 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6	110 773	136 839
Receivables	6.1	9 209	12 657
Inventories	5.4	1 443	708
Contract assets	2.2	6 511	2 481
Total current assets		127 936	152 685
<u>Non-current assets</u>			
Receivables	6.1	89	43
Property, plant and equipment	5.1	595 798	611 958
Intangible assets	5.3	7 131	7 273
Total non-current assets		603 018	619 274
Total assets		730 954	771 959
<u>Current liabilities</u>			
Payables	7.1	18 093	19 809
Employee benefits	3.4	16 407	21 757
Financial liabilities	7.2	241	491
Provisions	7.3	1 399	954
Contract liabilities	2.2	2 896	3 674
Other liabilities		330	337
Total current liabilities		39 366	47 022
<u>Non-current liabilities</u>			
Payables	7.1	4 176	4 728
Employee benefits	3.4	33 325	39 261
Financial liabilities	7.2	104	120
Provisions	7.3	4 638	2 807
Total non-current liabilities		42 243	46 916
Total liabilities		81 609	93 938
Net assets		649 345	678 021
<u>Equity</u>			
Contributed capital		591 074	641 074
Retained earnings		56 919	35 595
Asset revaluation surplus		1 352	1 352
Total equity		649 345	678 021

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2022

	Asset revaluation surplus	Retained Earnings	Contributed capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	1 352	2 424	641 074	644 850
Net result for 2020-21	-	33 171	-	33 171
Total comprehensive result for 2020-21	-	33 171	-	33 171
Balance at 30 June 2021	1 352	35 595	641 074	678 021
Net result for 2021-22	-	21 324	(50 000)*	(28 676)
Total comprehensive result for 2021-2022	-	21 324	(50 000)	(28 676)
Balance at 30 June 2022	1 352	56 919	591 074	649 345

*Payment made to the Department of Treasury and Finance (DTF) as part of DTF's Cash Alignment Policy, paid as a return of capital.

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Cash flows from operating activities</u>			
<u>Cash inflows</u>			
Grants and subsidies from Department for Innovation and Skills		236 495	234 060
Student and other fees and charges		77 551	84 400
Commonwealth sourced grants and funding		3 756	2 580
Other grants and contributions		608	3 058
SA Government grants, subsidies and transfers		2 185	4 823
GST recovered from the ATO		5 844	3 994
Other income		3 232	3 351
Cash generated from operations		329 671	336 266
<u>Cash outflows</u>			
Employee benefits		(218 203)	(206 022)
Supplies and services		(76 771)	(66 161)
Grants and subsidies		(75)	(76)
Other payments		(449)	(746)
Cash used in operations		(295 498)	(273 005)
Net cash provided by operating activities	8.1	34 173	63 261
<u>Cash flows from investing activities</u>			
<u>Cash inflows</u>			
Proceeds from the sale of property, plant and equipment	2.7	41	47
Cash generated from investing activities		41	47
<u>Cash outflows</u>			
Purchase of property, plant and equipment		(7 975)	(4 436)
Purchase of intangibles		(1 857)	(2 176)
Cash used in investing activities		(9 832)	(6 612)
Net cash used in investing activities		(9 791)	(6 565)
<u>Cash flows from financing activities</u>			
<u>Cash outflows</u>			
Return of capital		(50 000)	-
Repayment of principal portion of leases		(448)	(609)
Cash used by financing activities		(50 448)	(609)
Net cash provided by financing activities		(50 448)	(609)
Net (decrease) / increase in cash and cash equivalents		(26 066)	56 087
Cash and cash equivalents at the beginning of the reporting period		136 839	80 752
Cash and cash equivalents at the end of the reporting period		110 773	136 839

The accompanying notes form part of these financial statements.

TAFE SA

Notes to and forming part of the financial statements

For the year ended 30 June 2022

1. About TAFE SA

TAFE SA is a not-for-profit statutory corporation of the state of South Australia, established pursuant to the *TAFE SA Act 2012*.

TAFE SA has a 20% interest in the South Australian Tertiary Admissions Centre (SATAC).

TAFE SA is a member of SATAC who provides admission services to TAFE SA under a service agreement. SATAC became established as an incorporated association on 1 July 2017.

SATAC is an arrangement between the three South Australian universities, the Minister for Education, Training and Skills and Charles Darwin University in the Northern Territory.

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

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987*
- *Treasurer's Instructions and Accounting Policy Statements* issued by the Treasurer under the *Public Finance and Audit Act 1987*
- relevant Australian Accounting Standards.

The financial statements are prepared based on a 12-month reporting period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars \$'000. Any transactions in foreign currency are translated into Australian dollars at the exchange rate at the date the transaction occurs.

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

Significant accounting policies are set out throughout the notes.

TAFE SA is liable for fringe benefits tax (FBT) and goods and services tax (GST). Income, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

TAFE SA is not required to pay a dividend or make an Income Tax Equivalent payment for the 2020-21 and 2021-22 financial years.

TAFE SA

Notes to and forming part of the financial statements

For the year ended 30 June 2022

1.2. New and amended standards

TAFE SA has early adopted AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*, which clarifies the requirements for disclosure of material accounting policy information and clarifies the distinction between accounting policies and accounting estimates. There has been no impact on TAFE SA's financial statements.

1.3. Objectives and functions

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

The primary objectives of TAFE SA are to:

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

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

Functions of TAFE SA

In reference to the functions set out in the *TAFE SA Act 2012* and the *TAFE SA Charter*, TAFE SA's functions include:

- delivering government-funded VET services that meet the economic and social needs of South Australia
- supporting the Government's policy objectives of growing the depth and diversity of the training market and supporting value for money
- strengthening VET in Schools activity in support of the Government's policy objectives
- growing training delivery activity in the regions
- pursuing VET commercial activities that are outlined in the approved business plan by the Minister.

Funding

TAFE SA was predominantly funded by the Department for Innovation and Skills (DIS). From 1 July 2022 the ministerial responsibility for Skills has transferred to the Minister for Education, Training and Skills and TAFE SA is funded by the Department for Education.

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

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

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

1.4. Impact of COVID-19 pandemic on TAFE SA

In 2021-22 TAFE SA continued to be impacted by COVID-19 and response plans are activated as and when required.

At the announcement of the pandemic TAFE SA transitioned approximately 95% of its programs to enable digital or online delivery to ensure students were able to continue to access vocational training when they could not travel. The transition continued during 21-22 extending to regional and remote locations.

Student counselling and support services were transitioned to a blended model of service, including in person, online and by phone. This model has remained in place with online or phone support being the most utilised channel for most students.

TAFE SA has continued its implementation of student hubs which provides a place for students to access technology to assist with continuing their studies throughout all but the strictest lockdowns periods.

International enrolments at TAFE SA have decreased by 12% from 1021 in 2020-21 to 895 in 2021-22. International borders opened from January 2022 and TAFE SA is closely monitoring activity and alternative strategies to boost international student enrolments.

In 2020-21, TAFE SA reduced debt recovery activities in support of students that were experiencing financial difficulties due to COVID-19.

From July 2021 TAFE SA has resumed the regular processes for the collection of debts. Debt write-offs and impairment losses on receivables for the year ended June 2022 were \$439 000 (2021: \$334 000).

In 2021-22 there were continued additional expenses relating to hygiene and cleaning activities across campuses as a result of COVID-19. The additional expenses associated with these activities in 2021-22 is assessed as \$365 000.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

1.5. Budget performance

The budget performance table compares TAFE SA's outcomes against budget information presented to Parliament (2021-22 Budget Paper 4). The budget amounts have not been adjusted to reflect subsequent budget revisions or administrative restructures. The budget process is not subject to audit.

	Original budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000
Statement of Comprehensive Income			
<u>Income</u>			
Grants and subsidies from Department for Innovation and Skills	234 996	236 495	1 499
Student and other fees and charges	79 228	77 278	(1 950)
Commonwealth sourced grants and funding	5 480	3 756	(1 724)
Other grants and contributions	-	608	608
SA Government grants, subsidies and transfers	1 103	2 185	1 082
Resources received free of charge	-	2 805	2 805
Other income	2 718	3 636	918
Total income	323 525	326 763	3 238
<u>Expenses</u>			
Employee benefits expenses	225 125	208 701	16 424
Supplies and services	66 105	66 733	(628)
Depreciation and amortisation expense	25 686	26 116	(430)
Grants and subsidies	-	75	(75)
Net loss from disposal of non-current assets	-	163	(163)
Borrowing Costs	13	6	7
Other Expenses	7 137	3 645	3 492
Total expenses	324 066	305 439	18 627
Net result	(541)	21 324	21 865
Total comprehensive result	(541)	21 324	21 865
	Original budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000
<u>Investing expenditure summary</u>			
Total new and existing projects	9 622	2 412	7 210
Total annual programs	10 977	7 423	3 554
Total Right of Use leases	704	187	517
Total investing expenditure	21 303	10 022	11 281

Explanations are provided for variances where the variance exceeds both the greater of 10% of the original budgeted amount and 5% of original budgeted amount for total expenses. No items meet these criteria.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

1.6. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. Noteworthy are transactions with Department for Innovation and Skills - refer Note 2.1.

2. Income

2.1. Grants and subsidies from Department for Innovation and Skills (DIS)

	2022	2021
	\$'000	\$'000
Funding for delivery of VET training	212 415	212 156
Funding for VET capital projects	24 080	19 176
Total grants and subsidies from DIS	236 495	231 332

Grants and subsidies from DIS are recognised on receipt as the Memorandum of Administrative Arrangement provides for the allocation of funding without any withholding of funds associated with non-achievement of performance criteria.

2.2. Student and other fees and charges

	2022	2021
	\$'000	\$'000
Sales/fee for service revenue	44 587	44 985
Student enrolment fees and charges	26 657	33 083
Other user fees and charges	6 034	4 566
Total student and other fees and charges	77 278	82 634

Student and other fees and charges are recognised when performance obligations have been satisfied.

Performance obligations for student enrolment and charges for domestic and international students as well as short courses, are provided over time and inputs are expended evenly over the performance period.

Contract assets primarily relate to TAFE SA's rights to consideration for work completed but not billed at the reporting date in relation to Adult Migrant English Program and Skills for Education and Employment. Amounts are billed in accordance with agreed upon contractual terms (i.e. periodic intervals). Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to student and fee charges where student courses have not commenced at reporting date and the proportion of fees relating to courses commenced but not completed at reporting date.

The remaining performance obligations in relation to contract liabilities are expected to be recognised within the next 12 months.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

2.2 Student and other fees and charges (continued)

Contract balances

	2022	2021
	\$'000	\$'000
Contract assets	6 511	2 481
Total Contract Assets	6 511	2 481

	2022	2021
	\$'000	\$'000
Contract liabilities	2 896	3 674
Total Contract Liabilities	2 896	3 674

2.3. Commonwealth-sourced grants and funding

	2022	2021
	\$'000	\$'000
Aboriginal and Torres Strait Islanders projects	232	100
Revitalising TAFE campuses across Australia project	650	2 000
Other specific commonwealth revenue	2 874	3 441
Total Commonwealth-sourced grants and funding	3 756	5 541

Commonwealth sourced grants and funding are recognised on completion of agreed deliverables and in compliance with all obligations under the agreement.

2.4. Other grants and contributions

	2022	2021
	\$'000	\$'000
Grants and subsidies revenue	601	44
Miscellaneous contributions	7	23
Total other grants and contributions	608	67

Revenue is recognised upon receipt.

2.5. SA Government grants, subsidies and transfers

	2022	2021
	\$'000	\$'000
TVSP reimbursement from Department of Treasury and Finance	1 995	3 507
Rent relief	-	898
Grants from other entities within SA government	190	418
Total SA Government grants, subsidies and transfers	2 185	4 823

Revenue is recognised upon receipt.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

2.6. Resources received free of charge

	2022	2021
	\$'000	\$'000
Services received free of charge - Shared Services SA	2 174	2 293
Services received free of charge - Department of the Premier and Cabinet (DPC)	631	615
Contributed assets	-	30
Total resources received free of charge	2 805	2 938

Contributions of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated.

TAFE SA receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge and ICT services from DPC following Cabinet's approval to cease intra-government charging.

2.7. Net (Loss) / gain from disposal of property, plant and equipment

	2022	2021
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	41	47
Less carrying amount of assets disposed	(204)	(18)
Net (Loss) / gain from disposal of plant and equipment	(163)	29

Gains or losses on disposal are recognised at the date control of the assets is passed from TAFE SA and determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of TAFE SA include the Minister for Education, Training and Skills, the non-executive board members, the Chief Executive Officer and the members of the Executive Team who have responsibility for the strategic direction and management of TAFE SA.

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

	2022	2021
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	2 225	2 199
Post-employment benefits	223	207
Termination benefits	-	255
Total compensation	2 448	2 661

Transactions with key management personnel and other related parties

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

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.2. Board and committee members

Members during the 2022 financial year were:

TAFE SA Board

Joanne Denley (Chair)
Jennifer Cleary
Judith Curran
David Hughes
Craig Fowler
Andrew Marshall AM – Ceased 14 October 2021
Sam Scammell
Paul Brock – Appointed 15 October 2021
Michael Boyce OAM – Appointed 15 October 2021

Human Resources Committee

Joanne Denley (Chair)
Judith Curran
Sam Scammell
Paul Brock – Appointed 15 October 2021

Academic & Quality Committee

Craig Fowler (Chair)
Jennifer Cleary
Judith Curran
Joanne Denley
Michael Boyce OAM – Appointed 15 October 2021

Audit & Risk Committee

David Hughes (Chair)
Joanne Denley
Andrew Marshall AM – Ceased 14 October 2021
Sam Scammell

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.2 Board and committee members (continued)

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2022	2021
\$0 - \$19 999	1	-
\$20 000 - \$39 999	2	1
\$40 000 - \$59 999	5	6
\$60 000 - \$79 999	-	1
\$80 000 - \$99 999	1	-
Total number of members	9	8

The total remuneration received or receivable by members was \$398 000 (2021: \$386 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

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

3.3. Employee benefits expenses

	2022	2021
	\$'000	\$'000
Salaries and wages (including annual leave)	172 918	170 175
Employment on-costs - superannuation	17 218	16 772
Employment on-costs - other	9 424	9 364
Long service leave	(1 142)	2 269
Targeted voluntary separation payments	4 048	3 841
Workers' compensation	4 134	1 837
Skills and experience retention leave	1 085	982
Board and committee fees	365	352
Other employee related costs	651	368
Total employee benefits expenses	208 701	205 960

Employment on-costs – superannuation

The superannuation employment on-cost charge represents TAFE SA's contributions to superannuation plans in respect of current services of current employees. DTF centrally recognises the super liability in the whole of government financial statements.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.3 Employee benefits expenses (continued)

Employee remuneration

	2022	2021
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 001 to \$157 000*	n/a	1
\$157 001 to \$177 000	7	9
\$177 001 to \$197 000	7	5
\$197 001 to \$217 000	2	5
\$217 001 to \$237 000	6	1
\$237 001 to \$257 000	-	2
\$257 001 to \$277 000	2	2
\$277 001 to \$297 000	2	1
\$357 001 to \$377 000	-	1
\$397 001 to \$417 000	-	2
\$437 001 to \$457 000	-	1
\$477 001 to \$497 000	1	-
Total	27	30**

The total remuneration received by these employees for the year was \$5.8 million (2021: \$6.8 million).

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2020-21.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

**The table includes 3 non-executive employees who received / accepted Targeted Voluntary Separation Package termination payments in 2021.

Targeted voluntary separation packages

The number of employees who accepted a Targeted Voluntary Separation Package during the reporting period was 22 (2021: 47).

	2022	2021
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	1 985	3 841
Public Sector Workforce Rejuvenation Packages	2 063	-
Leave paid to separated employees	1 700	952
Recovery from the Department of Treasury and Finance	(1 995)	(3 507)
Net cost to TAFE SA	3 753	1 286

During the year, the Government offered employees the opportunity to participate in the South Australian Public Sector Workforce Rejuvenation Scheme. The above table includes 48 employees who accepted the offer under the scheme (\$2.1 million).

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For the year ended 30 June 2022

3.4. Employee benefits liability

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Annual leave	7 353	6 839
Accrued salaries and wages	555	6 512
Non-attendance days	4 368	4 338
Long service leave	2 222	2 132
Skills and experience retention leave	1 909	1 936
Total current employee benefits	16 407	21 757
<u>Non-current</u>		
Long service leave	33 325	39 261
Total non-current employee benefits	33 325	39 261
Total employee benefits	49 732	61 018

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

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

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

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

Salary inflation rate for annual leave, non-attendance days, and skills, experience and retention leave liability changed to 1.5% (2.0%: 2021).

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

Long service leave

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

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

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

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. This represents the estimated duration over which the liability is expected to be settled. The yield on long term Commonwealth Government bonds changed to 3.5% from 1.0% in 2021.

The actuarial assessment performed by DTF did not change the salary inflation rate (2021: 2.5%) for long service leave liability. This represents the estimated future salary increases that affect the long service leave benefits payable.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$5.8 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using several demographic and financial assumptions – including the long-term discount rate.

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3.4 Employee benefits liability (continued)

Long service leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from the CHRIS21 payroll system.

Long service leave entitlement data for HPIs is only updated in CHRIS21 once actual leave requests have been manually verified against Human Resource records on a case-by-case basis. The empirical evidence of HPI employees taking long service leave entitlements indicates that the HPI long service leave balance is immaterial.

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

4. Expenses

4.1. Supplies and services

	2022	2021
	\$'000	\$'000
General administration and consumables	19 928	21 543
Fees - contracted services	11 455	6 469
Books materials and copyright	8 229	7 994
Minor works, maintenance and equipment	10 398	10 705
Information technology and communication	9 177	7 781
Accommodation	847	1 271
Temp agency costs	3 141	3 068
Short term leases	463	562
Funding to external vocational education and training providers	195	182
Consultants	560	488
Legal costs	394	269
Other	1 946	1 220
Total supplies and services	66 733	61 552

TAFE SA
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4.2. Other expenses

	2022	2021
	\$'000	\$'000
Resources provided free of charge	2 805	2 908
Other*	401	545
Bad debts written off	437	(1)
Impairment loss on receivables	2	335
Total other expenses	3 645	3 787

*Includes audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$253 900 (2021: \$253 900). No other services were provided by the Auditor-General's Department.

5. Non-financial assets

5.1. Property, plant and equipment owned or leased by TAFE SA

Property, plant and equipment owned by TAFE SA with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property plant and equipment owned by TAFE SA is recorded at fair value. Detail about TAFE SA's approach to fair value is set out in note 11.1.

Plant and equipment includes \$11.8 million of fully depreciated plant and equipment still in use.

Depreciation and Amortisation

All non-current assets, not held for sale, with a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	11 - 43
Plant and equipment	1 - 40
Library collections	3 - 15
Right-of-use assets	Lease term
Intangibles	5 - 10

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Review of accounting estimates

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

TAFE SA
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For the year ended 30 June 2022

5.1. Property, plant and equipment owned and leased by TAFE SA (continued)

Reconciliation of property, plant and equipment – 2021-22

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Library Collection \$'000	Work in progress \$'000	ROU Buildings \$'000	ROU Vehicles \$'000	Total \$'000
Carrying amount at 1 July 2021	136 060	461 020	10 124	711	3 441	-	602	611 958
Additions	-	11	1 515	2	6 447	-	187	8 162
Disposals	-	-	(204)	-	-	-	(1)	(205)
Capitalisation	-	3 403	2	-	(3 405)	-	-	-
Depreciation	-	(21 329)	(2 259)	(78)	-	-	(451)	(24 117)
Transfers between asset classes	-	267	(267)	-	-	-	-	-
Carrying amount at 30 June 2022	136 060	443 372	8 911	635	6 483	-	337	595 798
Gross carrying amount								
Gross carrying amount	136 060	500 538	31 211	16 549	6 483	-	1 271	692 112
Accumulated depreciation	-	(57 166)	(22 300)	(15 914)	-	-	(934)	(96 314)
Carrying amount at 30 June 2022	136 060	443 372	8 911	635	6 483	-	337	595 798

Reconciliation of property, plant and equipment – 2020-21

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Library Collection \$'000	Work in progress \$'000	ROU Buildings \$'000	ROU Vehicles \$'000	Total \$'000
Carrying amount at 1 July 2020	136 060	480 397	10 358	738	253	55	997	628 858
Additions	-	267	903	55	5 112	-	217	6 554
Disposals	-	-	(18)	-	-	(50)	(4)	(72)
Contributed assets	-	-	30	-	-	-	-	30
Capitalisation	-	1 429	495	-	(1 924)	-	-	-
Depreciation	-	(21 073)	(1 644)	(82)	-	(5)	(608)	(23 412)
Carrying amount at 30 June 2021	136 060	461 020	10 124	711	3 441	-	602	611 958
Gross carrying amount								
Gross carrying amount	136 060	496 856	30 744	16 548	3 441	-	1 473	685 122
Accumulated depreciation	-	(35 836)	(20 620)	(15 837)	-	-	(871)	(73 164)
Carrying amount at 30 June 2021	136 060	461 020	10 124	711	3 441	-	602	611 958

TAFE SA
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5.2. Property, plant and equipment leased by TAFE SA

Property, plant and equipment leased by TAFE SA as lessee is measured at cost. There are no indicators of impairment. Additions to leased vehicles during 2021-22 were \$187 000 (2020-21: \$217 000).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

TAFE SA has a limited number of leases, namely 81 (103: 2021) motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use vehicles and the maturity analysis of its lease liabilities are disclosed in note 7.2. Depreciation expenses related to the leases is disclosed in note 5.1. Cash outflows related to leases are disclosed in note 8.1.

Depreciation on right-of-use vehicles is calculated on a straight-line basis over the life of the lease.

5.3. Intangible assets

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software predominantly relates to TAFE SA's Student Information System (SIS) with a remaining useful life of (5-10 years).

Intangible work in progress relates to the Enterprise Resource Scheduling Solution.

TAFE SA
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5.3. Intangible assets (continued)

Reconciliation of intangible assets 2021-22

	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
Carrying amount at 1 July 2021	6 617	656	7 273
Additions	-	1 857	1 857
Capitalisations	319	(319)	-
Amortisation	(1 999)	-	(1 999)
Carrying amount at 30 June 2022	4 937	2 194	7 131
Gross carrying amount			
Gross carrying amount	26 290	2 194	28 484
Accumulated amortisation	(21 353)	-	(21 353)
Carrying amount at 30 June 2022	4 937	2 194	7 131

Reconciliation of intangible assets 2020-21

Carrying amount at 1 July 2020	6 346	1 044	7 390
Additions	-	2 627	2 627
Capitalisations	3 015	(3 015)	-
Amortisation	(2 744)	-	(2 744)
Carrying amount at 30 June 2021	6 617	656	7 273
Gross carrying amount			
Gross carrying amount	25 969	656	26 625
Accumulated amortisation	(19 352)	-	(19 352)
Carrying amount at 30 June 2021	6 617	656	7 273

5.4. Inventories

	2022 \$'000	2021 \$'000
Current		
Held for sale	32	95
Held for distribution at no or nominal amount	1 411	613
Total current inventories	1 443	708

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

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Cost of all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

TAFE SA
Notes to and forming part of the financial statements
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6. Financial assets

The financial activities of TAFE SA are primarily conducted through a Special Deposit Account with DTF pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by the *Subsidised Training* program from DIS, Commonwealth-sourced grants and revenues from fees and charges.

All deposits are with the Treasurer.

6.1. Receivables

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	752	239
From non-government entities	5 877	9 437
Less ECL impairment loss on receivables	<u>(3 058)</u>	<u>(3 056)</u>
Total trade receivables	<u>3 571</u>	<u>6 620</u>
GST input tax recoverable	1 790	2 512
Prepayments	3 832	3 516
Workers' compensation recoveries	<u>16</u>	<u>9</u>
Total current receivables	<u>9 209</u>	<u>12 657</u>
<u>Non-current</u>		
Workers' compensation recoveries	<u>89</u>	<u>43</u>
Total non-current receivables	<u>89</u>	<u>43</u>
Total receivables	<u>9 298</u>	<u>12 700</u>

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Other than as recognised in the impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.2 for information on the expected credit loss model.

Provision for impairment loss on receivables

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	3 056	2 721
Increase / (decrease) in the allowance recognised in Profit or loss	2	335
Carrying amount at end of the period	<u>3 058</u>	<u>3 056</u>

TAFE SA
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7. Liabilities

7.1. Payables

	2022	2021
	\$'000	\$'000
Current		
Accrued expenses	13 596	14 865
Employment on-costs	3 638	3 956
Trade payables	843	966
Paid parental leave scheme payable	14	10
Other	2	12
Total current payables	18 093	19 809
Non-current		
Employment on-costs	4 096	4 648
Creditors	80	80
Total non-current payables	4 176	4 728
Total payables	22 269	24 537

Payables measured at nominal amounts. Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits they relate to are discharged.

TAFE SA contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave has changed from the 2021 rate (65%) to 66% and the average factor for the calculation of employer superannuation on-costs changed from the 2021 rate (10.1%) to 10.6%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in current financial year is immaterial.

Paid parental leave scheme

Paid parental leave scheme payable represents amounts which TAFE SA has received from the Commonwealth Government to forward onto eligible employees via TAFE SA's standard payroll processes. That is, TAFE SA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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7.2. Financial liabilities

All financial liabilities are lease liabilities, which have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF's incremental borrowing rate. There were no defaults or breaches on the financial liabilities throughout the year.

The borrowing costs associated with these lease liabilities was \$6 000 (2021: \$13 000).

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

	2022	2021
	\$'000	\$'000
Lease liabilities		
Up to 1 year	266	417
1 to 2 years	87	169
2 to 3 years	19	31
Total lease liabilities - Undiscounted	<u>372</u>	<u>617</u>

Refer to Note 11.2 for information on risk management.

7.3. Provisions

	2022	2021
	\$'000	\$'000
Current		
Provision for workers compensation	1 399	954
Total current provisions	<u>1 399</u>	<u>954</u>
Non-current		
Provision for workers compensation	4 638	2 807
Total non-current provisions	<u>4 638</u>	<u>2 807</u>
Total provisions	<u>6 037</u>	<u>3 761</u>
	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	3 761	3 143
Increase in provisions recognised	2 276	618
Carrying amount at the end of the period	<u>6 037</u>	<u>3 761</u>

All provisions relate to outstanding workers' compensation claims.

TAFE SA is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, TAFE SA is responsible for the management, payment of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventative programs.

Accordingly, a liability has been reported to reflect outstanding workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. There has been an increase in the number of claims over the last 12 months, this largely relates to historic incidents with respect to hearing loss.

There is a significant degree of uncertainty associated with estimating future claim and expense payments and also the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

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8. Other disclosures

8.1. Cash flow

	2022	2021
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	110 773	136 839
Balance as per the Statement of Cash Flows	<u>110 773</u>	<u>136 839</u>
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	34 173	63 261
Add / (less) non-cash items		
Depreciation and amortisation	(26 116)	(26 156)
Net gain/(loss) from disposal of non-current and other assets	(163)	29
Resources received free of charge	2 805	2 908
Other expenses	(2 801)	(2 908)
Contributed assets	-	30
Movement in assets and liabilities		
(Decrease) / increase in receivables	(3 402)	2 673
Increase / (decrease) in inventories	735	(36)
Increase / (decrease) in contract assets	4 030	(1 223)
Decrease / (increase) in payables	2 268	(6 539)
Decrease in employee benefits liabilities	11 286	877
Decrease / (increase) in other liabilities	7	(59)
(Increase) in provisions	(2 276)	(618)
Decrease in contract liabilities	778	932
Net result	<u>21 324</u>	<u>33 171</u>

The cash outflows for leases are \$448 000 (2021: \$609 000).

9. Changes in accounting policy

There were no changes in accounting policies during the year. Refer to Note 1.1 (basis of preparation).

TAFE SA
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10. Outlook

10.1. Unrecognised contractual commitments

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

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

Capital commitments

	2022	2021
	\$'000	\$'000
Within one year	1 500	1 145
Later than one year but not later than five years	300	-
Total capital commitments	1 800	1 145

The increase in committed expenditure relates to upgrading infrastructure at campuses.

Other commitments

	2022	2021
	\$'000	\$'000
Within one year	15 298	9 491
Later than one year but not later than five years	8 775	2 350
Later than five years	21	-
Total other commitments	24 094	11 841

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

10.2. Contingent assets and liabilities

The estimated cost of rectification / remediation training of Aviation Engineering Maintenance students who have been impacted by the Civil Aviation Safety Authority audit assessed in 2018-19 is \$1.0 million. The claims are being settled directly between TAFE SA, South Australian Government Financing Authority as the insurer and the respective claimants. It is anticipated that the current claims value is a lesser amount.

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10.3. Impact of standards and statements not yet effective

TAFE SA continues to assess the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer.

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. TAFE SA continues to assess liabilities e.g. LSL and whether or not TAFE SA has a substantive right to defer settlement. Where applicable these liabilities will be classified as current.

10.4. COVID-19 pandemic outlook for TAFE SA

The COVID-19 pandemic will continue to impact the operations of TAFE SA in 2022-23 notwithstanding the progressive lifting of controls, including border controls. TAFE SA will continue to focus on alternative delivery methods to increase access and choice for students and industry.

Expenses

TAFE SA will continue to incur additional costs associated with maintenance of social distancing measures and appropriate levels of hygiene and sanitation. These costs are partially offset by the reduced travel and other related costs as a consequence of increased digitised delivery.

Doubtful debt provisioning, and bad debt write-offs may be higher over the following financial years due to the inability for students to quickly recover from the individual financial impacts of COVID-19. Bad debt write-offs will invariably flow from the resumption of regular debt collection processes.

Revenue

TAFE SA recognise a continued risk to revenue sources due to the delayed impact of international student enrolments into 2022-23 following the opening of the borders in January 2022.

10.5. Events after the reporting period

There are no identified events after the reporting period.

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11. Measurement and risk

11.1. Fair value

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

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment, other than right of use assets, are subsequently measured at fair value after allowing for accumulated depreciation.

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

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

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly
- Level 3 – not traded in an active market and are derived from unobservable inputs.

TAFE SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2021 and 2022, TAFE SA had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

TAFE SA held all assets as recurring and level 3.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items is deemed to approximate fair value.

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11.2. Financial instruments

Financial risk management

Risk management is managed by TAFE SA's corporate services. TAFE SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

TAFE SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

TAFE SA is funded principally from DIS. TAFE SA works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The *Public Corporations Act 1993* applies to TAFE SA and in accordance with paragraph 28(1) of this Act, the liabilities of a public corporation are guaranteed by the Treasurer.

Credit risk

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

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

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. TAFE SA uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

The loss allowance matrix has factored in the potential impact of COVID-19 in receivables with a forward-looking adjustment which has decreased the impairment of receivables.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, TAFE SA considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on TAFE SA's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which TAFE SA is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of receivables progressing through stages to write off based on the common risk characteristics of the transactions and debtors.

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11.2. Financial instruments (continued)

TAFE SA has adopted the simplified impairment approach under AASB 9 *Financial Instruments* and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure impairment allowance.

The following table provides information about the exposure to credit risk and expected credit loss for non-government debtors.

	Debtor gross carrying amount*	Loss	Lifetime expected losses
	\$'000	%	\$'000
Current (not past due)	1 175	28.9%	340
1 to 30 days past due	1 848	27.2%	502
31 to 60 days past due	956	36.3%	347
61 to 90 days past due	575	43.8%	252
More than 90 days past due	3 221	50.2%	1 617
Loss Allowance	7 775		3 058

Impairment losses relate to receivables arising from contracts with customers that are external to SA government.

**Five year average to 30 June 2022.*

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and TAFE SA's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within the net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. All non-corporate clients with outstanding debts receive three overdue reminders (corporate two overdue reminders) prior to being transferred to the debt collection agency. All debts returned by the debt collection agency as either 'uneconomical to collect' or where no activity has occurred after 180 days, are written off by TAFE SA. Debt recovery activities resumed from 1 July 2021 after a year hiatus due to COVID-19.

TAFE SA considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of TAFE SA's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

Market risk

TAFE SA does not trade in foreign currency, nor enter into transactions for speculative purposes. TAFE SA manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

There is no exposure to interest rate risk as TAFE SA does not have interest bearing liabilities.

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11.2. Financial instruments (continued)

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note. Financial assets and financial liabilities are measured at amortised cost. Amounts relating to statutory receivables and payables (e.g. Commonwealth taxes, Auditor-General's Department audit fees etc) and prepayments are excluded as they are not financial assets or liabilities.

TAFE SA measures Trade receivables and payables at amortised cost. Lease liability is measured at present value of future cash flows.