

Financial Report

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Statement of financial performance for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenue from ordinary activities			
Output appropriations	3	6,205,448	5,756,770
Special appropriations	3	483	285
Resources received free of charge	3	–	9
Other revenue and revenue from other parties	3	494,703	429,433
		6,700,634	6,186,497
Expenses from ordinary activities			
Employee benefits	5	(3,468,449)	(3,351,669)
Depreciation and amortisation	5	(224,572)	(209,156)
Grants and other payments to service providers	5	(1,141,951)	(1,063,523)
Resources provided free of charge or for nominal consideration	6	(1,734)	(1,748)
Capital asset charge	1(q)	(764,622)	(666,780)
Supplies and services	5	(924,077)	(862,497)
Borrowing costs	5	(127)	(11)
Other expenses from ordinary activities		(10,980)	(15,421)
		(6,536,512)	(6,170,805)
Net result for the reporting period	16(c)	164,122	15,692
Net increase in asset revaluation reserve	16(b)	392,161	991,196
Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner on behalf of the Crown	16(d)	556,283	1,006,888

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

Statement of financial position as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Current assets			
Cash assets	7	463,777	384,782
Receivables	8	371,907	262,450
Prepayments	9	8,095	11,671
Total current assets		843,779	658,903
Non-current assets			
Receivables	8	150,880	144,748
Other financial assets		11,300	6,820
Intangible assets	10	15,942	15,205
Property, plant and equipment	11	9,019,448	8,542,429
Total non-current assets		9,197,570	8,709,202
Total assets		10,041,349	9,368,105
Current liabilities			
Payables	12	236,879	239,395
Interest-bearing liabilities	13	1,343	226
Provisions	14	140,984	132,196
Other	15	16,371	11,107
Total current liabilities		395,577	382,924
Non-current liabilities			
Interest-bearing liabilities	13	2,200	779
Provisions	14	766,306	728,248
Total non-current liabilities		768,506	729,027
Total liabilities		1,164,083	1,111,951
Net assets		8,877,266	8,256,154
Equity			
Contributed capital	16(a)	4,706,289	4,641,462
Reserves	16(b)	3,696,612	3,304,451
Accumulated surplus	16(c)	474,365	310,241
Total equity	16(d)	8,877,266	8,256,154
Contingent liabilities and contingent assets	21	15,303	15,761
Commitments for expenditure	22	233,262	344,704

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

Statement of cash flows for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts from Government		6,095,606	5,698,717
Receipts from other entities		470,223	413,731
Payments to suppliers and employees		(5,536,934)	(5,295,144)
Goods and Services Tax recovered from the ATO		77,141	107,939
Interest received		24,261	20,026
Capital asset charge		(764,622)	(666,780)
Net cash inflow from operating activities	26	365,675	278,489
Cash flows from investing activities			
Payments for property, plant and equipment		(352,760)	(356,972)
Movement of investments		(4,480)	(445)
Proceeds from sale of property, plant and equipment		3,193	2,320
Net cash (outflow) from investing activities		(354,047)	(355,097)
Cash flows from financing activities			
Capital contributions from owner		64,827	59,774
Finance lease repayments		(51)	(24)
Finance lease receipts		2,591	–
Net cash inflow from financing activities		67,367	59,750
Net increase (decrease) in cash held		78,995	(16,858)
Cash at the beginning of the financial year		384,782	401,640
Cash at the end of the financial year	7	463,777	384,782

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

Notes to and forming part of the financial statements for the year ended 30 June 2005

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NOTE 1 Summary of significant accounting policies

This general-purpose financial report has been prepared in accordance with the *Financial Management Act 1994*, Australian accounting standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

The financial report is prepared in accordance with the historical cost convention except for certain assets and liabilities, which, as noted are reported at valuation. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian accounting standard or Urgent Issues Group Consensus View, or an alternative accounting policy permitted by an Australian accounting standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

The financial report includes all transactions of the state's 1617 primary and secondary schools. All transactions between the Department and schools have been eliminated as required by Australian accounting standards.

The accrual basis of accounting has been applied except to the extent that schools operate on a cash basis. The schools' balances for cash, investments, creditors and operating leases incorporated into these financial statements are those held by them as at 31 December 2004.

(a) Reporting entity

The financial statements include all the controlled activities of the Department.

Administered resources

The Department administers but does not control certain resources on behalf of the Victorian Government. It is accountable for the transactions involving those administered resources, but does

not have the discretion to deploy the resources for achievement of the Department's objectives. Such administered transactions include Commonwealth funds on-passed by the Department to Victorian non-government schools. The accrual basis of accounting has been used in the reporting and recognition of the administered resources.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues, expenses, assets or liabilities within the body of the financial statements but are disclosed in note 24.

Victorian Government

The Department has received monies in a trustee capacity for various trusts including prizes and scholarships. As the Department performs only a custodial role in respect of these monies and because the monies cannot be used for achievement of the Department's objectives, they are not recognised in the statement of financial performance and statement of financial position of the Department. The transaction balances are reported in note 24.

Administrative changes

There were no administrative changes during 2004/05.

(b) Objectives and funding

The objectives of the Department of Education & Training are to:

- increase learner participation, engagement and achievement
- expand options and pathways in education and training
- strengthen the quality of delivery to clients
- strengthen a culture of working together
- develop services in response to community and industry priorities
- maintain sound financial management.

The Department provides support and advisory services to the Minister for Education and Training

and the Minister for Education Services, as well as a number of statutory bodies. The Department is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs.

(c) Outputs of the Department

Information about the Department's output activities and the expenses, revenues, assets and liabilities which are reliably attributable to those output activities is set out in the Departmental Outputs Schedule, which has changed this reporting period. Due to system constraints, comparatives under the new reporting structure have not been recast, the 2003–04 comparative is shown in the previous output reporting structure (note 2). Information about expenses, revenues, assets and liabilities administered by the Department are given in the Schedule of Administered Items (note 24).

(d) Revenue recognition

All revenue received by the Department is generally required to be paid into the Consolidated Fund.

Revenue becomes controlled by the Department when it is appropriated from the Consolidated Fund by the Victorian Parliament and applied to the purposes defined under the relevant Appropriation Act. Additionally, the Department is permitted under section 29 of the *Financial Management Act 1994* to have certain receipts annotated to the annual appropriation. The receipts, which form part of a section 29 agreement, are received by the Department and paid into the Consolidated Fund as administered revenue (note 24). At that point, section 29 provides for an equivalent amount to be added to the annual appropriation. In respect to revenue from the provision of outputs, Commonwealth grants and sales of non-current physical assets, the Department may be permitted under section 29 of the *Financial Management Act 1994* to have this revenue initially paid into the Consolidated Fund, and an equivalent amount is provided by appropriation. In these instances the revenue 'received' by the Department is administered and disclosed in note 24.

Revenue is recognised for each of the Department's major activities as follows:

Output revenue

Revenue from the outputs the Department provides to Government is recognised when those outputs have been delivered and the Treasurer has certified delivery of those outputs in accordance with specified performance criteria.

Commonwealth grants

Grants payable by the Commonwealth are recognised as revenue when the Department gains control of the underlying assets. Where grants are reciprocal, revenue is recognised as performance occurs under the grant. Non-reciprocal grants are recognised as revenue when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Contributions

Contributions of services and non-current assets are recognised at their fair value when the Department obtains control over these resources.

Other revenue

Other revenue items are recognised as they are earned. Interest revenues are recognised as they accrue.

All other amounts of revenue over which the Department does not gain control are disclosed as administered revenue in the schedule of Administered Items (note 24).

(e) Acquisitions of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

(f) Cash

For purposes of the statement of cash flows, cash includes short-term deposits, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding cheques yet to be presented by the Department's suppliers and creditors (note 7).

(g) Receivables

All debtors are recognised at the amounts receivable, as they are due for settlement at no more than 30 days from the date of recognition.

Collectability of debtors is reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(h) Revaluations of non-current assets

Subsequent to the initial recognition as assets, non-current physical assets, other than plant and equipment are measured at fair value. Plant and equipment are measured at cost. The Office of the Valuer-General undertook a full valuation of all the Department's land and buildings, including Crown land controlled by the Department, as at 30 June 1997. Land and buildings will be revalued on a progressive three-year cycle in accordance with the Victorian Government Policy *Revaluation of Non-current Physical Assets*. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. However where movements within the classes of assets are material, the entire class of assets are subject to detailed revaluation. The assets to be revalued in each year of the progressive revaluation period will be based on a similar percentage of the total value of the class prior to revaluation. This approach is based on the carrying amount of the class to be equally proportioned over the period of the progressive revaluation.

In the current year, 610 school sites were subject to a detailed valuation based on movements of relevant indices and rates which has been booked at Secretary's valuation (2003–04: 961 school sites) (refer note 11). Land not subject to detailed valuation is adjusted annually using indices provided by the Office of the Valuer-General.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result. Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets.

(i) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land and work-in-progress) over its expected useful life to the Department. Estimates of the remaining useful lives for all assets are reviewed at least annually. The expected useful lives for the financial years ended 30 June 2005 and 30 June 2004 and depreciation rates are as follows:

	Useful life Years	2005 %	2004 %
Buildings – permanent	60	1.7	1.7
Buildings – relocatable and other improvements	40	2.5	2.5
Plant and equipment	3–33	5–33	5–33

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(j) Other financial assets – investments

Investments are recognised at cost. Where there has been a permanent diminution in the value of any individual investment, a provision for diminution in value is made. Interest revenues are recognised as they accrue.

(k) Leased non-current assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Department will obtain ownership of the asset, the expected useful life of the asset to the Department. Lease assets held at the reporting date are being amortised over five years.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the entity. Each lease payment is allocated between the liability and finance charge.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Restrictive nature of cultural and heritage assets and Crown land

During the reporting period, the Department may hold cultural assets, heritage assets and Crown land. Cultural and heritage assets are held for exhibition, education, research and/or historical interest.

Such assets, including Crown land, are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

(m) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Department, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over ten years at a rate of 10%.

(n) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

(i) **Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured as the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long-service leave

The liability for long-service leave expected to be settled within 12 months of the reporting date, is recognised as a current liability and is measured in accordance with (i) above. The liability for long-service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national Government-guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The amount charged to the statement of financial performance in respect of superannuation represents the contributions by the Department to the superannuation funds (note 23).

(iv) Termination benefits

Liabilities for termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using interest rates on national Government-guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the statement of cash flows in accordance with Australian Accounting Standard AAS 28 'Statement of Cash Flows'.

(q) Capital asset charge

The capital asset charge is imposed by the Department of Treasury and Finance and represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs. For the 2004–05 financial year, the basis of the charge is 8% of the budgeted estimate of the carrying amount of controlled non-current physical assets as approved by the Department of Treasury and Finance.

(r) Resources provided and received free of charge or for nominal consideration

Contributions of resources and resources provided free of charge or for nominal consideration are recognised at their fair value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(s) Contributed capital

Consistent with Urgent Issues Group Abstract 38, *Contributions by Owners Made to Wholly-Owned Public Sector Entities* appropriations for additions to net assets have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributed capital.

(t) Maintenance and repairs

Property, plant and equipment is managed as part of an ongoing maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(i). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(u) Intangible assets and expenditure carried forward

(i) Software

Significant costs associated with the acquisition or development of computer software are capitalised and amortised on a straight-line basis over the periods of the expected benefit, which varies from three to five years. Software costs not capitalised are charged as expenses in the period in which they are incurred.

(ii) Website costs

Costs in relation to websites controlled by the Department are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in

building or enhancing a website, to the extent that they represent probable future economic benefits controlled by the Department that can be reliably measured are capitalised as an asset and amortised over the period of the expected benefits, which vary from three to five years.

(v) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars or in other cases, to the nearest dollar.

(w) The impacts of adopting AASB equivalents to IASB standards

For interim and annual reporting periods ending on or after 30 June 2004, AASB 1047 *Disclosing the Impacts of Adopting AASB Equivalents to International Financial Reporting Standards (IFRS)* requires an explanation of how the transition process is being managed and a narrative explanation of the key differences in accounting policies that are expected to arise from the adoption of Australian equivalents to IFRS. Refer to note 31 for further details.

(x) Interest-bearing liabilities

Loans are carried at historical cost. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(y) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are included in the costs of qualifying assets. For this reporting period, borrowing costs consist of finance lease charges only.

NOTE 2 Departmental outputs

Compulsory years

These outputs involve the provision of education and associated services designed to improve the quality of student learning of those in Prep–Year 9 in government and non-government schools. It comprises two outputs.

The ‘early years’ is concerned with developing the essential skills necessary for ongoing progress in education and providing learning experiences to engage young minds. Literacy and numeracy are foremost among the skills learnt during these foundation years.

The ‘middle years’ of schooling is a fundamental stage of learning where students growing from childhood to adolescence consolidate competency in literacy and numeracy, and their physical, social, emotional and intellectual development of early adolescence. It is also a stage when they attain a greater breadth of knowledge and learning, including extending their capacity for creative and critical thinking.

These outputs include development and management of education programs and curriculum.

The compulsory years outputs, along with other education and training outputs, are the primary mechanism through which the Government will achieve its key outcome: valuing and investing in lifelong education. These outputs will also make a significant contribution to the following key Government outcomes:

- growing and linking all of Victoria
- building cohesive communities and reducing inequalities
- promoting rights and respecting diversity.

Post-compulsory years

Post-compulsory years consists of four outputs.

The later years output involves provision of education, training and other associated services

designed to improve the quality of student learning of those in Years 10–12 in government and non-government schools. The priority during the later years of schooling is to provide young people with effective and varied pathways and support to secure their first formal qualification and to make a successful transition to further study, employment or a combination of both.

The training and further education (TAFE) output involves provision of training programs and support for students in TAFE institutes and other registered training organisations in accordance with Government priorities and in response to industry and community demands.

The adult community education output involves provision of education and training in community settings and adult education institutions (including Adult Multicultural Education Services and the CAE) in accordance with priorities set by Government and in response to local community demand.

The cross-sectoral output involves provision of integrated support across education and training sectors through organisational networks and linkages. It also involves support for students to make successful transitions between education and training sectors, for example through transition support such as pathway plans and monitoring of destination data.

The post-compulsory years outputs, along with other education and training outputs, are the primary mechanism through which the Government will achieve its key outcome: valuing and investing in lifelong education. These outputs will also make a significant contribution to the following key Government outcomes:

- growing and linking all of Victoria
- building cohesive communities and reducing inequalities
- promoting rights and respecting diversity.

Services to students

This consists of one output which covers student welfare and support, services to students with disabilities, the Education Maintenance Allowance and student transport. It involves provision of:

- education services relating to student welfare, including drug education and mental health issues
- student support services in the area of student wellbeing including speech pathology, visiting teacher services for hearing, visually, health and physically impaired students, curriculum services and alternative programs
- education services to students with disabilities in regular and specialist schools
- payment of the Education Maintenance Allowance to eligible parents of school students up to the age of 16 years in government and non-government schools
- administration of student conveyance allowances and the transport of government and non-government school students, including those attending specialist schools.

The services to students output, along with other education and training outputs, is a primary mechanism through which the Government will achieve its key outcome: valuing and investing in lifelong education. These output classifications will also make a significant contribution to the following key Government outcomes:

- growing and linking all of Victoria
- building cohesive communities and reducing inequalities
- promoting rights and respecting diversity.

Portfolio management services

Portfolio management services consist of two outputs. The services to Ministers and policy output involves provision of policy, administrative support and strategy advice to the Ministers in relation to their parliamentary and legislative responsibilities. It includes provision of information services about education and training to the community, including dissemination of information through public promotions, telephone services, publications, and advertising services.

The regulation output involves the provision of administrative support services for the statutory authorities in the education and training portfolio including the Victorian Curriculum and Assessment Authority, the Victorian Learning and Employment Skills Commission and the Victorian Qualifications Authority, regulatory and advisory bodies and for higher education and international education. It includes:

- regulatory activities such as school registration by the Registered Schools Board
- the registration of providers to deliver accredited vocational education and training courses
- services to universities and higher education private providers such as endorsement and approval to deliver higher education courses
- services for international education including recruitment, assessment, student placement, registration, marketing, organisation of study tours, international teacher and principal exchange programs.

The portfolio management outputs, along with other education and training outputs, are the primary mechanism through which the Government will achieve its key outcome: valuing and investing in lifelong education. These outputs will also make a significant contribution to the following key Government outcomes:

- growing and linking all of Victoria
- building cohesive communities and reducing inequalities
- promoting rights and respecting diversity.

Departmental outputs schedule – controlled revenue and expenses for the year ended 30 June 2005

	Compulsory years	Post-compulsory years	Services to students	Portfolio management services	Departmental total
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Revenue					
Output appropriations	3,615,965	2,054,215	496,668	38,600	6,205,448
Special appropriations	330	109	44	–	483
Resources received free of charge or for nominal consideration	–	–	–	–	–
Revenue from other parties	313,198	148,551	22,808	10,146	494,703
Total revenue	3,929,493	2,202,875	519,520	48,746	6,700,634
Expenses					
Employee benefits	(2,425,290)	(744,851)	(284,590)	(13,718)	(3,468,449)
Depreciation and amortisation	(161,287)	(50,969)	(12,213)	(103)	(224,572)
Grants and other payments to other service providers	(288,893)	(764,955)	(70,841)	(17,262)	(1,141,951)
Resources provided free of charge or for nominal consideration	(1,145)	(427)	(150)	(12)	(1,734)
Capital asset charge	(435,674)	(295,939)	(32,879)	(130)	(764,622)
Supplies and services	(563,697)	(237,480)	(110,497)	(12,403)	(924,077)
Other expenses from ordinary activities	(6,459)	(2,712)	(1,178)	(631)	(10,980)
Borrowing costs	(84)	(31)	(11)	(1)	(127)
Total expenses	(3,882,529)	(2,097,364)	(512,359)	(44,260)	(6,536,512)
Net result for the reporting period	46,964	105,511	7,161	4,486	164,122
Net increase in asset revaluation reserve	275,305	84,551	32,305	–	392,161
Total changes in equity other than those resulting from contributions of Victorian State Government as owner	322,269	190,062	39,466	4,486	556,283

Departmental outputs schedule – assets and liabilities as at 30 June 2005

	Compulsory years	Post-compulsory years	Services to students	Portfolio management services	Departmental total
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Assets and liabilities					
Assets					
Current assets	590,975	181,499	69,347	1,958	843,779
Non-current assets	6,351,076	2,101,133	745,252	109	9,197,570
Total assets	6,942,051	2,282,632	814,599	2,067	10,041,349
Liabilities					
Current liabilities	276,616	84,954	32,459	1,548	395,577
Non-current liabilities	537,372	165,037	63,057	3,040	768,506
Total liabilities	813,988	249,991	95,516	4,588	1,164,083
Net assets/(liabilities)	6,128,063	2,032,641	719,083	(2,758)	8,877,266

Departmental outputs schedule – controlled revenue and expenses for the year ended 30 June 2004

	School education	Training and tertiary education	Policy, strategy and information services	Departmental total
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Revenue				
Output appropriations	4,918,202	812,418	26,150	5,756,770
Special appropriations	285	–	–	285
Resources received free of charge or for nominal consideration	9	–	–	9
Revenue from other parties	418,448	–	10,985	429,433
Total revenue	5,336,944	812,418	37,135	6,186,497
Expenses				
Employee benefits	(3,337,165)	(1,566)	(12,938)	(3,351,669)
Depreciation and amortisation	(209,126)	–	(30)	(209,156)
Grants and other payments to service providers	(429,215)	(623,356)	(10,952)	(1,063,523)
Resources provided free of charge or for nominal consideration	(1,695)	(41)	(12)	(1,748)
Capital asset charge	(478,026)	(188,647)	(107)	(666,780)
Supplies and services	(852,885)	(1,264)	(8,348)	(862,497)
Other expenses from ordinary activities	(14,594)	(49)	(779)	(15,421)
Borrowing costs	(11)	–	–	(11)
Total expenses	(5,322,718)	(814,923)	(33,166)	(6,170,805)
Net result for the reporting period	14,226	(2,503)	3,969	15,692
Net increase in asset revaluation reserve	991,196	–	–	991,196
Adjustment to accumulated surplus	–	–	–	–
Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner	1,005,422	(2,503)	3,969	1,006,888

Departmental outputs schedule – assets and liabilities as at 30 June 2004

	School education	Training and tertiary education	Policy, strategy and information services	Departmental total
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Assets and liabilities				
Assets				
Current assets	512,269	71	1,986	514,326
Non-current assets	8,708,546	144,647	585	8,853,778
Total assets	9,220,815	144,718	2,571	9,368,104
Liabilities				
Current liabilities	(381,267)	(179)	(1,478)	(382,924)
Non-current liabilities	(725,871)	(341)	(2,814)	(729,026)
Total liabilities	(1,107,138)	(520)	(4,292)	(1,111,951)
Net assets/(liabilities)	8,113,677	144,198	(1,721)	8,256,154

NOTE 3 Revenue

Revenue by source	Operating		Non-operating	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Revenue from Government				
Output appropriations	6,205,448	5,756,770	-	-
Special appropriations	483	285	-	-
Resources received free of charge or for nominal consideration	-	9	-	-
	6,205,931	5,757,064	-	-
(b) Revenue from other parties				
Schools revenue	405,716	349,323	3,193	2,320
Provision of services	2,853	2,756	-	-
Interest	-	-	24,261	20,026
Other revenue	58,680	55,008	-	-
	467,249	407,087	27,454	22,346
Total revenue	6,673,180	6,164,151	27,454	22,346

NOTE 4 Summary of compliance with annual parliamentary appropriations

(a) Summary of compliance with annual parliamentary appropriations

The following table discloses the details of the various parliamentary 'Additions to net assets' are disclosed as 'controlled' activities of the Department. Appropriations received by the Department for the year. In accordance with Administered transactions are those that are undertaken on behalf of the state over accrual output-based management procedures 'Provision of outputs' and which the Department has no control or discretion.

	Financial Management Act 1994												Variance (\$'000)						
	Appropriation Act						Section 35 advances (\$'000)												
	Annual appropriation (\$'000)	Advance from Treasurer (\$'000)		Section 3(2) (\$'000)		Section 29 (\$'000)		Section 30 (\$'000)		Section 32 (\$'000)		Section 35 advances (\$'000)		Total parliamentary authority (\$'000)	Appropriations applied (\$'000)				
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004		
Controlled																			
Provision of outputs	5,995,560	5,631,305	135,048	17,450	-	50,865	89,172	82,466	-	27,213	1,897	-	-	6,246,993	5,783,983	6,205,448	5,756,770	41,545*	27,213
Additions to net assets	-	-	-	-	-	-	74,912	59,774	-	-	-	3,000	-	77,912	59,774	73,674	59,774	4,238*	-
Administered																			
Payments made on behalf of the State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,995,560	5,631,305	135,048	17,450	-	50,865	164,084	142,240	-	27,213	1,897	3,000	-	6,324,905	5,843,757	6,279,122	5,816,544	45,783	27,213

* The variance of \$41,545,000 represents carry-over for the provision of outputs of \$35,662,000 and carry-over of additional Section 29 output funding of \$7,252,000. It also included administrative variations totalling \$1,386,000 to appropriations applied during 2004-05. The variance of \$4,238,000 primarily represents carry-over Section 29 assets.

(b) Summary of compliance with special appropriations

Authority	Purpose	Appropriations applied	
		2005 \$'000	2004 \$'000
Section 34 of the Education Act 1958	Volunteers workers compensation	483	238
	Total	483	238

NOTE 5 Result from ordinary activities

Result from ordinary activities includes the following specific net gains and expenses.

	2005 \$'000	2004 \$'000
Net gains		
Consideration from disposal of assets	3,193	2,320
Carrying amount	(9,557)	(19,693)
	(6,364)	(17,373)
Expenses		
Employee benefits		
Salary and wages – Departmental employees	2,602,875	2,529,679
Salary and wages – staff employed by school councils	167,899	157,473
Superannuation	295,541	288,275
Annual leave and long-service leave expense	193,568	168,375
Other on-costs (FBT, payroll tax and WorkCover levy)	208,566	207,867
Total employee benefits	3,468,449	3,351,669
Depreciation		
Buildings	107,467	101,532
Plant and equipment	109,111	96,003
Total depreciation	216,578	197,535
Amortisation		
Plant and leasehold Improvements	857	696
Software	7,137	10,925
Total amortisation	7,994	11,621
Total depreciation and amortisation	224,572	209,156
Grants and other payments		
Grants to Victorian Curriculum and Assessment Authority	40,050	29,730
Grants to Victorian Learning and Employment Skills Commission	620,516	591,688
Grants to Victorian Qualifications Authority	3,807	3,859
Grants to Victorian Institute of Teaching	1,167	1,141
Grants to Adult Community and Further Education Board	32,875	30,198
Grants to non-government schools		
• Primary	128,151	114,278
• Secondary	179,871	161,958
• Other	12,064	23,011
Grants to external organisations	77,392	71,451
Conveyance and Education Maintenance Allowance payments	46,058	36,209
Total grants and other payments	1,141,951	1,063,523
Other charges against assets		
Bad and doubtful debts – debtors	(392)	1,645
Supplies and services		
Administration	90,003	79,670
Maintenance	249,310	190,495
School requisites, TAFE institutes and Victorian Curriculum and Assessment Authority	534,233	527,085
Other	9,478	19,866
	883,024	817,116
Rental expense relating to operating leases		
Minimum lease payments	41,053	45,381
Total supplies and services	924,077	862,497
Borrowing costs		
Finance lease interest	127	11

NOTE 6 Resources provided free of charge or for nominal consideration

	2005 \$'000	2004 \$'000
Victorian Curriculum and Assessment Authority		
Rent provided free of charge at 1 Railway Parade, Camberwell and 41 St Andrews Place, East Melbourne	1,734	1,748
Total resources provided free of charge or for nominal consideration	1,734	1,748

NOTE 7 Cash assets

	2005 \$'000	2004 \$'000
Amounts held by schools*	408,501	351,812
Departmental operating bank accounts in trust (note 30)	52,254	52,081
Other operating bank accounts	3,022	(19,111)
Total cash	463,777	384,782
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	463,777	384,782
Balances per statement of cash flows	463,777	384,782

* The schools cash and investments balances for 2004–05 are held by the Department's schools across Victoria and are reported as at 31 December 2004. The balances for 2003–04 were balances held by schools as at 31 December 2003.

Cash at bank

Due to the state of Victoria's investment policy and government funding arrangements, government departments generally do not hold a large cash reserve in their bank accounts. Cash received by a department from the generation of revenue is generally paid into the state's bank account, known as the Public Account. Similarly, any departmental expenditure, including those in the form of cheques drawn by the department for the payment of goods and services to its suppliers and creditors are made via the Public Account.

The process is such that, the Public Account would remit to the department the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the department's suppliers or creditors.

Amounts held by schools include term investments for one year or less of \$80,457,367 (\$82,120,803 in 2004).

NOTE 8 Receivables

	2005 \$'000	2004 \$'000
Current		
Amounts owing from the Victorian Government	340,744	237,965
GST receivable	21,312	21,074
WorkCover	1,391	1,976
Other debtors	10,100	3,507
	373,547	264,522
Less: Provision for doubtful debts	(1,640)	(2,072)
Total current receivables	371,907	262,450
Non-current		
Amounts owing from the Victorian Government	150,602	144,407
Other debtors	401	425
	151,003	144,832
Less: Provision for doubtful debts	(123)	(84)
Total non-current receivables	150,880	144,748
Aggregate carrying amount of receivables		
Current	371,907	262,450
Non-current	150,880	144,748
Total aggregate carrying amount of receivables	522,787	407,198

NOTE 9 Prepayments

	2005 \$'000	2004 \$'000
Operating expenses	8,095	11,671
Total prepayments	8,095	11,671

NOTE 10 Intangible assets

	2005 \$'000	2004 \$'000
Software (at cost)	49,935	39,038
Less: Accumulated amortisation	(33,993)	(23,833)
Total intangible assets	15,942	15,205

NOTE 11 Property, plant and equipment

	2005 \$'000	2004 \$'000
Land		
Crown land		
At cost	33,579	33,179
At Secretary's valuation	4,075,853	3,968,914
Total land	4,109,432	4,002,093
Buildings		
At cost	160,288	228,325
Less: Accumulated depreciation	(1,760)	(5,260)
	158,528	223,065
At valuation 2001–2002	–	1,040,997
Less: Accumulated depreciation	–	(64,359)
	–	976,638
At valuation 2002–2003	1,107,165	1,108,835
Less: Accumulated depreciation	(53,931)	(28,189)
	1,053,234	1,080,646
At valuation 2003–2004	1,648,994	1,710,697
Less: Accumulated depreciation	(46,030)	–
	1,602,964	1,710,697
Secretary's		
At valuation 2004–2005	1,623,424	–
Less: Accumulated depreciation	–	–
	1,623,424	–
Total buildings at valuation	4,539,871	4,088,854
Total accumulated depreciation	(101,721)	(97,808)
Total written-down value of buildings	4,438,150	3,991,046
Leasehold improvements – at cost	12,648	8,741
Less: Accumulated amortisation	(4,484)	(3,648)
	8,164	5,093
Total land and buildings	8,555,746	7,998,232
Plant and equipment		
At cost	838,762	800,516
Less: Accumulated depreciation	(611,136)	(551,515)
	227,626	249,001
Plant and equipment under finance lease	3,904	1,029
Less: Accumulated amortisation	(374)	(26)
	3,530	1,003
Total plant and equipment	231,156	250,004
Work in progress		
Buildings	217,458	287,037
Plant and equipment	15,088	7,156
Total work in progress	232,546	294,193
Total property, plant and equipment including work in progress	9,019,448	8,542,429

Valuations of land and buildings

The basis of valuation of land and buildings adopted for those assets revalued as at 30 June 2005 is fair value being the depreciated current replacement cost of the assets' remaining future economic benefits. The revaluation as at 30 June 2005 is a Secretary's valuation based on an independent assessment of current rates and market conditions supplied by Ernst & Young Real Estate Advisory Services.

Prior to 30 June 2002, the basis of valuation of the land and building revalued is deprival value being the loss an entity would incur if deprived of the service potential embodied in the asset. The revaluation was based on independent assessments.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

2005	Land	Buildings	Leasehold improvements	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	4,002,093	3,991,046	5,093	250,004	294,193	8,542,429
Additions	35,614	253,147	3,928	99,820	182,812	575,321
Transfers to completed assets	–	–	–	–	(244,459)	(244,459)
Disposals	(12,034)	(6,978)	–	(9,557)	–	(28,569)
Revaluation increments (note 16)	83,759	308,402	–	–	–	392,161
Depreciation/amortisation (note 5)	–	(107,467)	(857)	(109,111)	–	(217,435)
Carrying amount at end of year	4,109,432	4,438,150	8,164	231,156	232,546	9,019,448

NOTE 12 Payables

	2005 \$'000	2004 \$'000
Salaries, wages and on-costs	86,256	92,462
Accrued payments to non-government schools	79,416	76,692
Accrued grants and transfer payments	2,571	1,210
Government schools' creditors*	4,157	5,471
Capital expenditure	23,901	17,025
Operating expenditure	29,420	36,296
Advance from public account	11,158	10,239
	236,879	239,395

*The schools' creditors balances for 2004–2005 are held by the Department's schools across Victoria and are reported as at 31 December 2004. The balances reported for 2003–2004 were the balances held by the schools as at 31 December 2003.

NOTE 13 Interest-bearing liabilities

	2005 \$'000	2004 \$'000
Aggregate carrying amount of interest-bearing liabilities		
Current	1,343	226
Non-current	2,200	779
Total aggregate carrying amount of provisions	3,543	1,005

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Finance lease		
Motor vehicles under finance lease (note 11)	3,530	1,003
Total non-current assets pledged as security	3,530	1,003

NOTE 14 Provisions

	2005 \$'000	2004 \$'000
Current		
Employee benefits (note 23)	139,054	130,016
Legal expenses	500	750
Sabbatical leave	1,430	1,430
Total current	140,984	132,196
Non-current		
Employee benefits (note 23)	766,306	728,248
Total non-current	766,306	728,248
Aggregate carrying amount of provisions		
Current	140,984	132,196
Non-current	766,306	728,248
Total aggregate carrying amount of provisions	907,290	860,444
Employee benefits	905,360	858,264
Legal expenses	500	750
Sabbatical leave	1,430	1,430
	907,290	860,444

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below.

	Legal expenses \$'000	Sabbatical leave \$'000	Total \$'000
Carrying amount at start of year	750	1,430	2,180
Additional provisions recognised	–	–	–
Payments and other sacrifices of economic benefits	(250)	–	(250)
Carrying amount at end of year	500	1,430	1,930

NOTE 15 Other current liabilities

	2005 \$'000	2004 \$'000
Unearned revenue	16,371	11,107
Total other current liabilities	16,371	11,107

NOTE 16 Equity and movements in equity

	2005 \$'000	2004 \$'000
(a) Contributed capital		
Balance as at beginning of reporting period	4,641,462	4,588,016
Capital contribution by Victorian State Government (note 4)	73,674	59,774
Capital contributed by other entities	10,157	–
Assets received free of charge	–	1,279
Equity transfers to other government entities	(19,004)	(7,607)
Balance 30 June 2005	4,706,289	4,641,462
(b) Reserves		
Asset revaluation reserve	3,696,612	3,304,451
	3,696,612	3,304,451
Movements		
Asset revaluation reserve		
Balance 1 July 2004	3,304,451	2,313,255
Revaluation increment of land during the year	83,759	783,281
Revaluation increment of buildings during the year	308,402	207,915
Balance 30 June 2005	3,696,612	3,304,451
(c) Accumulated surplus		
Accumulated surplus as at beginning of reporting period	310,243	294,549
Net result for the reporting period	164,122	15,692
Accumulated surplus at end of reporting period	474,365	310,243

(d) Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(h).

	2005 \$'000	2004 \$'000
Total equity at the beginning of the financial year	8,256,154	7,195,820
Total changes in equity recognised in the statement of financial performance	556,283	1,006,888
Changes in contributed capital	64,829	53,446
Total equity at the end of the financial year	8,877,266	8,256,154

NOTE 17 Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the Department, which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The Department's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets bearing variable interest rates as the Department intends to hold fixed rate assets to maturity.

2005	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	5 years \$'000		
Financial assets								
	7		–	–	–	–	55,276	55,276
	7	4.61%	328,044	80,457	–	–	–	408,501
	8		–	–	–	–	522,787	522,787
		4.44%	218	–	8,462	2,061	559	11,300
			328,262	80,457	8,462	2,061	578,622	997,864
Financial liabilities								
	12		–	–	–	–	236,879	236,879
	13	6%	–	1,343	2,200	–	–	3,543
			–	1,343	2,200	–	236,879	240,422
Net financial assets (liabilities)			328,262	79,114	6,262	2,061	340,743	757,442

2004	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	5 years \$'000		
Financial assets								
	7		–	–	–	–	32,970	32,970
	7	4.38%	269,691	82,121	–	–	–	351,812
	8		–	–	–	–	407,198	407,198
		4.46%	–	–	2,619	3,342	859	6,820
			269,691	82,121	2,619	3,342	441,027	798,800
Financial liabilities								
	12		–	–	–	–	239,395	239,395
	13	6%	–	226	779	–	–	1,005
			–	226	779	–	239,395	240,400
Net financial assets (liabilities)			269,691	81,895	1,840	3,342	201,632	558,400

(c) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest-bearing monetary financial assets and financial liabilities of the Department approximates their carrying amounts.

The carrying amounts and net fair values of financial assets and liabilities at reporting date are:

	2005		2004	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$'000		\$'000	
On-balance sheet financial instruments				
Financial assets				
Cash – Department	55,276	55,276	32,970	32,970
Cash – schools	408,501	408,501	351,812	351,812
Receivables	522,787	522,787	407,198	407,198
Other financial assets	11,300	11,300	6,820	6,820
Non-traded financial assets	997,864	997,864	798,800	798,800
Financial liabilities				
Payables	236,879	236,879	239,395	239,395
Lease liabilities	3,543	3,543	1,005	1,005
Non-traded financial liabilities	240,422	240,422	240,400	240,400

(ii) Off-balance sheet

The Department has potential financial liabilities, which may arise from certain contingencies disclosed in note 21. As explained in that note,

no material losses are anticipated in respect of any of the contingencies and the net fair value disclosed below.

	2005		2004	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$'000		\$'000	
Financial liabilities (see note 21)				
Contingencies	–	15,303	–	15,761
	–	15,303	–	15,761

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form. Net fair value is exclusive of costs, which would be incurred on realisation of an asset, and inclusive of costs, which would be incurred on settlement of a liability.

NOTE 18 Ministers and Accountable Officers

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the above positions in the Department are as follows:

Minister for Education and Training	Lynne Kosky, MP	1 July 2004 to 30 June 2005
Acting Minister for Education and Training	Jacinta Allan, MP	19 October 2004 to 28 October 2004
	Jacinta Allan, MP	13 January 2005 to 25 January 2005
	Jacinta Allan, MP	12 February 2005 to 21 February 2005
Minister for Education Services	Jacinta Allan, MP	1 July 2004 to 30 June 2005
Acting Minister for Education Services	Lynne Kosky, MP	28 January 2005 to 4 February 2005
	Lynne Kosky, MP	29 May 2005 to 9 June 2005
Secretary	Grant Hehir	1 July 2004 to 30 June 2005
Acting Secretary	Jim Davidson	20 September 2004 to 24 September 2004
	Jeff Rosewarne	29 December 2004 to 31 December 2004
	Jim Davidson	4 January 2005 to 14 January 2005

Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of the Department during the reporting period was in the range:

	2005	2004
\$300,000–\$309,999	-	1
\$380,000–\$390,000	1	-

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Other transactions

Other related transactions and loans requiring disclosure under the standing Directions of the Minister for Finance have been considered and there are no matters to report.

NOTE 19 Remuneration of executives

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

Several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual

employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses became payable during the year.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long-service leave and retrenchment payments.

The remuneration of executive officers includes, in addition to the Department's, the Adult Community and Further Education Board plus the Victorian Learning and Employment Skills Commission.

Income band	Total remuneration		Base remuneration	
	2005 Number	2004 Number	2005 Number	2004 Number
\$0,000–\$9,999	–	–	–	–
\$10,000–\$19,999	1	–	3	–
\$20,000–\$29,999	2	2	3	5
\$30,000–\$39,999	2	1	1	4
\$40,000–\$49,999	1	1	1	1
\$50,000–\$59,999	5	–	4	1
\$60,000–\$69,999	1	2	1	2
\$70,000–\$79,999	–	1	1	–
\$80,000–\$89,999	2	1	3	1
\$90,000–\$99,999	2	1	4	3
\$100,000–\$109,999	2	1	3	3
\$110,000–\$119,999	2	4	–	5
\$120,000–\$129,999	2	7	7	8
\$130,000–\$139,999	4	9	6	12
\$140,000–\$149,999	7	9	9	13
\$150,000–\$159,999	8	12	13	4
\$160,000–\$169,999	13	11	6	6
\$170,000–\$179,999	8	1	2	2
\$180,000–\$189,999	3	4	1	–
\$190,000–\$199,999	2	2	–	1
\$200,000–\$209,999	1	2	–	2
\$210,000–\$219,999	–	1	1	–
\$220,000–\$229,999	–	–	–	–
\$230,000–\$239,999	1	–	1	–
\$240,000–\$249,999	2	–	1	–
\$250,000–\$259,999	–	1	–	–
Total numbers	71	73	71	73
Total amount (\$'000)	\$9,749	\$10,325	\$8,706	\$8,819

NOTE 20 Remuneration of auditors

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Department's financial report.

	2005 \$'000	2004 \$'000
Paid as at 30 June	90	127
Payable as at 30 June	201	157
Total audit fees	291	284

NOTE 21 Contingent liabilities and contingent assets

Details and estimates of maximum amounts of contingent liabilities are as follows.

Quantifiable contingent liabilities	2005 \$'000	2004 \$'000
Claims for damages	15,303	15,761
	15,303	15,761

Unquantifiable contingent liabilities

The Department has a number of unquantifiable contingent liabilities as follows:

- (a) Indemnities provided by the Department of Education & Training to the Commonwealth in funding contracts entered with the Commonwealth throughout the year. Each indemnity is limited to \$10 million for personal injuries and property damage, and \$50 million for damages arising out of Internet usage.
- (b) Indemnities provided by the Department of Education & Training to teachers, volunteer workers, school chaplains and school councils. This indemnity for teachers protects them against liability for personal injuries to students provided the teacher was not intoxicated, was not engaged in a criminal offence, was not engaged in outrageous conduct, and was in the course of the teacher's employment.

- (c) Indemnities provided by the Department of Education & Training to members of school councils. The *Education Act 1958* provides a comprehensive indemnity to members of school councils for any legal liability, whether in contract, negligence, defamation etc.

- (d) The Government also provides an indemnity for persons employed under the *Public Sector Management and Employment (PSME) Act 1998*.

No material losses are anticipated in respect of any of the above unquantifiable contingent liabilities.

None of the above contingent liabilities are secured over any assets of the Department.

Unquantifiable contingent assets

The Department does not have any unquantifiable contingent assets.

NOTE 22 Commitments for expenditure

	2005 \$'000	2004 \$'000
Capital commitments		
Commitments for the acquisition of buildings, plant and equipment contracted for at the reporting date but not recognised as liabilities:		
Within one year	103,529	111,845
Later than one year but not later than five years	374	-
Later than five years	-	-
Total capital commitments	103,903	111,845
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	44,406	93,041
Later than one year but not later than five years	60,902	108,623
Later than five years	24,051	31,195
Total operating leases	129,359	232,859
Total commitments	233,262	344,704

The Department leases equipment including photocopiers, computers, motor vehicles and property with varying lease terms.

	2005 \$'000	2004 \$'000
Finance leases		
Commitments in relation to finance leases are payable as follows:		
Within one year	1,476	285
Later than one year but not later than five years	2,344	835
Later than five years	-	-
Minimum lease payments	3,820	1,120
Less: Future finance charges	(277)	(115)
Recognised as a liability	3,543	1,005
Add: Lease incentives on non-cancellable operating leases included in lease liabilities	-	-
Total lease liabilities	3,543	1,005
Representing lease liabilities:		
Current (note 13)	1,343	226
Non-current (note 13)	2,200	779
Total finance leases	3,543	1,005

The weighted average interest rate implicit in the leases is 6 per cent.

NOTE 23 Employee benefits

	2005 \$'000	2004 \$'000
Provision for employee benefits		
Current (note 14)		
Annual leave	56,744	51,730
Long-service leave	81,660	77,628
Other	650	658
	139,054	130,016
Non-current (note 14)		
Long-service leave	766,306	728,248
	766,306	728,248
Aggregate employee benefit liability	905,360	858,264
Employee numbers		
Average number of employees during the financial year	60,135	59,301

As explained in note 1(o)(ii) and note 1(o)(iii), the amounts for long-service leave and superannuation are measured at their present values.

The following assumptions were adopted in measuring present values.

	2005 \$'000	2004 \$'000
(a) Long-service leave		
Weighted average rates of increase in annual employee entitlements to settlement of the liabilities	4.75%	4.50%
Weighted average discount rates	5.13%	5.73%
Weighted average terms to settlement of the liabilities	8 years	8 years
(b) Superannuation		
Name of scheme		
State Superannuation Fund – Revised Scheme	17.0%	15.5%
State Superannuation Fund – New Scheme–0% contributor	7.5%	9.0%
State Superannuation Fund – New Scheme–3% contributor	8.8%	9.0%
State Superannuation Fund – New Scheme–5% contributor	9.7%	9.5%
State Superannuation Fund – New Scheme–7% contributor	10.5%	10.0%
VicSuper*	9.0%	9.0%
State Employees Retirement Benefits Scheme	12.8%	12.5%
Other private schemes**	N/A	N/A

* Under the VicSuper Scheme, employer contributions are payable only if the member is paid more than \$450 in gross salary in a particular month. This is consistent with Commonwealth Superannuation Guarantee legislation.

** The rate for other private schemes is not disclosed as these payments are predominantly the result of performance-related payments, which vary by individual.

Government employees superannuation fund

No liability is recognised in the statement of financial position for the Department's share of the state's unfunded superannuation liability. The state's unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance.

However, superannuation contributions for the reporting period are included as part of salaries and associated costs in the statement of financial performance of the Department.

The name and details of the major employee superannuation funds and contributions made by the Department are as follows:

Funds	Contribution for the year	Contribution for the year	Contribution outstanding at year end	Contribution outstanding at year end
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
State Superannuation Fund (defined benefit scheme)	178,705	175,669	14,323	16,459
VicSuper (accumulation scheme)	107,603	93,149	–	–
State Employees Retirement Benefits Scheme (defined benefit scheme)	3,613	3,598	–	337
Various other schemes	8,093	13,761	–	–
Total	298,014	286,177	14,323	16,796

The bases for contributions are determined by the various schemes.

All employees of the Department are entitled to benefits on retirement, disability or death from the Government Employees' Superannuation Fund. This Fund provides defined lump sum benefits based on years of service and final average salary.

The above amounts were measured as at 30 June of each year, or in the case of employer contributions they relate to the years ended 30 June.

NOTE 24 Administered items

In addition to the specific departmental operations which are included in the statement of financial position, statement of financial performance and statement of cash flows, the Department administers or manages activities on behalf of the state. The transactions relating to these state activities are reported as administered items in this note. Administered transactions give rise to

revenues, expenses, assets and liabilities and are determined on an accrual basis. Administered revenue includes taxes, fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered liabilities include government expenses incurred but yet to be paid. Administered assets include government revenues earned but yet to be collected.

	School education		Training and tertiary education		Policy, strategy and information services		Departmental total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered revenue								
Commonwealth on-passing to non-government schools								
General recurrent grant	1,269,876	1,117,604	-	-	-	-	1,269,876	1,117,604
Other	93,461	85,961	-	-	-	-	93,461	85,961
Prizes and scholarships	291	155	-	-	-	-	291	155
Proceeds from sale of assets	14,846	1,858	-	-	-	-	14,846	1,858
Commonwealth general recurrent grants to government schools	388,701	358,431	-	-	-	-	388,701	358,431
Other	149,328	141,000	-	-	-	-	149,328	141,000
Total	1,916,503	1,705,009	-	-	-	-	1,916,503	1,705,009
Administered expenses								
Commonwealth on-passing to non-government schools								
General recurrent grant	1,269,891	1,117,660	-	-	-	-	1,269,891	1,117,660
Other	93,388	85,932	-	-	-	-	93,388	85,932
Prizes and scholarships	40	110	-	-	-	-	40	110
Written-down value of assets sold *	18,617	10,695	-	-	-	-	18,617	10,695
Amounts paid to Consolidated Fund **	513,181	500,945	-	-	-	-	513,181	500,945
Total	1,895,117	1,715,342	-	-	-	-	1,895,117	1,715,342
Revenue less expenses	21,386	(10,333)	-	-	-	-	21,386	(10,333)
Administered assets								
Receivables	10,927	13,952	-	-	-	-	10,927	13,952
Investments	10,876	4,115	-	-	-	-	10,876	4,115
Prepayments	3,301	3,178	-	-	-	-	3,301	3,178
Other	-	(8)	-	-	-	-	-	(8)
Property, plant and equipment	11,265	10,881	-	-	-	-	11,265	10,881
Total	36,369	32,118	-	-	-	-	36,369	32,118
Administered liabilities								
Creditors and accruals	6,887	3,339	-	-	-	-	6,887	3,339
Total	6,887	3,339	-	-	-	-	6,887	3,339

* Revenue associated with the sale of these assets is recorded in the financial statements of the Department of Treasury and Finance.

** This amount relates to Commonwealth and other monies received by the Department and paid to the Consolidated Fund. It includes an amount of \$39.7 million offset against expenditure to correct the recording of asset sale transfers to the Department of Treasury and Finance in previous years.

NOTE 25 Ex-gratia payments

The Department made the following ex-gratia payments. Included in the total amount are the following ex-gratia payments in bands of \$10,000 arising as a result of personal injury claims

involving students and third parties and settlement of legal action taken under the *Equal Opportunity Act 1995* and the *Workplace Relations Act 1996*.

	2005 number	2004 number
\$0–\$9,999	83	82
\$10,000–\$19,999	26	21
\$20,000–\$29,999	13	11
\$30,000–\$39,999	11	12
\$40,000–\$49,999	7	2
\$50,000–\$59,999	3	1
\$60,000–\$69,999	1	3
\$70,000–\$79,999	2	2
\$80,000–\$89,999	–	3
\$90,000–\$99,999	1	–
\$100,000–\$109,999	2	–
\$110,000–\$119,999	1	–
\$120,000–\$129,999	–	–
\$130,000–\$139,999	–	–
\$140,000–\$149,999	–	–
\$150,000–\$159,999	1	1
\$160,000–\$169,999	–	–
\$170,000–\$179,999	–	–
\$180,000–\$189,999	–	–
\$190,000–\$199,999	–	1
\$200,000–\$209,999	–	–
\$210,000–\$219,999	–	–
\$220,000–\$229,999	–	–
\$230,000–\$239,999	–	–
\$240,000–\$249,999	–	–
\$250,000–\$259,999	–	–
\$260,000–\$269,999	–	–
\$270,000–\$279,000	–	1
Total number of payments	151	140
Total amount of payments	\$2,520,934	\$2,452,790

NOTE 26 Reconciliation of net result for the reporting period to net cash inflow from operating activities

	2005 \$'000	2004 \$'000
Net result for the reporting period	164,122	15,692
Depreciation and amortisation	224,572	209,156
Net (gain)/loss on sale of non-current assets	6,364	17,373
Net transfers free of charge	1,734	1,739
Change in operating assets and liabilities, net of effects from restructuring		
Decrease (increase) in receivables	(83,550)	(62,690)
Decrease (increase) in other operating assets	2,839	(4,498)
Increase (decrease) in payables	(2,516)	61,276
Increase (decrease) in other current liabilities	5,264	1,992
Increase (decrease) in employee entitlements	46,846	38,449
Net cash inflow from operating activities	365,675	278,489

NOTE 27 Events occurring after reporting date

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material

or unusual nature likely to affect significantly the operations of the Department in subsequent financial years.

NOTE 28 Non-cash financing and investing activities

	2005 \$'000	2004 \$'000
Acquisition of plant and equipment by means of finance leases	2,875	1,005
	2,875	1,005

NOTE 29 Annotated receipt agreements

The following is a listing of Section 29 Annotated Receipt Agreements approved by the Treasurer.

	2005 \$'000	2004 \$'000
Sales of goods and services		
Alarm monitoring	148	163
Schools' hostels – food and other taxable supplies	35	89
Schools' hostels – accommodation	203	365
Housing rent (input taxed)	980	953
Registered Schools Board	2	76
Unwanted alarms	160	84
Copyright	282	–
	1,810	1,730
Asset sales		
Sale of land	14,846	1,858
	14,846	1,858
Commonwealth Specific Purpose Payments		
Aboriginal advancement	1,721	3,139
Capital schools building	60,066	57,915
Strategic assistance to improved student outcomes	64,669	57,847
English as a Second Language (ESL) new arrivals	13,449	12,944
Language other than English (LOTE)	4,654	4,325
Country Areas Programme (CAP)	2,494	2,276
Literacy and Numeracy Week	376	206
	147,429	138,652
Total annotated receipts (note 4)	164,084	142,240

NOTE 30 Trust account balances

The following is a listing of trust account balances relating to trust accounts controlled and administered by the Department.

	2005 \$'000	2004 \$'000
Controlled trusts		
Suspense	1,023	1,078
State Treasury Trust	47,383	44,083
Commonwealth Treasury Trust	3,848	6,920
Total controlled trusts (note 7)	52,254	52,081
Administered trusts		
Prizes and scholarships etc.	1,669	1,497
Commuter Club	73	28
On-passing from the Commonwealth	162	185
Total administered trusts	1,904	1,710

The following is a list of trust accounts opened and closed by the Department during 2004–05.

Trust accounts opened during 2004–05

Nil

Trust accounts closed during 2004–05

Nil

NOTE 31 Impact of adopting AASB 1047 equivalents to IASB standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS) the Department of Education & Training will report for the first time in compliance with A-IFRS when results for the financial year ended 30 June 2006 are released.

It should be noted that under A-IFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. The Department is established to achieve the objectives of government in providing services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, the Department applies those paragraphs in accounting standards applicable to not-for-profit entities.

An A-IFRS compliant financial report will comprise a new statement of changes in equity in addition to the three existing financial statements, which will all be renamed. The statement of financial performance will be renamed as the operating statement, the statement of financial position will revert to its previous title as the Balance Sheet and the statement of cash flows will be simplified as the cash flow statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004–05 financial report, which is prepared under existing accounting standards, existing titles and terminologies will be retained.

With certain exceptions, entities that have adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied. This requirement also extends to any comparative information included within the financial report. Most accounting policy adjustments to apply A-IFRS retrospectively will be made against accumulated funds at the 1 July 2004 opening balance sheet date for the comparative period. The exceptions include

deferral until 1 July 2005 of the application adjustments for:

AASB 132 Financial Instruments: Disclosure and Presentation

AASB 139 Financial Instruments: Recognition and Measurement

AASB 4 Insurance Contracts

AASB 1023 General Insurance Contracts

AASB 1038 Life Insurance Contracts.

The comparative information for transactions affected by these standards will be accounted for in accordance with existing accounting standards.

The Department of Education & Training has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- established a steering committee to oversee the transition to and implementation of the A-IFRS
- established an A-IFRS project team to review the new accounting standards to identify key issues and the likely impacts resulting from the adoption of A-IFRS and any relevant Financial Reporting Directions as issued by the Minister for Finance
- participated in an education and training process to raise awareness of the changes in reporting requirements and the processes to be undertaken
- initiated reconfiguration and testing of user systems and processes to meet new requirements.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements. A number of differences between Australian GAAP and A-IFRS have been identified as potentially having a material impact on the Department of Education & Training's financial position and financial performance following the adoption of A-IFRS. The following tables outline the estimated significant impacts on the financial

position of the Department of Education & Training as at the date of transition to A-IFRS and 30 June 2005 and the likely impact on the current year result had the financial statements been prepared using A-IFRS.

The estimates disclosed below are the Department of Education & Training's best estimates of the significant quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual

effects of transition to A-IFRS may differ from the estimates disclosed due to:

- change in facts and circumstances;
- ongoing work being undertaken by the A-IFRS project team;
- potential amendments to A-IFRS and interpretations; and
- emerging accepted practice in the interpretation and application of A-IFRS and UIG Interpretations.

Reconciliation of net result as presented under Australian GAAP and that under A-IFRS	Note	AGAAP actual \$'000	A-IFRS impact \$'000	A-IFRS pro forma \$'000
Estimated A-IFRS impact on revenue				
Output appropriations		6,205,448	–	6,205,448
Special appropriations		483	–	483
Other revenue and revenue from other parties		494,703	–	494,703
		6,700,634	–	6,700,634
Estimated A-IFRS impact on expenses				
Employee benefits		(3,468,449)	–	(3,468,449)
Depreciation and amortisation	i, ii & iii	(224,572)	8,479	(216,093)
Grants and other payments to service providers		(1,141,951)	–	(1,141,950)
Resources provided free of charge or for nominal consideration		(1,734)	–	(1,734)
Capital asset charge		(764,622)	–	(764,622)
Supplies and services		(924,077)	–	(924,077)
Borrowing costs		(127)	–	(127)
Other expenses from ordinary activities		(10,980)	–	(10,980)
		(6,536,512)	8,479	(6,528,032)
Net result for the reporting period		164,122	8,479	172,602

Reconciliation of assets, liabilities and equity as presented under Australian GAAP and that under A-IFRS	Note	AGAAP actual \$'000	A-IFRS impact \$'000	A-IFRS pro forma \$'000
Current assets				
Cash assets		463,777	–	463,777
Receivables		371,907	–	371,907
Prepayments		8,095	–	8,095
Total current assets		843,779	–	843,779
Non-current assets				
Receivables		150,880	–	150,880
Other financial assets		11,300	–	11,300
Intangible assets	ii	15,942	(15,942)	–
Property, plant and equipment	i & iii	9,019,448	(812,324)	8,207,124
Total non-current assets		9,197,570	(828,266)	8,369,304
Total assets		10,041,349	(828,266)	9,213,083
Current liabilities				
Payables		236,879	–	236,879
Interest-bearing liabilities		1,343	–	1,343
Provisions	iv	140,984	5,911	146,895
Other		16,371	–	16,371
Total current liabilities		395,577	5,911	401,488
Non-current liabilities				
Interest-bearing liabilities		2,200	–	2,200
Provisions	iv	766,306	(5,911)	760,395
Total non-current liabilities		768,506	(5,911)	762,595
Total liabilities		1,164,083	–	1,164,083
Net assets		8,877,266	(828,266)	8,049,000
Equity				
Contributed capital		4,706,289	–	4,706,289
Reserves	v	3,696,612	(1,438,779)	2,257,833
Accumulated surplus	i, ii & v	474,365	610,513	1,084,878
Total equity		8,877,266	(828,266)	8,049,000

i Impairment of assets: AASB 136 *Impairment of Assets* requires assets to be assessed for indicators of impairment each year. This standard applies to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the carrying value of an asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use

and fair value less costs to sell. For not-for-profit entities, value-in-use of an asset is generally its depreciated replacement cost. The requirement to assess impairment has arisen as part of the transition to the International Financial Reporting Standards. Under the current standards only the depreciated replacement cost has been included in the calculation of the building values. An impairment test was conducted on transition date, 1 July 2004. The value of the write-down was calculated by comparing the current

building areas held with a calculation of area requirements per student by student numbers. The result of this calculation was a write-down of \$813,666,048 in the value of buildings. The impact of the impairment write-down has been adjusted against the accumulated funds and the carrying amount of the impaired assets on that date. As a consequence, depreciation expense for the year ended 30 June 2005 is expected to decrease by \$20.3 million. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

ii Intangible assets: Current accounting standards permit costs incurred on research and development projects to be deferred to future periods to the extent that they are expected beyond reasonable doubt to be recoverable. Under AASB 138 *Intangible Assets*, costs incurred in the research phase are not permitted to be recognised as an asset and are expensed when incurred. Only expenditures incurred in the development phase are permitted to be recognised as an asset to the extent that they satisfy the criteria of AASB 138. Accordingly, research costs previously capitalised as intangible assets will be derecognised at the date of transition with the resulting adjustment made against accumulated funds. Intangible assets are also subject to annual impairment tests under AASB 138. The effect of the above requirement on the statement of financial position as at 30 June 2005 will be an estimated write-down of intangible assets of \$15.9 million. Amortisation expense for the year ended 30 June 2005 will also decrease by \$7.1 million as a consequence.

iii Property, plant and equipment: On initial recognition, the amount recognised in respect of assets must be allocated to separate component parts when the components have different useful lives or have different patterns of usage

of their benefits. The effect of this has resulted in extra \$19 million in depreciation due to the recognition of building components having a shorter useful life.

iv Employee benefits: Under existing Australian accounting standards, employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at their nominal amount regardless of whether they are expected to be settled within 12 months of the reporting date. On adoption of A-IFRS, a distinction is made between short-term and long-term employee benefits and AASB 119 *Employee Benefits* requires liabilities for short-term employee benefits to be measured at nominal amounts and liabilities for long-term employee benefits to be measured at present value. AASB 119 defines short-term employee benefits as employee benefits that fall due wholly within 12 months after the end of the period in which the employees render the related service. Therefore, liabilities for employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at present value where they are not expected to be settled within 12 months of the reporting date. The effect of the above requirement on the Department's statement of financial position as at 30 June 2005 will be an estimated decrease in non-current employee benefits liability of \$5.9 million and a corresponding increase in current employee benefits. This shift between current and non-current relates to the recognition of that portion of annual leave entitlement that is estimated to be taken in excess of 12 months.

v Property, plant and equipment: The entity elected to measure property on transition to A-IFRS at fair value and has used 2002 values as the items deemed cost at that date. The effect of this provision results in \$1,438.7 million of previous asset revaluation reserve amounts prior to 2002 being transferred to accumulated surplus.



Department of Education & Training

Office of the Secretary

ACCOUNTABLE OFFICER'S DECLARATION

We certify that the attached financial statements for the Department of Education and Training have been prepared in accordance with Part 9 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of financial performance, statement of financial position, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2005 and financial position of the Department as at 30 June 2005.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate

Grant Hehir
Secretary

Date: 7/9/2005

Claire Tierney
Chief Finance Officer

Date: 7/9/2005

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GPO Box 4367
Melbourne, Victoria 3001



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AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Department of Education and Training

To the Members of the Parliament of Victoria and the Secretary of the Department of Education and Training

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2005 relates to the financial report of the Department of Education and Training included on its web site. The Secretary of the Department of Education and Training is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2005 of the Department of Education and Training consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial report, and the supporting declaration.

Secretary's Responsibility

The Secretary of the Department of Education and Training is responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Secretary
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

