



NSW SKILLS BOARD
**ANNUAL
REPORT
2016**



NSW Skills Board

Annual Report 2015–2016

The Honourable John Barilaro MP
Minister for Skills
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Minister

In accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, it is our pleasure to submit a copy of the 2016 Annual Report of the NSW Skills Board, which covers the work of the Board from 1 July 2015 to 30 June 2016.

Yours sincerely



Philip Marcus Clark AM
Chair



Denise Bradley AC
Member

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ISSN 2204-2423

This publication can be found of the Board's website at www.skillsboard.nsw.gov.au

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Chair's Overview



The NSW Skills Board had a busy and productive year. The Board met eight times during the year, including twice with the Hon John Barilaro MP, Minister for Skills, present. In April the Board visited Griffith to meet local businesses, apprentices and trainees to discuss their vocational education and training (VET) experiences and the Smart and Skilled program.

During the reporting period the Board continued to provide advice to the NSW Government on the implementation of VET reform in NSW. That included managing reviews of Smart and Skilled by Nous Group and responding to a review by the NSW Legislative Council. The Board advised the Minister for Skills on responses to those reviews. He announced a number of significant initiatives during the year to improve Smart and Skilled and he has now issued a Directions Statement for Vocational Education and Training which outlines the next phase of Smart and Skilled reform.

The Board also oversaw an active research program which will provide a valuable evidence base for future analysis and decisions. That research program is detailed in the Report which follows.

The Board was pleased to see evidence of an increase in VET enrolments in NSW early in 2016. That encouraging trend continues, particularly in relation to apprenticeships. The initiatives taken by the NSW Government have clearly had a beneficial impact.

The Board's focus remains on providing greater access and choice for students and employers, improving student outcomes and better meeting industry needs and the needs of the NSW economy. The measure of success is outcomes for all stakeholders. Increased enrolments are desirable but the Board takes the view that outcomes like higher completion rates, more effective career enhancement and a better skilled workforce are equally, if not more important.

Our objective is to ensure that NSW has the best VET system in Australia. We will continue to proceed cautiously. We will not be rushing in and making the sorts of mistakes we have seen in other jurisdictions.

It is important to understand that Smart and Skilled only directs approximately one third of the total government funding which goes into the VET system in NSW. Another third comes from direct allocations by the NSW Government to TAFE NSW. The final third comes from VET FEE-HELP funding provided by the Australian Government.

The Minister for Skills has announced significant reforms to TAFE NSW to make it a more efficient and more effective public provider. The Australian Government has recently announced a series of welcome initiatives following a review of VET FEE-HELP. Both levels of government must now, as a matter of urgency, work together to put in place appropriate national VET funding

arrangements to succeed the National Agreement which expires this year.

The Board has greatly appreciated the level of support provided by the NSW Government and particularly by Minister Barilaro. The Minister for Skills has demonstrated strong commitment to ensuring that all of NSW enjoys the best VET system in Australia and to working pro-actively to make that happen in NSW regions as well as in the cities. That strong support has encouraged the Board to recommend and endorse significant improvements to Smart and Skilled, with more to come.

On 1 July 2015 State Training Services and the Board were moved from the Department of Education and Communities to the Department

of Industry, Skills and Regional Development, to ensure that NSW VET programs are closely aligned with economic, regional, industry and small business development priorities. That has been a very good move and I wish to thank the Department and the Skills Board Secretariat for the excellent support they have provided during the year. I also wish to acknowledge the significant contribution made by Dr Kathy Esson who retired as the Board's Executive Officer during the year.

Finally I thank my fellow Board members for their contributions during the year, with particular thanks to those Board members who have chaired the Board's Reference Groups and Sub-Committees so well. I am privileged to chair such an able and effective team.

**Philip Marcus Clark AM
Chair
NSW Skills Board**

The Role of the Board

The NSW Skills Board was established in late 2013 to provide independent advice to the NSW Government on the vocational education and training (VET) system in NSW, and on how best to meet the skills and training needs of NSW industry, employers, regions and the economy. The Board is responsible for overseeing major reform of the VET system in NSW under Smart and Skilled. Smart and Skilled has introduced an entitlement to training up to Certificate III, or in selected higher level courses, and increased contestability, transparency, quality and choice.

Aims and Objectives

The Board's aims and objectives, as specified in section 6 of the *NSW Skills Board Act 2013*, are:

- (a) to provide the Minister with an independent, strategic perspective on the vocational education and training system in New South Wales
- (b) to oversee major reform of the vocational education and training system in New South Wales and its implementation, including reform that maintains the TAFE Commission as the major provider of vocational education and training, accessible across New South Wales
- (c) to monitor and advise the Minister on the performance of the vocational education and training system in New South Wales, including financial performance, fiscal sustainability, levels of training activity and the achievement of State priorities
- (d) to advise the Minister on the allocation of the State and Commonwealth vocational education and training funding and the New South Wales vocational education and training budget
- (e) to collect and analyse labour market intelligence, in particular intelligence on skills shortages and future skills and workforce development needs in New South Wales
- (f) to coordinate the development of strategic skills plans that reflect the priorities and directions of the New South Wales Government regarding vocational education and training
- (g) to oversee quality assurance in the vocational education and training system in New South Wales
- (h) to ensure the availability of accurate consumer information on vocational education and training in New South Wales and appropriate consumer protections
- (i) to commission and conduct enquiries and research into any matter relevant to the functions of the Board
- (j) to advise on strategies for more effective educational pathways between secondary school, vocational training and higher education in New South Wales
- (k) to consult widely with reference groups and other representative bodies and persons in the vocational education and training industry
- (l) to investigate and advise the Minister on any matter relating to training, skills development and higher education referred to the Board by the Minister or on its own initiative
- (m) such other functions conferred or imposed on it by or under this or any other Act.

Members of the Board and Governance

Board Members

The Board consists of nine part-time members, eight of whom are appointed by the Minister for Skills. For the second half of 2015, the Secretary of the Department of Industry was an ex-officio member and was replaced in 2016 by the Deputy Secretary of the Department of Industry. Members selected have significant experience and expertise in skills and tertiary education, project and risk management, business and industry, government, economics and finance. In 2015-16, Jack Manning Bancroft and Leslie Loble resigned from the Board. David Liddiard joined the Board. Board members whose terms expired on 30 June 2016 have been reappointed until June 2019.



Philip Marcus Clark AM (Chair)

Philip is a member of the J P Morgan Advisory Council.

He was Managing Partner and CEO of Minter Ellison and worked with that firm from 1995 until June 2005.

Prior to joining Minter Ellison, Phil was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner of Mallesons Stephen Jaques for 16 years. Earlier in his career he worked with a Pratt Industries subsidiary and with Shell Australia. Phil now serves on a number of listed company, private company and university boards and advisory boards.

Phil has extensive board experience in the tertiary education sector.

His work in the not-for-profit sector has also included positions in education foundations, as a Director of High Resolves Foundation, the Australian Indigenous Mentoring Experience (AIME) and Karen Lynch Foundation. Phil also served as a Director of the Garvan Foundation from 2005 to 2008 and of the St James Ethics Centre from 2004 to 2013.

Phil has Bachelors degrees in Arts and

Law from Sydney University and an MBA from Columbia University.

He was appointed as a Member in the General Division of the Order of Australia in 2007.



Adam Boyton

Adam Boyton is Deutsche Bank Australia's Chief Economist.

Adam has almost twenty years' experience across economics, public policy and foreign exchange. He started his career in the Federal Treasury and the Department of the Prime Minister and Cabinet before joining Deutsche Bank in 2000.

After spending three years in New York as Deutsche Bank's US-based currency strategist, Adam was appointed the Australian Chief Economist in July 2010.

Deutsche Bank's Australian economics research is consistently ranked as one of the top economic research teams in financial market survey.

Adam is regularly quoted in the press and on radio, and appeared frequently on CNBC when he was based in New York.

He is also a regular contributor to the

economic and public policy debate in Australia. He has had various opinion pieces published in The Australian and the Australian Financial Review newspapers, and also contributed an essay to 'What If' – a book that canvassed a range of unconventional public policy ideas.

Adam has been Policy Director and Chief of Staff to a NSW Opposition Leader.

In addition to being a member of the NSW Skills Board, he is also a Trustee of the Centennial Park and Moore Park Trust.



Denise Bradley AC

Emeritus Professor Denise Bradley AC is a noted Australian higher education administrator, with specialist interests in educational equity and excellence.

She led the Review of Australian Higher Education in 2008 (the Bradley Review).

Professor Bradley served as Vice-Chancellor and President of the University of South Australia from 1997 to 2007. She was Chair of the South Australian Training and Skills Commission between 2008 and 2010 and has been a non-Executive Director of SEEK Limited since February 2010.

Professor Bradley was a member of the TAFE Council of the Commonwealth Tertiary Education Commission, has also been the foundation Director of the Australian Universities Quality Agency and was a member of the Board of Directors of the Business/Higher Education Round Table (1999–2007).

Professor Bradley began her professional career as a teacher in secondary schools and colleges, and was Women's Adviser to the South Australian Education Department from 1977 to 1980.

She has a Bachelor of Arts degree from Sydney University, a Diploma of Education

from Adelaide University, a Diploma of Librarianship from the University of NSW, and a Masters degree in Social Administration from Flinders University. She holds Honorary Doctorates from Pukyong University (Korea), the University of South Australia, RMIT University and the University of Western Sydney.

Denise chairs the Board's Provider Reference Group.



Mark Goodsell

Mark Goodsell is the Director-NSW for the Australian Industry Group (Ai Group). Ai Group is a peak industry association in Australia, which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Mark has been with Ai Group since 1985, initially as an industrial relations adviser to the manufacturing, heavy engineering and construction sectors.

In 15 years as NSW Director, Mark has been responsible for pursuing business and industry policy issues on behalf of these businesses with both State and Commonwealth Governments including employment regulation, OHS and workers compensation, regulatory and occupational licensing issues, state and regional development, innovation, skills formation and vocational education.

Mark is the Chair of the NSW Industry Capability Network (ICN), and a member of Safe Work Australia.



Kay Hull AM

Kay Hull AM is a former Australian politician. She was a National Party member of the Australian House of

Representatives from October 1998 to August 2010, representing the Division of Riverina, New South Wales. Kay was the first female NSW National to be elected to Federal Parliament and the first female Nationals Chief Whip.

Kay served on a range of parliamentary committees including: the Economics, Finance and Public Administration Committee; Aboriginal and Torres Strait Islander Affairs Committee; and Legal and Constitutional Affairs Committee. As Chair of the House of Representatives Standing Committee on Family and Community Services, Kay's report, *Every Picture Tells a Story*, created the initiative for substantial reforms to family law and the child support system.

Kay was appointed by the Australian Government to represent Australia on the International Parliamentary Union/UNAIDS HIV committee based in Geneva from 2008 to 2012.

Before entering Federal Parliament, Kay served on the Wagga Wagga City Council from 1991 to 1998, including five years as Deputy Mayor, and was Chair of the Council of Tourist Associations in NSW from 1995 to 1998. She was also a member of the Board of Tourism NSW from 1995 to 1998, and received the Rod Murdoch Award for Contribution to Tourism in NSW in 1998.

Kay has been a medium enterprise owner operator in the Motor Vehicles Trades and Services sector since 1978. She was awarded the Golden Crow Roll of Honour Award for contribution to the business community of Wagga Wagga in 2010, and received the Freedom of the City of Wagga

Wagga in March 2011.

She convened the Parliamentary Cancer Network from 1999 to 2010, and has been a Board member of Can Assist, a not-for-profit organisation, since 2010, and President since 2012.

In October 2014, Kay was appointed as the Chair of The Australian National Advisory Council on Alcohol and Drugs by the Commonwealth Minister for Health. She was awarded an AM in the 2015 Queens birthday Honours for her contribution to the Parliament of Australia and her leadership in the Riverina.



David Liddiard OAM

Mr David Liddiard OAM has devoted himself to youth welfare and development, Indigenous health and education and Indigenous employment and participation for over 30 years.

David was a successful sportsman, playing in the National Rugby League, was the recipient of the Dally M Rookie of the Year in 1983, played in two grand finals for Parramatta Eels in 1983 and 1984 and won the Premiership in 1983.

In 1995 he founded the National Aboriginal Sporting Chance Academy (NASCA) which provides real opportunities for Indigenous youth in sport and education. Having seen first hand what opportunities can be opened through sport David has long promoted sport as a bridge to a brighter future.

David has spearheaded initiatives which provide practical support to businesses large and small with workplace participation strategies for Indigenous talent. He has worked with programs at both national, state and territory levels, which focus on economic leadership development and has presented at numerous forums, conferences and events.

David has led numerous educators and corporate CEOs on cultural immersion programs to remote Indigenous communities aiming to close the gap between Indigenous and Non-Indigenous Australians through interactive cultural experiences and educational activities.



Marie Persson

Marie Persson has held senior executive positions in the Australian public sector at state and national levels for over 30 years. From 2005 to 2010 she was head of TAFE NSW and the Adult and Community Education Sector. During this time she led a major reform of the organisation's strategic direction and structure: TAFE in the 21st Century.

Marie is the recipient of several awards recognising her skills and contributions including the NSW Telstra Business Woman of the Year (2003), the Australian Telstra Community and Government Award (2003) and the International Literacy Year medal (1990).

From 2008 to 2014 Marie was a member of the board of the Australian Workforce and Productivity Agency, formerly Skills Australia, which provided advice to the Australian government on current, emerging and future skills and workforce development needs.

Marie has a Masters of Education from the University of NSW, is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. As a Board member and reviewer, she has brought her policy and

leadership skills to the NSW Board of Studies, the YWCA, the NSW TAFE Commission, the University of Melbourne's LH Martin Institute, as well as the Australian Government's Expert Panel on Australian Apprenticeships.

Marie chairs the Board's Industry Reference Group.



Gemma Van Halderen

Gemma Van Halderen leads the Australian Bureau of Statistics' Strategic Partnerships and Projects Division. This Division leads the transformation of ABS' statistical programs and strategies for data use, integration and access.

Gemma shapes strategy, change and transformation of ABS' business, policies and engagement with partners including Commonwealth and State/Territory governments.

Her interests are in improving the range, accessibility and visibility of statistics and data for research, analysis and public policy.

Gemma has a Bachelor of Science (Hons) from the Australian National University, is an Accredited Statistician, and an elected member of the International Statistics Institute. She has held senior executive positions in the Australian public sector for over 20 years.

Gemma is a member of the Australian Institute of Management, and an ACT finalist in the 2013 Telstra Business Women's Awards.



Gary Barnes

Gary Barnes was appointed to the position of Deputy Secretary, Skills and Industry Policy in December 2015.

Gary was previously the Northern Territory's Coordinator-General, Office of Major Projects, Infrastructure and Investment with responsibility for initiating, coordinating and facilitating the delivery of major projects in the Northern Territory, including oil and gas, agribusiness, mining, tourism and other enabling infrastructure as well as asset sales.

Prior to this, Gary held a number of senior executive positions in the Northern Territory Public Service including notably the Chief Executive Officer, Department of the Chief Minister and Cabinet (where he lead the economic reform agenda and regional development) as well as the Chief Executive Officer, Department of Education and Training.

Before relocating to the Northern Territory, Gary was the Deputy Chief Executive, Queensland Public Service Commission where he led sector-wide reform in the area of Workforce Performance and also held a number of other senior executive positions.

Meetings of the Board

There were eight meetings of the Board in 2015-2016.

Table 1: Members' Attendance at Board Meetings

Member	Meetings eligible to attend	Meetings attended
Philip Clark AM	8	7
Gary Barnes	3	3
Adam Boyton	8	8
Denise Bradley AC	8	6
Mark Goodsell	8	8
Kay Hull AM	8	8
David Liddiard OAM	3	3
Marie Persson	8	8
Gemma Van Halderen	8	6

Corporate Governance Structure

The NSW Skills Board's *Code of Conduct for Board Members* outlines the values, principles and standards of behaviour expected of members of the Board, its Reference Groups and Committees.

The NSW Skills Board is a government board, subject to relevant NSW Government guidelines and legislation.

The Code of Conduct has been developed with reference to the ethical framework outlined in the *Government Sector Employment Act 2013*, the NSW Department of Premier and Cabinet's *Conduct Guidelines for Members of NSW Government Boards and Committees* (2011), and Chapter 8 Model Code of Conduct, of the NSW Public Service Commission's *Personnel Handbook* (Version 13.3, 2013). This is to ensure best practice and high standards of corporate governance in the conduct of the Board.

As outlined in the *Code of Conduct*, a member must declare interests to the Board, which includes positions and pecuniary interests in corporations, partnerships or other businesses that may be relevant to the activities of the Board. A Personal Interest Declaration form has been developed for this purpose. Personal Interest Declaration forms are completed annually or as and when required and filed by the Executive Officer of the Board.

The members of the Board take workplace health and safety very seriously. All Board members and secretariat staff are aware of their duties as officers and workers in accordance with the *NSW Work Health and Safety Act 2011*.

The Board has developed an overarching legislative compliance framework. The framework lists relevant legislation where the Board has some obligation of compliance or accountability. The framework makes transparent the Board's statutory and policy requirements, and provides evidence of the Board's endeavours to meet its obligations and ensure accountability for complying with obligations. The Board has also developed a comprehensive Risk Register, which includes both strategic and operational risks. The Board approved the Skills Board legislative compliance framework and risk register at its June 2015 meeting.

Also at its June 2015 meeting, the Board approved the development of a new Memorandum of Understanding (MOU) with the Department of Industry, replacing the previous MOU with the Department of Education and Communities.

The MOU with the Department of Industry establishes agreed areas of cooperation and accountabilities between the parties, and the provision of the annual allocation of funds and resources to the Board.

The 2015–2016 Year in Review

The priorities for the NSW Skills portfolio in 2015-16 were consolidating and improving the Smart and Skilled market.

In 2015-16, the NSW Skills Board continued to play a key role in advancing these objectives. It provided independent, high level and strategic advice to the Minister for Skills, the Hon John Barilaro MP and the NSW Government on skills and training needs of NSW individuals, industry, regions and the economy. It also oversaw major reforms of the VET system in NSW; including the shift to a more contestable training market, changes to funding allocations, training outcomes, quality assurance measures and budget sustainability under Smart and Skilled.

On July 1, 2015 State Training Services, which provided support to the Board, moved from the Department of Education and Communities to the Department of Industry, Skills and Regional Development to ensure VET programs are closely aligned with economic, regional and small business development priorities. The Board is now supported by a Secretariat in the Policy, Enablers and Analytics Branch within the Department of Industry.

VET Reform in NSW – Smart and Skilled

Smart and Skilled is a major reform of the VET system in NSW that came into effect on 1 January 2015. Under Smart and Skilled, eligible students are entitled to government-subsidised training up to and including Certificate III or in selected higher level courses. Smart and Skilled was developed in response to Council of Australian Government (COAG) decisions and the Commonwealth-State National Partnership on Skills Reform Report.

Smart and Skilled reform features have matched many VET best practices including using a skills list to target funding; establishing subsidy levels based on an understanding of cost and an appropriate level of student contribution; being selective in the appointment of quality providers and being explicit about the role of public providers in a contestable market.

On 1 January 2016, national reforms were introduced to better protect students accessing

training funded by the Commonwealth. These included measures to prevent providers from charging students full course fees up front and by creating a two-day ‘cool off’ period before students seek a VET FEE-HELP loan. Additionally, training providers must now ensure that students are properly assessed for academic suitability before enrolling in a course and receiving a VET FEE-HELP loan. There was also been a crackdown on the use of improper marketing and administrative practices, to further protect students.

Smart and Skilled Provider Application, Assessment and Allocation Process

Under Smart and Skilled, eligible Registered Training Organisations (RTOs) are contracted by the Government to deliver training. They are required to adhere to Smart and Skilled guidelines and policies, implement the new fee arrangements and establish consumer protection processes. Providers are assessed on organisational capacity, compliance and capacity to offer qualifications in specified regions.

Providers seeking a contract under Smart and Skilled participated in an online application process to provide qualification identified on the Skills List.

Smart and Skilled Implementation

1 January 2016 marked one year of Smart and Skilled implementation. The Government has released monthly reports, which are available here: <https://www.training.nsw.gov.au>.

Smart and Skilled Performance Monitoring

Performance Monitoring of providers supports the continuous improvement of Smart and Skilled training delivery and helps ensure providers meet their contractual obligations. The Smart and Skilled contract has enforceable sanctions for providers that are found to be non-compliant. Possible sanctions include withholding payments, removing financial cap allocations and suspension or termination of the contract, depending on the degree of non-compliance. Since the commencement of the Smart and Skilled contract in 2015, all providers with any training activity have been performance monitored. Eight Registered Training Organisations (RTOs) have been terminated because of quality issues. During 2015-16, the Board provided advice on changes to the Quality Framework.

Legislative Inquiry into VET

In December 2015, the NSW Legislative Council released the findings of its inquiry into vocational education and training in NSW. The report analysed the Smart and Skilled reforms and found that over time a contestable training market will improve quality and efficiency of the VET sector, and ultimately benefit students, industry and the economy. The report looked at a range of issues, including problems with the design and implementation of Smart and Skilled,

provider application processes, VET in regional areas and the impact of Smart and Skilled on TAFE. It delivered 25 recommendations in relation to performance monitoring and provider oversight, pricing, disability access, and other areas.

Smart and Skilled One Year Implementation Review

In February 2015, the Board agreed to commission a review of the first year of implementation of Smart and Skilled. A Review Reference Group, comprising of Board members, was established to periodically review and monitor the delivery of the report. The Nous Group was selected by the Board to undertake the review, which was conducted in two stages.

Smart and Skilled Review Stage One

Stage One of the review assessed the effectiveness of the Smart and Skilled provider application and assessment processes. It assessed provider experience; industry and regional connections and resources to connect graduates to jobs and the responsiveness of providers in their communication with and support for students.

The Report found that the design of the application and assessment process was broadly consistent with the main objectives of Smart and Skilled (high quality VET provision, a strong public provider, improved consumer choice and responsible budget management).

The Report found that:

- While there have been improvements in high quality VET provision, a number of providers were not delivering training in their approved regions.
- The Smart and Skilled assessment process supported TAFE NSW, reflecting community and provider

- sentiment that TAFE NSW has an important role in the VET market.
- Responsible budget management of VET reform had been achieved, however Smart and Skilled funds were underspent in the first year. Improved consumer choice had not yet been fully achieved due to a lack of student and employer awareness of VET options.

Stage One provided 18 recommendations to be implemented over 2016 and 2017. These related to improving the transparency, simplicity, flexibility and accessibility of the provider application and assessment processes, increasing the capacity to add or remove providers and improving oversight of provider performance.

Smart and Skilled Review Stage Two

Stage Two assessed impact of prices, fees and subsidies on the performance of the contestable market; the arrangements for ongoing monitoring of provider performance and quality; the impact of structure of the contestable budget on VET market performance and reform objectives; and provider behaviour and student outcomes.

Stage Two found that the arrangements for prices and quality monitoring are largely consistent with objectives of Smart and Skilled. The Report made multiple recommendations to promote a more innovative, responsive and agile VET market to ensure that the needs of students, industry and the economy can be met. It stated that recommendations relating to prices, fees and subsidies and monitoring provider performance should be gradually introduced to minimise the risk of adverse outcomes on the VET market. The Report also noted that students with loadings have been well represented. However, there are issues with the targeting of regional loadings and loadings

for students with very complex needs.

Government response to the Legislative Inquiry into VET and Smart and Skilled Review

Following on from the Review and the advice from the Board, the Minister for Skills set out a Directions Statement for Vocational Education and Training, which outlines the next phase of Smart and Skilled reform. The proposed changes are intended to benefit both students and employers; help more students access training, particularly disadvantaged students and those in regional and rural areas; and maintain high quality standards and strict consumer protection. The response adopts most of the recommendations from the reviews.

NSW Skills List

The NSW Skills List is reviewed annually, allowing the addition and removal of qualifications. After the Department consulted widely, the Board approved the 2016 Skills List in August 2016. The Skills List added 35 qualifications, bringing the total number of qualifications to 767. The additions to the Skills List support regional and small business and Aboriginal and Torres Strait Islander priorities and the NSW Government's infrastructure program.

VET Budget and Funding 2015–2016

One of the Board's terms of reference is to advise the Minister for Skills on the allocation of the State and Commonwealth VET funding and the New South Wales VET budget.

In addition to funding from the NSW Government, NSW receives funding for VET from two Commonwealth sources:

1. The National Agreement for Skills and Workforce Development, which provides ongoing funding and sets targets and

reform goals for the national system.

2. The National Partnership Agreement on Skills Reform, which commits NSW to reform of the training system covering a student entitlement, support for the competitive training market and access to income contingent loans. The National Partnership Agreement is worth more than half a billion dollars to NSW over five years.

At its October 2015 meeting, the Board endorsed funding allocations consistent with the previous year in relation to the Skills Board Research Program, VET in Schools/TAFE delivered VET for schools students (TVET) and NSW Schools Consortium. The Board also endorsed funding for the Emerging Priorities Fund (EPF).

Smart and Skilled Prices and Fees 2017

The Board considered pricing options for 2017 at its June 2016 meeting, including pricing for qualifications added to the Skills List. All prices and fees (excluding concession, apprenticeship and traineeships fees) have been increased by 0.9% for 2017, in line with the Consumer Price Index (CPI).

NSW Skills Board Reference Groups

During the reporting period, the Board's Provider Reference Group and Industry Reference Group met to discuss issues in relation to Smart and Skilled and to provide input for the Skills Board to deliver informed advice to the Minister for Skills.

Provider Reference Group

The Provider Reference Group provides advice to the Board on the extent to which skills reform is enabling training organisations to offer responsive, high quality training that meets the needs of learners and

industry.

The Chair of the Provider Reference Group is Board member Denise Bradley AC.

Membership of the Provider Reference Group at 30 June 2016 was as follows:

- from TAFE NSW: Jon Black, Kerry Penton and Peter Roberts
- from ACPET: Bruce Callaghan, Simon Hitchick and Ron Maxwell
- from Community Colleges Australia: David Fuller and Don Perlut
- from The Enterprise RTO Association: Gabrielle Deschamps

The Provider Reference Group met on 16 July 2015, 7 March 2016 and 30 March 2016 to provide advice on implementation issues in relation to Smart and Skilled. Reports from these meetings were supplied to the Board.

Industry Reference Group

The Industry Reference Group provides advice to the Board on industry skills and training priorities, the impact of skills reform on NSW industry, and responsiveness and quality issues in the training system.

The Chair of the Industry Reference Group is Board member Marie Persson. Membership of the Industry Reference Group at 30 June 2016 was as follows:

- Rebecca Burdick, Policy Advisor, Workforce Skills, NSW Business Chamber
- Rachel Edwards, Training and Capability Manager, BlueScope
- Sarah Kevin, Training and Development Manager, McDonalds Australia Ltd
- Michelle McCallum, Skills Advisor, Australian Industry Group
- Andrew Bragg, Director of Policy and Global Markets, Financial Services Council

- David Castledine, CEO, NSW Civil Contractors Federation
- Cathy Foley, Chief, CSIRO'S Division of Minerals, Science and Engineering
- Susan Scowcroft, Executive Director, NSW Community Services and Health ITAB

The Industry Reference Group met on 20 July 2015, 23 March 2016 and 2 June 2016. It provided advice on the implementation of Smart and Skilled, and considered reforms to the development of training packages. Reports from these meetings were supplied to the Board. Members of the NSW Apprenticeship Compact attended meetings to strengthen direct industry input into the Industry Reference Group, and subsequently the Skills Board's decision making process.

Research Projects of the NSW Skills Board

Under the *Skills Board Act 2013*, the NSW Skills Board has a mandate to lead a strong research program. One of its functions is to commission and conduct inquiries and research into any matters relevant to the functions of the Board. A number of research projects commenced, continued or were completed during the reporting period.

Research Committee

The Skills Board Research Committee was established in August 2015 to advise the Board on a comprehensive research program related to all aspects of VET and the impact of skills reform on the NSW economy. In 2015-16, the Research Committee considered and initiated a range of proposals and made recommendations to the Board.

Membership of the Research Committee at 30 June 2016 was as follows:

- Gemma Van Halderen – Chair

- Denise Bradley AC – Member
- Adam Boyton – Member
- Mark Goodsell - Member

Tertiary and Apprenticeships Pathways Projects

In February 2015, the Board had considered findings of three projects that were initiated by the Board's predecessor, the Board of Vocational Education and Training (BVET). The BVET projects designed tertiary courses that integrate VET and higher education – in Accounting, Engineering and Early Childhood.

In June 2015, the Board approved further work on this project in three areas: developing an early childhood tertiary pathway; a tertiary pathway in aged care/allied health and a scoping project to identify opportunities for innovative apprenticeship pathways.

In April 2016, the Board agreed to fund an Apprenticeships Pathway Project, which will explore innovative models that will link apprenticeships and university degrees which will be tailored to industry needs. The Skills Board, Department of Industry and Department of Education will consult with key industry bodies to develop innovative pathways.

Collaboration with Centre for Education Statistics and Evaluation (CESE)

The Skills Board agreed to part fund the 2016 post-secondary school Destination Surveys commissioned by CESE and to conduct collaborative research with CESE to inform skills policy.

CESE's 2015 report can be viewed on the NSW Skills Board website:
<http://www.skillsboard.nsw.gov.au/>

Collaborative Research Partnership with the University of Sydney led consortium for Vocational Education and Training Reform

The Board agreed in May 2016 to an intended three year collaborative research partnership to undertake three priority projects. First, a pilot study within the existing VET qualification frameworks to move towards broader capability-based qualifications will be developed. Second, the development of a suite of analytical tools that will allow the Board and the Department to balance multiple government objectives and better predict student, employer and provider behaviour within the NSW VET training market. Third, a data driven map of the economic and demographic need for training over time, and ways to target government funding and activity to meet these needs and ensure the highest return on investment.

Skills Board visit to Griffith NSW

Members of the NSW Skills Board visited Griffith on 27- 28 April 2016. The focus of the trip was to meet local businesses, apprentices and trainees to discuss their experiences of vocational training and the NSW Government's Smart and Skilled program.

The Chairman, Philip Marcus Clark AM, said that "the focus of the Government's program is to put student and industry needs first. Mr Barilaro is committed to strengthening vocational training and asked the Board to visit Griffith to listen and then report back. We met with many local business representatives, employing around 1800 staff, and some of their excellent apprentices. We were impressed with the flourishing and innovative businesses we saw. It was valuable to us in understanding their experiences and what they need. It's clear from the discussions we had that businesses have welcomed the choice

that the Smart and Skilled program now gives them in selecting the training provider that best suits their business model".

The Board had official site visits to A&G Engineering, Flavourtech, Collier Miller, Casella and the Riverina Institute of TAFE. It discussed training issues with the management teams of each business and spoke to apprentices about their training and what matters to them.

Training Awards

The NSW Training Awards are conducted annually by the NSW Department of Industry to recognise outstanding achievement in the vocational education and training sector. The Awards honour and reward the achievements of students, trainers/teachers, training organisations, large and medium employers.

2015 NSW Training Awards

The 2015 NSW Training Awards were held on 9 September 2015 at the Dockside Pavilion, Darling Harbour. The NSW Skills Board once again sponsored the NSW Training Awards as a Strategic Partner, sponsoring the NSW Aboriginal and Torres Strait Islander of the Year award. The 2015 Aboriginal and Torres Strait Islander Student of the Year was Shaquille Robinson, who studied a Training and Assessment Certificate IV at TAFE NSW - Sydney Institute. Shaquille travels across NSW educating Aboriginal women about their civil law rights. By undertaking a Certificate IV in Training and Assessment she is now able to implement what she has learnt for the benefit of her clients. Shaquille hopes to keep educating Aboriginal communities about civil law, and one day become a solicitor so that she can better represent Aboriginal and Torres Strait Islander people.

Financial Statements

NSW Skills Board

For the period ended 30 June 2016

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INDEPENDENT AUDITOR'S REPORT

NSW Skills Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the NSW Skills Board (the Board), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Board in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act , and for such internal control as the members of the Board determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board must assess the Board's ability to continue as a going concern unless the Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.

S Bond .

Sally Bond
Director, Financial Audit Services

13 October 2016
SYDNEY

NSW SKILLS BOARD
STATEMENT BY MEMBERS OF THE BOARD

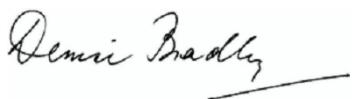
Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983*, and in accordance with a resolution of Members of the NSW Skills Board, we state that:

- (a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the *Public Finance and Audit Regulation 2015*, and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer;
- (b) the accompanying financial statements exhibit a true and fair view of the financial position and the financial performance of the NSW Skills Board for the year ended 30 June 2016;
- (c) at the date of signing we are not aware of any circumstances that would render the financial statements materially misleading or inaccurate.



Philip Marcus Clark AM
Chair

13 / 10 / 2016



Professor Denise Bradley AC
Member

13 / 10 / 2016

Beginning of audited financial statements

NSW SKILLS BOARD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 \$000	Actual 2015 \$000
Expenses excluding losses			
Operating expenses			
Personnel services	2(a)	641	449
Other operating expenses	2(b)	1,167	712
Total expenses excluding losses		1,808	1,161
Revenue			
Investment revenue	3(a)	25	61
Grants and contributions	3(b)	1,981	1,856
Total revenue		2,006	1,917
Net result		198	756
Other comprehensive income		-	-
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		198	756

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	Actual 2016	Actual 2015
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	4	2,824	3,053
Receivables	5	938	3
Total current assets		3,762	3,056
Total assets		3,762	3,056
LIABILITIES			
Current liabilities			
Payables	6	558	50
Total current liabilities		558	50
Total liabilities		558	50
Net assets		3,204	3,006
EQUITY			
Accumulated funds		3,204	3,006
Total equity		3,204	3,006

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Funds \$000	Total \$000
Balance at 1 July 2015	3,006	3,006
Net result for the year	198	198
Total other comprehensive income	-	-
Total comprehensive income for the year	198	198
Balance at 30 June 2016	3,204	3,204
 Balance at 1 July 2014	 2,250	 2,250
Net result for the year	756	756
Total other comprehensive income	-	-
Total comprehensive income for the year	756	756
 Balance at 30 June 2015	 3,006	 3,006

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 \$000	Actual 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Secretariat/personnel services		(921)	(436)
Grants and contributions		-	-
Other		(453)	(776)
Total payments		(1,374)	(1,212)
Receipts			
Interest received		9	61
Grants and contributions		1,065	1,860
Other		71	-
Total receipts		1,145	1,921
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	(229)	709
NET INCREASE/(DECREASE) IN CASH		(229)	709
Opening cash and cash equivalents		3,053	2,344
CLOSING CASH AND CASH EQUIVALENTS	4	2,824	3,053

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The NSW Skills Board (the Board) is a NSW government entity. The Board is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts. The Board is the Government's principal advisory board on vocational education and training. The Board advises the Minister for Skills.

As of 1 July 2015, responsibility for the Board transferred from the NSW Department of Education to the NSW Department of Industry, Skills and Regional Development (NSW Department of Industry).

The Board is a reporting entity under the *Skills Board Act 2013*.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Board members on the date the accompanying statement in relation to particular audit was signed.

(b) Basis of preparation

The Board's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Judgements, key assumptions, and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

(e) Accounting for the Goods and Services Tax (GST)

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

- amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

(f) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Grants and contributions

Project funds represent income received from the Commonwealth. The Commonwealth funds are allocated by the NSW Minister for Skills to the Board for vocational education and training and research and development projects. These funds are recognised when they are received.

State contribution represents funding received by the Board from NSW Department of Industry to fund the Board's operating expenses. This funding is recognised when it becomes payable by the Department of Industry as per the Memorandum of Understanding (MoU) agreement clause 2.3.

NSW SKILLS BOARD**Notes to and forming part of the financial statements for the year ended 30 June 2016****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) Income recognition (continued)****(ii) Investment Revenue**

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement*.

(g) Assets**(i) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(h) Liabilities**(i) Payables**

These amounts represent liabilities for goods and services provided to the Board and other amounts. Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Equity and reserves**(i) Accumulated funds**

The category 'accumulated funds' includes all current and prior period retained funds.

(j) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(k) Secretariat/personnel services

Secretariat services represent the salaries and wages of NSW Department of Industry employees who were allocated to the Board during the year in line with the MoU agreement between the Board and NSW Department of Industry. These costs were incurred by NSW Department of Industry and have been subsequently recharged to the Board as a fee for services rendered when incurred. All related on-costs of these NSW Department of Industry employees, such as worker's compensation and payroll tax have also been included in this charge.

(l) Corporate service support charge

In the year ended 30 June 2016, the Board compensated NSW Department of Industry the sum of \$75,000 as per Schedule A to the MoU.

(m) Other operating expenses - Board Members

Other operating expenses include fees for Board member services plus superannuation, workers' compensation, payroll tax and departmental on-costs. Board members are not entitled to any leave provisions.

(n) New Australian Accounting Standards issued and effective for the first time at 30 June 2016

The following new Australian Accounting Standard has been issued and is now effective for the first time at 30 June 2016.

- AASB 2015-3 amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality (1 January 2015)

NSW SKILLS BOARD**Notes to and forming part of the financial statements for the year ended 30 June 2016****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(o) New Australian Accounting Standards issued but not effective at 30 June 2016**

The following Australian Accounting Standards have been issued but are not yet effective. The Board has not early adopted any of these new standards or amendments as NSW public sector entities are not permitted to do so unless Treasury determines otherwise. When applied in future periods, they are not expected to have a material impact on the financial position or performance of the Board unless otherwise detailed below:

- AASB 9 and AASB 2014-7 regarding financial instruments (1 January 2018)
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (1 January 2018)
- AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts (1 January 2016)
- AASB 15 and AASB 2014-5 regarding Revenue from Contracts with Customers (1 January 2016)
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation (1 January 2016)
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle (1 January 2016)
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives (1 January 2016)
- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (1 July 2016)
 - AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107 (1 January 2017)
 - AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities (1 January 2017)

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2016

2. EXPENSES EXCLUDING LOSSES

	2016 \$000	2015 \$000
(a) Personnel services expenses		
Personnel services expenses	641	449
	641	449
(b) Other operating expenses include the following:		
Board member fees and on-costs*	287	338
Auditor's remuneration – audit of financial statements	21	21
Administration fees	75	-
Contractors and other fees	701	294
Rent	-	36
Sponsorship	50	-
Travel	10	16
Other operating	23	7
	1,167	712

* refer to note 1(m) for items associated with Board member services and on-costs.

3. REVENUE

	2016 \$000	2015 \$000
(a) Investment revenue		
Interest revenue	25	61
	25	61
(b) Grants and contributions		
Grants – Commonwealth (Projects)	976	976
Recurrent Grant from NSW Department of Industry	1,005	880
	1,981	1,856

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2016 \$000	2015 \$000
Cash at bank and on hand	2,824	3,053
	2,824	3,053

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short term deposits.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	2,824	3,053
Closing cash and cash equivalents (per statement of cash flows)	2,824	3,053

Refer to Note 8 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2016

5. CURRENT ASSETS - RECEIVABLES

	2016 \$000	2015 \$000
CURRENT		
Receivable from NSW Department of Industry	916	-
GST receivable	6	3
Other Debtors	16	-
	938	3

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 8.

6. CURRENT LIABILITIES - PAYABLES

	2016 \$000	2015 \$000
CURRENT		
Creditors	551	50
PAYG tax payable	7	-
	558	50

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 8.

7. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2016 \$000	2015 \$000
Net cash used on operating activities		
Increase / (decrease) in receivables	(229)	709
Decrease / (increase) in payables	935	(20)
Net Result	(508)	67
	198	756

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2016

8. FINANCIAL INSTRUMENTS

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance the Board's operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Class:				
Cash and cash equivalents	4	N/A	2,824	3,053
Receivables ¹	5	Loans and receivables (at amortised cost)	932	-
Financial Liabilities	Note	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Class:				
Payables ²	6	Financial liabilities measured at amortised cost	551	50

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Board, including cash, receivables, authority deposits and advances receivable. No collateral is held by the Board. The Board has not granted any financial guarantees.

Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (Tcorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

NSW SKILLS BOARD**Notes to and forming part of the financial statements for the year ended 30 June 2016****8. FINANCIAL INSTRUMENTS (continued)****(b) Credit risk (continued)****Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Board will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

There are no financial assets that are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

During the current year and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which the invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Board may automatically pay the supplier simple interest.

The table below summarises the maturity profile of the Board's financial liabilities, together with the interest rate exposure.

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2016

8. FINANCIAL INSTRUMENTS (continued)

Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Nominal Amount ¹	Interest Rate exposure			Maturity Dates		
			Fixed Int. Rate	Variable Int. Rate	Non-interest Bearing	< 1 yr	1 - 5 yrs	> 5 yrs
2016								
Payables	-	551	-	-	551	551	-	-
		551	-	-	551	551	-	-
2015								
Payables	-	50	-	-	50	50	-	-
		50	-	-	50	50	-	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Board can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board has no exposure to foreign currency risk and does not enter into commodity contracts. The Board has no borrowings or investments.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the entity's interest bearing liabilities. The entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The entity's exposure to interest rate risk is set out below.

		Carrying Amount	\$	Result	Equity	Result	Equity			
				\$ -1%	\$	\$ +1%	\$			
2016										
Financial assets										
Cash and cash equivalents		2,824		(28)	(28)	28	28			
Receivables		932		(9)	(9)	9	9			
Financial liabilities										
Payables		551		(6)	(6)	6	6			
2015										
Financial assets										
Cash and cash equivalents		3,053		(31)	(31)	31	31			
Financial liabilities										
Payables		50		(1)	(1)	1	1			

(e) Fair value compared to carrying amount

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Board is unaware of the existence of any contingent liabilities or contingent assets as at balance date (2015: Nil).

10. EVENTS AFTER REPORTING PERIOD

There are no events subsequent to the balance date which affect the financial information disclosed in these financial statements.

End of the audited financial statements.

Appendix 1: Report of Operations

The following report addresses additional reporting requirements of the *Annual Reports (Statutory Bodies) Act 1984* or the *Annual Reports (Statutory Bodies) Regulation 2015*.

Access

Correspondence to the NSW Skills Board should be addressed to the Board at:

Locked Bag 53, Darlinghurst NSW 1300
Telephone: +61 2 9338 6600
www.skillsboard.nsw.gov.au
Business Hours: Monday–Friday 9am–5pm

Charter

The Board was established under the *Skills Board Act 2013*, replacing the Board of Vocational Education and Training (BVET). See Role of the Board on page 5.

Management and structure

Refer to Board Members, pages 6-10.

Summary review of operations

Refer to The Year in Review, pages 12-17.

Funds granted to non-government community organisations

No funds were granted to non-government community organisations.

Legal Change

The *Skills Board Act 2013* was amended during the reporting period to reflect that State Training Services, which provided support to the Board, moved from the Department of Education and Communities to the Department of Industry, Skills and Regional Development.

Economic or other factors

There have been no economic factors that have affected achievement of the Board's operational objectives during the year in review.

Management and activities

See The Year in Review, pages 12-17,

Research and development

See The Year in Review, pages 12-17.

Human resources

There were nine board members at 30 June 2016, as there were at the end of the previous two financial years. There were no exceptional movements in wages, salaries or allowances. At 30 June 2016, the Board's secretariat comprised 4.6 equivalent full-time employees of the Department of Industry, Skills and Regional Development who are subject to the personnel and industrial relations policies and practices of the Department of Premier and Cabinet's guidelines.

Consultants

Smart and Skilled Review - Stage One and Two

The Nous Group was engaged as a consultant to review the implementation of Smart and Skilled. The cost of the project was \$491,442.45 (GST exclusive)

Disability Inclusion Action plans

The Board adheres to the NSW Government's Disability Policy Framework through the Department of Industry, Skills and Regional Development's Disability Inclusion Action Plan.

Land disposal

The Board does not own land or buildings.

Consumer response

The Board is open to, responds to and addresses any suggestions or complaints it receives. Any complaints up to 30 June 2016 to the Board would be dealt with according to the Department of Industry, Skills and Regional Development's complaints handling policy.

Payment of accounts

The Board's accounts were paid centrally by the Department of Industry, Skills and Regional Development for the reporting period.

Risk management and insurance activities

Insurance policies to 30 June 2016 are the responsibility of Department's Corporate Services division and are reported through the Department's Annual Report. The Board has a Risk Register, which covers both strategic and operational risks.

Disclosure of controlled entities and subsidiaries

The Board does not control any entities or have any subsidiaries.

Multicultural Policies and Services Program

The Board supports the Department of Industry, Skills and Regional Development's multicultural policies and initiatives.

Agreements with Multicultural NSW

The Skills board has not entered any agreement with Multicultural NSW under the *Multicultural NSW Act 2000*.

Work Health and Safety

There were no injuries or prosecutions under the *Work Health and Safety Act 2011* in the reporting period.

Budgets

The Board received a grant from the Department of Industry for Board and Secretariat costs and Commonwealth grant for research activities, as reflected in page 22 of the financial statements.

The Department of Industry and the Board agreed on a Budget of \$1.08 million for Board and Secretariat costs for 2016-17. The Board will also receive a \$976,000 Commonwealth grant to fund research activities.

Implementation of Price Determination of Independent Pricing and Regulatory Tribunal (IPART)

The Board is not subject to determinations of the Tribunal.

Credit card certification

In accordance with the requirements set down in Treasurer's Direction 205.01 concerning the use of corporate credit cards, the Board has certified that corporate credit card use by three members of the Secretariat in 2015-16 was in accordance with the Premier's Memoranda and Treasurer's Directions.

Government Information (Public Access) Act 2009

No requests were made of the NSW Skills Board under the Government Information (Public Access) Act 2009 during the reporting year.

Public Interest Disclosures (PID)

Secretariat staff were notified of responsibilities under s6E(1)(b) of the *Public Interest Disclosure Act 2013*. No Public Interest Disclosures were made during the reporting period.

Public availability of annual reports

The Board's Annual Report and other Board publications and reports are available for viewing and downloading on the Board's website, <http://www.skillsboard.nsw.gov.au/>.

Printing and distribution requirements

As required by the Department of Premier and Cabinet, costs of production of the 2016 Annual Report have been kept to a minimum by restricted use of photos and graphs and eliminating external production costs.

Privacy management plan

The Board and Departmental staff supporting the work of the Board comply with the *Privacy and Personal Information Protection Act 1998*, which is managed by the Department and reported on in the Department's Annual Report.

Investment Performance

The Board has funds in a bank account which attracts a variable interest rate.

Exemption - Risk Management and Internal Audit

At 30 June 2016 the Board had an exemption from the core requirements of the *Internal Audit and Risk Management Policy* (TPP 15-03) by the Treasury. The Board satisfied the exemption criteria as a small agency for the reporting period.

ATTESTATION STATEMENT

Digital Information Security Annual Attestation Statement for the 2015-2016 Financial Year for the NSW Skills Board (Department of Industry)

I, Graeme Plato, am of the opinion that the NSW Skills Board had an Information Security Management System in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of NSW Skills Board are adequate.

- A. There is no agency under the control of the NSW Skills Board which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.



Graeme Plato
DIRECTOR
NSW SKILLS BOARD SECRETARIAT

13 October 2016

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