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**To the Chief Executive
Department for Industry, Innovation and Science**

Opinion

I have audited the financial report of the Department for Innovation and Skills for the financial year ended 30 June 2022.

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

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director, Financial and Business Services.

Basis for opinion

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

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

Responsibilities of the Chief Executive for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Innovation and Skills for the financial year ended 30 June 2022.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department for Innovation and Skills's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive

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

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

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



Andrew Richardson
Auditor-General

20 September 2022

**Department for Innovation and Skills
(DIS)**

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

Certification of the Financial Statements

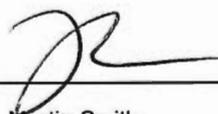
We certify that the:

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

- internal controls employed by the Department for Innovation and Skills for the financial year over its financial reporting and its preparation of financial statements have been effective.



Adam Reid
Chief Executive
15 September 2022



Martin Smith
Director, Financial and Business Services
16 September 2022

Department for Innovation and Skills
Statement of Comprehensive Income
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Income</u>			
Appropriations	2.1	392 146	379 363
Fees and charges	2.2	4 308	3 731
Commonwealth-sourced grants and funding	2.3	57 341	34 864
SA Government grants, subsidies and transfers	2.4	75 488	29 169
Resources received free of charge	2.5	920	927
Interest on lease receivables		11	7
Other income	2.6	5 674	1 717
Total income		535 888	449 778
<u>Expenses</u>			
Employee benefits expenses	3.3	38 608	40 115
Supplies and services	4.1	18 083	18 118
Depreciation and amortisation	4.2	4 517	4 579
Grants and subsidies	4.3	408 100	378 643
Interest expense on lease liabilities		233	22
Net loss from disposal of non-current assets	4.4	-	176
Resources provided free of charge	4.5	402	-
Other expenses	4.6	2 472	2 401
Payments to Consolidated Account	4.7	2 595	2 584
Total expenses		475 010	446 638
Net result		60 878	3 140
Total comprehensive result		60 878	3 140

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

Department for Innovation and Skills
Statement of Financial Position
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Current assets</u>			
Cash	6.1	128 532	50 250
Receivables	6.2	5 408	7 001
Non-current assets classified as held for sale	5.4	-	2 800
Total current assets		133 940	60 051
<u>Non-current assets</u>			
Receivables	6.2	-	438
Property, plant and equipment	5.1	16 440	18 432
Leased property, plant and equipment	5.2	8 666	10 717
Intangible assets	5.3	4 352	6 906
Total non-current assets		29 458	36 493
Total assets		163 398	96 544
<u>Current liabilities</u>			
Payables	7.1	20 387	11 877
Financial liabilities	7.2	2 138	2 345
Employee benefits liability	3.4	3 568	4 538
Provisions	7.3	92	181
Other current liabilities	7.4	166	358
Total current liabilities		26 351	19 299
<u>Non-current liabilities</u>			
Payables	7.1	629	763
Financial liabilities	7.2	8 028	10 229
Employee benefits liability	3.4	6 538	8 117
Provisions	7.3	252	442
Other non-current liabilities	7.4	648	1 677
Total non-current liabilities		16 095	21 228
Total liabilities		42 446	40 527
Net assets		120 952	56 017
<u>Equity</u>			
Contributed capital		44 710	40 617
Retained earnings		74 668	13 826
Asset revaluation surplus	8.1	1 574	1 574
Total equity		120 952	56 017

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

Department for Innovation and Skills
Statement of Changes in Equity
for the year ended 30 June 2022

	Note	Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2020		36 781	1 574	1 770	40 125
Net result for 2020-21		-	-	3 140	3 140
Total comprehensive result for 2020-21		-	-	3 140	3 140
Contributed capital increases		3 836	-	-	3 836
Net assets transferred as a result of an administrative restructure	1.5	-	-	8 916	8 916
Balance at 30 June 2021		40 617	1 574	13 826	56 017
Net result for 2021-22		-	-	60 878	60 878
Total comprehensive result for 2021-22		-	-	60 878	60 878
Contributed capital increases		4 093	-	-	4 093
Net assets transferred as a result of an administrative restructure	1.5	-	-	(36)	(36)
Balance at 30 June 2022		44 710	1 574	74 668	120 952

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

Department for Innovation and Skills
Statement of Cash Flows
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<u>Cash flows from operating activities</u>			
<i>Cash inflows</i>			
Appropriations		392 146	379 363
Fees and charges		4 769	4 027
Receipts from Commonwealth-sourced grants		57 341	34 864
SA Government grants, subsidies and transfers		75 488	29 169
GST recovered from the ATO		5 876	5 660
Interest received on lease receivables		11	7
Other receipts		6 422	7 536
Cash generated from operations		542 053	460 626
<i>Cash outflows</i>			
Employee benefits payments		(41 435)	(40 742)
Payments for supplies and services		(15 401)	(17 204)
Payments of security deposits		(20)	-
Payments of grants and subsidies		(410 306)	(386 664)
Payments to Consolidated Account		-	(2 584)
Cash (used in) operations		(467 162)	(447 194)
Net cash provided by operating activities	8.2	74 891	13 432
<u>Cash flows from investing activities</u>			
<i>Cash inflows</i>			
Proceeds from the sale of property, plant and equipment		2 800	-
Repayment of principal portion of lease receivable		872	58
Cash generated from investing activities		3 672	58
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(1 171)	(2 526)
Cash (used in) investing activities		(1 171)	(2 526)
Net cash provided by / (used in) by investing activities		2 501	(2 468)
<u>Cash flows from financing activities</u>			
<i>Cash inflows</i>			
Capital contributions from government		4 093	3 836
Cash received from restructuring activities		-	942
Cash generated from financing activities		4 093	4 778
<i>Cash outflows</i>			
Cash transferred as a result of restructuring activities		(667)	-
Repayment of principal portion of lease liabilities		(2 536)	(750)
Cash (used in) financing activities		(3 203)	(750)
Net cash provided by financing activities		890	4 028
Net increase in cash		78 282	14 992
Cash at the beginning of the period		50 250	35 258
Cash at the end of the period	6.1	128 532	50 250

The accompanying notes form part of these financial statements.

Department for Innovation and Skills

Notes to and forming part of the financial statements

for the year ended 30 June 2022

1. About the Department for Innovation and Skills

The Department for Innovation and Skills (the department) is a not-for-profit government department of the State of South Australia established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The Minister for Industry, Innovation and Science (previously the Minister for Innovation and Skills) has a 25% interest in SABRENet. SABRENet was registered on 28 September 2005 as a not-for-profit company limited by guarantee and has been recognised by the Australian Taxation Office (ATO) as a tax exempt entity. The founding members are the three South Australian Universities and the South Australian Government. The objectives for which the company was established are to be a not-for-profit institution to further the use of advanced data networking for conducting research and education in South Australia, for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, the Minister's interest in SABRENet is limited to the Minister's use of SABRENet's asset (the network). That is, the Minister receives no return for the interest in SABRENet.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the department.

Administered items

Administered items are disclosed separately in this report (refer note 11).

1.1. Basis of preparation

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

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

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

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

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Significant accounting policies are set out throughout the notes.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.2. New and amended standards adopted by the department

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

1.3. Objectives and programs

The department supports the Government of South Australia's Growth State agenda by ensuring that the growth plans for priority industry sectors in South Australia are underpinned by research, development and innovation capability, through a skilled workforce and skilled migration.

The department's purpose is to support people and businesses succeed in a growing South Australian economy, which will be achieved by:

- collaborating with industry stakeholders and across government to enable relevant, outcome focused and efficient policy and program design and delivery,
- building the skills system to ensure that all South Australians are equipped for success in the future workforce, and
- developing and investing in the research and innovation system to help entrepreneurs, creatives and business leaders commercialise ideas, deliver new products, services and processes and drive productivity improvement.

Programs

The department has identified two programs that reflect the nature of the services delivered to the South Australian community.

The programs of the department and their objectives are:

Science and Innovation

The purpose of the Science and Innovation program is to support an increase in South Australia's productivity and sustainable economic growth by developing and promoting the state's research, innovation and translation system by:

- supporting entrepreneurs, start-ups and small businesses and attracting early stage investment and venture capital,
- encouraging the translation and commercialisation of research through industry, research and government collaboration and investment,
- supporting competitive global excellence in South Australian science and research, and
- developing and supporting hi-tech and creative industries sectors as part of the Growth State agenda.

Skills

Through increased and targeted investment in training, the Skills program ensures that South Australians and South Australian businesses have the right skills to secure jobs and contribute to a growing economy by:

- partnering with industry, to align the investment of public funds with industry identified skills, workforce and training needs and economic priorities,
- assisting employers to take on and retain apprentices and trainees through responsive services and advice with a customer focus,
- regulating the apprenticeship and traineeship system to ensure compliance with the *South Australian Skills Act 2008*,
- enabling a responsive, contestable and high-quality vocational education and training (VET) system, and
- administering the employer sponsored and skilled migration programs to support business and industry to access skilled workforce to meet critical skills gaps in the local market.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.3. Objectives and programs (continued)

Income and expenses by program

	Science and Innovation		Skills		General / Unattributed		Activity Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Income								
Appropriations	-	-	-	-	392 146	379 363	392 146	379 363
Fees and charges	2 212	2 451	2 096	1 280	-	-	4 308	3 731
Commonwealth-sourced grants and funding	-	-	57 341	34 864	-	-	57 341	34 864
SA Government grants, subsidies and transfers	15 296	23 093	60 192	6 076	-	-	75 488	29 169
Resources received free of charge	920	927	-	-	-	-	920	927
Interest on lease receivables	11	7	-	-	-	-	11	7
Other income	4 786	1 122	888	595	-	-	5 674	1 717
Total income	23 225	27 600	120 517	42 815	392 146	379 363	535 888	449 778
Expenses								
Employee benefits expenses	23 477	20 802	15 131	19 313	-	-	38 608	40 115
Supplies and services	10 871	10 600	7 212	7 518	-	-	18 083	18 118
Depreciation and amortisation	2 741	1 344	1 776	3 235	-	-	4 517	4 579
Grants and subsidies	60 844	38 788	347 256	339 855	-	-	408 100	378 643
Interest expense on lease liabilities	233	21	-	1	-	-	233	22
Net loss from disposal of non-current assets	-	176	-	-	-	-	-	176
Resources provided free of charge	-	-	402	-	-	-	402	-
Other expenses	2 047	1 469	425	932	-	-	2 472	2 401
Payments to Consolidated Account	2 595	-	-	2 584	-	-	2 595	2 584
Total expenses	102 808	73 200	372 202	373 438	-	-	475 010	446 638
Net result	(79 583)	(45 600)	(251 685)	(330 623)	392 146	379 363	60 878	3 140

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.3. Objectives and programs (continued)

Asset and liabilities by program

	Science and Innovation		Skills		Activity Total	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash	30 107	6 133	98 425	44 117	128 532	50 250
Receivables	4 951	4 377	457	3 062	5 408	7 439
Non-current assets classified as held for sale	-	2 800	-	-	-	2 800
Property, plant and equipment	9 881	11 481	6 559	6 951	16 440	18 432
Leased property, plant and equipment	8 666	10 717	-	-	8 666	10 717
Intangible assets	651	398	3 701	6 508	4 352	6 906
Total assets	54 256	35 906	109 142	60 638	163 398	96 544
Liabilities						
Payables	17 643	10 413	3 373	2 227	21 016	12 640
Financial liabilities	10 166	12 574	-	-	10 166	12 574
Employee benefits liability	6 145	6 562	3 961	6 093	10 106	12 655
Provisions	209	323	135	300	344	623
Other liabilities	173	335	641	1 700	814	2 035
Total liabilities	34 336	30 207	8 110	10 320	42 446	40 527

1.4. Impact of COVID-19 pandemic on the department

The COVID-19 pandemic has impacted on the operations of the department and the impacts are included under the relevant disclosure notes. The key impacts in 2021-22 were:

- continued support provided through the JobTrainer National Partnership Agreement, jointly funded by the Commonwealth Government and Government of South Australia, to deliver additional low fee training as the economy rebuilds. Funding of \$41.4 million was provided by the Commonwealth (refer note 2.3) and a contribution of \$59.4 million from the COVID-19 Support Fund (refer note 2.4). Associated expenditure of \$21.5 million is primarily reported in note 4.3.
- once-off funding provided by the COVID-19 Support Fund of \$3.0 million to specifically support dedicated live music venues, event promoters and professional touring artists to support the rebuild of their careers and businesses (refer note 2.4). Associated expenditure of \$3.0 million is reported in note 4.3.
- commencement of the See It LIVE! Voucher scheme to get live music back into pubs, clubs, small bars, restaurants, cafes and other smaller venues and See It LIVE! event grants available for medium and larger scale music events and festivals as part of the South Australian Governments \$10 million Plan for the Live Music Industry. Expenditure of \$1.7 million is primarily reported in note 4.3. Expenditure includes support to make a mental health support service available to South Australian musicians, managers, crew and music workers and support to the Royal Adelaide Show to enable live music as part of its entertainment program.
- administration of the Regional Jobs Support and Incentive Program, as part of the Mobilising Seasonal and Regional Workforce support package, to help boost and fill seasonal and regional workforce vacancies across South Australia, in response to the impacts of COVID-19. The Program was fully subscribed in May 2022 with funding from the COVID-19 Support Fund of \$0.6 million (refer note 2.4). Associated expenditure of \$0.6 million is primarily reported in note 4.3.

Refer to note 9.5 for COVID-19 impacts in 2022-23.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.5. Changes to the department

Transferred out 2021-22

The *Training and Skills Development (Miscellaneous) Amendment Act (Commencement) Proclamation 2021* (dated 24 June 2021) proclaimed that effective from 1 July 2021, the *South Australian Skills Act 2008* is enacted and the establishment of the South Australian Skills Commission as a Statutory Authority, instrumentality of the Crown.

The following assets and liabilities for the South Australian Skills Commission were transferred out of the department:

	\$'000
Cash	667
Total assets	667
Payables	70
Employee benefits liability	532
Provisions	29
Total liabilities	631
Total net assets transferred	(36)

Net assets transferred out by the department as a result of the establishment of the South Australian Skills Commission were recognised at their carrying amount. Net assets transferred were treated as a contribution by the government as owner.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.5. Changes to the department (continued)

Transferred in 2020-21

The *Public Corporations (TechInSA) (Dissolution and Revocation) Regulations 2021* (dated 17 June 2021) proclaimed that effective from 1 July 2021, TechInSA is dissolved and immediately before its dissolution all assets and liabilities are transferred to the Department for Innovation and Skills on 30 June 2021.

The following assets and liabilities for TechInSA were transferred to the department:

	\$'000
Cash	942
Receivables	806
Non-current assets classified as held for sale	2 800
Property, plant and equipment	6 000
Leased property, plant and equipment	9 448
Total assets	19 996
Payables	129
Financial liabilities	10 865
Other liabilities	86
Total liabilities	11 080
Total net assets transferred	8 916

Net assets assumed by the department as a result of the dissolution of TechInSA were recognised at their carrying amount. Net assets transferred were treated as a contribution by the government as owner.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.6. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2021-22 Budget Paper 4). Appropriations reflects appropriations issued to special deposit accounts and deposit accounts controlled by the department. The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

Statement of Comprehensive Income	Note	Original Budget 2022 \$'000	Actual 2022 \$'000	Variance 2022 \$'000
Income				
Appropriations		398 298	392 146	(6 152)
Fees and charges		3 412	4 308	896
Commonwealth-sourced grants and funding	(a)	29 147	57 341	28 194
SA Government grants, subsidies and transfers		70 314	75 488	5 174
Resources received free of charge		-	920	920
Interest on lease receivables		3	11	8
Other income		345	5 674	5 329
Total income		501 519	535 888	34 369
Expenses				
Employee benefits expenses		40 816	38 608	(2 208)
Supplies and services		16 045	18 083	2 038
Depreciation and amortisation		4 721	4 517	(204)
Grants and subsidies	(b)	456 474	408 100	(48 374)
Interest expense on lease liabilities		15	233	218
Resources provided free of charge		-	402	402
Other expenses		-	2 472	2 472
Payments to Consolidated Account		-	2 595	2 595
Total expenses		518 071	475 010	(43 061)
Net result		(16 552)	60 878	77 430
Total comprehensive result		(16 552)	60 878	77 430

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses or total expenditure.

Income and operating expenditure

- (a) Commonwealth-sourced grants and funding was \$28.2 million higher than original budget primarily due to:
- reprofile of milestone payments under the JobTrainer National Partnership Agreement from 2020-21 to 2021-22 (\$20.7 million).
 - revision to the payment schedule for the Skilling South Australians National Partnership Agreement during 2021-22 (\$ 6.5 million).
 - once-off funding received in 2021-22 for the VET Data Streamlining Agreement which did not form part of the original budget (\$1.0 million).

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

1.6. Budget performance (continued)

(b) Grants and subsidies expenditure was \$48.4 million lower than original budget primarily due to:

- reduction of grants and subsidies budgets through the Mid-Year Budget Review process which approved the reprofiling of expenditure into future years for training subsidies provided through the JobTrainer program (\$78.1 million).

Partially offset by:

- increase in grants and subsidies budgets of \$38.1 million due to the carryover of budget from 2020-21 to 2021-22 primarily related to the following programs and initiatives JobTrainer (\$18.4 million), Skilling South Australia (\$8.3 million), Infection Control (\$2.4 million), Small to Medium Enterprise Business Advisory Services Scheme (\$2.3 million) and Research and Innovation Fund (\$2.3 million).

		Original Budget 2022 \$'000	Actual 2022 \$'000	Variance 2022 \$'000
	Note			
Investing expenditure summary				
Total existing projects	(a)	3 505	-	(3 505)
Total annual programs	(b)	2 043	582	(1 461)
Total leases		79	346	267
Total investing expenditure		5 627	928	(4 699)

Investing expenditure

(a) Expenditure on existing projects is \$3.5 million lower than original budget primarily due to:

- transfer of budget responsibility for the Digital Transformation project to the Department of the Premier and Cabinet (\$2.7 million).
- Digital Transformation project costs which did not meet the capitalisation criteria (\$0.8 million).

(b) Expenditure on annual programs is \$1.5 million lower than original budget primarily due to information technology related expenditure that did not meet the capitalisation criteria.

1.7. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- accommodation expenses are primarily related to accommodation provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangement (refer note 4.1).
- grant and subsidy payments of \$236.5 million were made to TAFE SA.
- grant payments of \$20.9 million to Creative Industries statutory authorities, South Australian Film Corporation (\$19.4 million) and Adelaide Film Festival (\$1.5 million). Payments to the South Australian Film Corporation include \$9.0 million for the Post Production, Digital and Visual Effects (PDV) Rebate Scheme and \$1.3 million for the Video Games Development Rebate Scheme.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

2. Income

The department's primary income is provided by the Department of Treasury and Finance as either appropriations or on-passing of Commonwealth grants.

2.1. Appropriations

	2022	2021
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	390 446	379 363
Appropriations under other Acts	1 700	-
Total appropriations	392 146	379 363

Appropriations are recognised on receipt.

Total appropriations received from the Consolidated Account pursuant to the *Appropriation Act* consist of \$390.4 million (2021: \$379.4 million) for capital and operational funding. In 2022 the original amount appropriated to the department under the annual *Appropriation Act* was adjusted for monies received from the Treasurer via the Governor's Appropriation Fund for \$1.7 million pursuant to the *Public Finance and Audit Act 1987*.

2.2. Fees and charges

	2022	2021
	\$'000	\$'000
Immigration application fees	2 821	2 279
Service level agreement fees	1 487	1 452
Total fees and charges	4 308	3 731

Fees and charges are intended to recover costs and revenue are recognised when services are performed.

The department collects fees to assess skilled and business migrant applications that were set out in the *South Australian Migration Fees 2021 Notice*, published in the SA Government Gazette on 3 June 2021.

Service level agreement fees relate to corporate services provided to the Department for Trade and Investment \$0.1 million (2021: \$0.2 million) and the Department for Energy and Mining \$1.4 million (2021: \$1.2 million).

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

2.3. Commonwealth-sourced grants and funding

	2022	2021
	\$'000	\$'000
National Partnership - JobTrainer Fund	41 360	13 788
National Partnership - Skilling Australians Fund	14 981	21 076
VET Data Streamlining	1 000	-
Total Commonwealth-sourced grants and funding	57 341	34 864

Commonwealth-sourced grants and funding are recognised as income on receipt.

Obligations under Commonwealth-sourced grants and funding are required to be met by the State of South Australia. For accounting purposes, the obligations under the funding arrangements only rest with the department for VET Data Streamlining as this was received directly from the Commonwealth by the department, with the department representing the State of South Australia's obligations under the grant for accounting purposes. The Commonwealth has provided funding to the State for the following purposes:

- National Partnership – JobTrainer Fund supports a rapid increase in low or no fee training places for job seekers, school leavers and young people in areas of identified skills need and / or employment growth, to support them into employment as Australia emerges from the COVID-19 pandemic.
- National Partnership – Skilling Australians Fund contributes to improved employment outcomes by supporting Australians to obtain the skills and training they need for jobs in demand through increasing the uptake of apprenticeships and traineeships and other relevant employment-related training.
- VET Data Streamlining – supports the reform of the VET market by implementing a single reporting pathway to a central data repository that will support near real-time VET activity data, providing regulators, governments, VET stakeholders and consumers with access to more comprehensive and better quality VET data.

National Partnership funding for the JobTrainer Fund and Skilling South Australians Fund was originally received by the State and then paid from Department of Treasury and Finance Administered Items to the department.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

2.4. SA Government grants, subsidies and transfers

	2022	2021
	\$'000	\$'000
COVID-19 Support Fund ⁽¹⁾	62 938	13 216
Jobs and Economic Growth Fund	11 554	8 848
Community Development Fund	850	850
Transfers from the Treasurer's Contingency Fund	-	5 675
Arts Recovery Fund	-	500
Other	146	80
Total SA Government grants, subsidies and transfers	75 488	29 169

⁽¹⁾ From 1 July 2021, the Business and Jobs Support Fund and Community Jobs Support Fund were combined and renamed to create the COVID-19 Support Fund.

SA Government grants, subsidies and transfers are recognised as income on receipt.

The COVID-19 Support Fund provided funding of \$59.4 million (2021: \$2.8 million) for the jointly funded Commonwealth Government and South Australian Government JobTrainer initiative, once-off funding of \$3.0 million to support the live music industry and \$0.6 million (2021: \$1.7 million) for the Regional Jobs Support and Incentive Program. Once-off funding of \$5.0 million was provided in 2020-21 to support the Small to Medium Enterprise Business Advisory Services Scheme and \$2.9 million for critical workforce mobility measures in response to COVID-19 to support the development and pilot of micro-credential training in priority sectors.

Once-off transfers were provided by the Treasurer's Contingency Fund in 2020-21 to support the expansion of the Post-production, Digital and Visual Effects Rebate Scheme of \$2.7 million and Adelaide City Deal funding for TAFE SA for the International Centre for Food, Hospitality and Tourism Studies of \$3.0 million.

2.5. Resources received free of charge

	2022	2021
	\$'000	\$'000
Services received free of charge - Department of the Premier and Cabinet	500	489
Services received free of charge - Shared Services SA	410	438
Donated assets	10	-
Total resources received free of charge	920	927

The department receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, and ICT services from the Department of the Premier and Cabinet free of charge. The fair value of these services can be reliably measured, and the services would have been purchased had they not been donated. Corresponding expenses are recognised (refer note 4.1).

Department for Innovation and Skills
Notes to and forming part of the financial statements
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2.6. Other income

	2022	2021
	\$'000	\$'000
Operating rent from sub-leases	1 539	80
Land sale recoveries - Edinburgh Parks	1 425	-
Recoveries	1 252	1 468
Gain on accommodation incentive	948	120
Sponsorship revenues	355	38
Variable lease income from finance sub-leases	145	-
Other	10	11
Total other income	5 674	1 717

The increase in other income is partly due to increased operating rent from sub-leases associated with the transfer of building lease arrangements and associated sub-leases to the department for the TechHub and Incubator from TechInSA on 30 June 2021 (\$1.4 million) and recoveries from Renewal SA associated with land sales at Edinburgh Parks (\$1.4 million).

Department for Innovation and Skills
Notes to and forming part of the financial statements
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3. Boards, committees and employees

The department's boards, committees and employees support the delivery of the department's programs to support the Government's Growth State agenda by ensuring that the growth plans for priority industry sectors in South Australia are underpinned by research, development and innovation capability, through a skilled workforce and skilled migration.

3.1. Key management personnel

Key management personnel of the department include the Minister for Industry, Innovation and Science, the former Minister for Innovation and Skills, the Chief Executive Officer and four (2021: six) members of the Executive Team who have responsibility for the strategic direction and management of the department.

Post-employment benefits relate to superannuation.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 of the *Parliamentary Remuneration Act 1990*. Minister's remuneration paid and recovered from the Consolidated Account are disclosed in Administered items (refer note 11).

	2022	2021
<u>Compensation</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short term employee benefits	1 541	1 622
Post-employment benefits	154	155
Total compensation	1 695	1 777

Transactions with key management personnel and other related parties

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

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

3.2. Board and committee members

Members during the 2022 financial year were:

Entrepreneurship Advisory Board

A Nunn ^ (Chair)
A Andreacchio ^ (reappointed July 2021)
T Barton ^
P Edginton ^ (term expired June 2022)
M Gauvin ^ (term expired June 2022)
S Liu ^ (term expired June 2022)
T Nardini ^ (reappointed July 2021, term expired June 2022)
A Paradiso ^ (reappointed July 2021, term expired June 2022)
M Were ^ (reappointed July 2021, term expired June 2022)
R Wessels ^

Premier's Science and Innovation Council #

I McMillen ^ (Chair) (term expired December 2021)
M Gilliam ^ (term expired October 2021)
S Harmer-Bassell ^ (term expired October 2021)
E Hilder ^ (term expired October 2021)
A Luiten ^ (term expired October 2021)
S Mazumdar ^ (term expired October 2021)
J Phillips ^ (term expired October 2021)
S Wesselingh ^ (term expired October 2021)
B Worrell ^ (term expired October 2021)

Risk and Performance Committee

C Dunsford (Chair)
S Adlaf *
P Chau * (appointed June 2022)
J Cirson *
D Contala (appointed August 2021)
G Giannopolous * (appointed March 2022, resigned May 2022)
J Hill (resigned June 2022)
R Hindmarsh * (appointed September 2021)
N Morris * (resigned March 2022)

* In accordance with Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during the financial year.

^ Indicates a member that is entitled to remuneration but has elected not to receive payment.

The Premier's Science and Innovation Council was dissolved on 9 December 2021.

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

	2022	2021
\$1 - \$19 999	3	14
\$20 000 - \$39 999	-	8
\$40 000 - \$59 999	-	1
Total number of paid members	3	23

The total remuneration received or receivable by members was \$25 100 (2021: \$0.4 million). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax. The reduction in board fees is due to the dissolution of the Training and Skills Commission on 30 June 2021.

Department for Innovation and Skills
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3.3. Employee benefits expenses

	2022	2021
	\$'000	\$'000
Salaries and wages	30 447	31 589
Employment on-costs - superannuation	3 350	3 431
Annual leave	2 813	2 766
Employment on-costs - other	1 832	1 936
Targeted voluntary separation packages	316	180
Workforce rejuvenation scheme	270	-
Skills and experience retention leave	192	181
Board and committee fees - excluding on-costs	25	346
Workers compensation	(143)	165
Long service leave	(494)	(479)
Total employee benefits expenses	38 608	40 115

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Employee remuneration

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

	2022	2021
	Number	Number
\$154 001 to \$157 000 *	n/a	3
\$157 001 to \$177 000	5	4
\$177 001 to \$197 000	4	6
\$197 001 to \$217 000	3	3
\$217 001 to \$237 000	3	4
\$237 001 to \$257 000	4	-
\$257 001 to \$277 000 ^	3	3
\$297 001 to \$317 000 ^	2	4
\$317 001 to \$337 000	2	1
\$337 001 to \$357 000	1	-
\$377 001 to \$397 000	-	1
\$397 001 to \$417 000	1	-
Total number of employees	28	29

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

^ This band includes employees that have received termination payments in 2021-22.

The total remuneration received by those employees for the year was \$6.7 million (2021: \$6.5 million).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits as well as any termination benefits for employees who have left the department.

Department for Innovation and Skills
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3.3. Employee benefits expenses (continued)

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 4 (2021: 2). The number of employees who received a workforce rejuvenation scheme payment during the reporting period was 6 (2021: nil).

	2022	2021
	\$'000	\$'000
Amount paid to separated employees:		
Targeted voluntary separation packages	316	180
Workforce rejuvenation scheme payments	270	-
Leave paid to separated employees	234	30
Net cost to the department	820	210

The net cost to the department after accounting for employment on-costs (payroll tax and Shared Services SA processing fees) was \$0.9 million (2021: \$0.2 million).

3.4. Employee benefits liability

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Annual leave	2 855	2 933
Long service leave	321	306
Skills and experience retention leave	280	279
Accrued salaries and wages	112	1 020
Total current employee benefits liability	3 568	4 538
<u>Non-current</u>		
Long service leave	6 538	8 117
Total non-current employee benefits liability	6 538	8 117
Total employee benefits liability	10 106	12 655

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

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Department for Innovation and Skills
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3.4. Employee benefits liability (continued)

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 10.1.

Department for Innovation and Skills
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4. Expenses

The department's expenses are primarily grant and subsidy expenses to TAFE SA, private training organisations, and grants under science and innovation initiatives.

4.1. Supplies and services

	2022	2021
	\$'000	\$'000
Accommodation and property costs	5 094	4 409
Contractors	4 682	3 595
Information technology and communication charges ⁽¹⁾	4 157	3 671
Office administration expenses	1 449	1 633
Marketing	807	2 855
Consultancies	574	545
Staff related expenses	541	728
Shared services fees ⁽²⁾	412	483
Travel and related expenses	261	282
Accounting and audit fees	163	164
Service recoveries	161	85
Short term leases	13	16
Accommodation incentive amortisation	(231)	(348)
Total supplies and services	18 083	18 118

⁽¹⁾ Resources provided free of charge by the Department of the Premier and Cabinet were expensed at fair value (refer note 2.5).

⁽²⁾ Resources provided free of charge by Shared Services SA were expensed at fair value (refer note 2.5).

⁽³⁾ Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.16 million (2021: \$0.15 million). No other services were provided by the Auditor-General's Department.

Accommodation and property costs

Most of the department's accommodation is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangement issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of a lease set out in AASB 16 *Leases* and are expensed accordingly.

Information about accommodation incentives relating to this arrangement is shown at note 7.4.

Department for Innovation and Skills
Notes to and forming part of the financial statements
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4.2. Depreciation and amortisation

	2022	2021
	\$'000	\$'000
Intangible assets	1 822	3 189
Right-of-use buildings	1 508	328
Buildings, accommodation and leasehold improvements	935	818
Plant and equipment	241	192
Right-of-use vehicles	11	52
Total depreciation and amortisation	4 517	4 579

All non-current assets, having a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Accommodation incentives in the form of accommodation improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Land, works of art and non-current assets classified as held for sale are not depreciated.

Useful life

Depreciation / amortisation is calculated on a straight-line basis over the estimated useful life of non-current assets as follows:

Class of asset	Useful life (years)
Buildings	2-61
Accommodation and leasehold improvements	Life of lease
Right-of-use vehicles	Life of lease
Right-of-use buildings	Life of lease
Plant and equipment	3-11
Intangible assets	2-10

Review of accounting estimates

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

Department for Innovation and Skills
Notes to and forming part of the financial statements
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4.3. Grants and subsidies

	2022	2021
	\$'000	\$'000
TAFE SA	236 497	231 329
Skills and Employment - VET subsidies	86 072	64 989
Innovation and Science	31 818	28 268
Creative Industries	28 574	10 265
Skills and Employment - Other	24 181	43 536
Migration	506	-
Other	452	256
Total grants and subsidies	408 100	378 643

In 2022, the department provided TAFE SA with funding of \$236.5 million (2021: \$231.3 million) including capital grant funding of \$24.1 million (2021: \$19.2 million). The increase in capital grant funding in 2022 primarily relates to additional funding for the Risk Mitigation and Business Continuity project.

4.4. Net loss from disposal of non-current assets

	2022	2021
	\$'000	\$'000
Land and buildings		
Proceeds from disposal	(2 800)	-
Less net book value of assets disposed	2 800	-
Net (loss) from disposal of land and buildings	-	-
Intangible assets		
Proceeds from disposal	-	-
Less net book value of assets disposed	-	176
Net (loss) from disposal of intangible assets	-	(176)
Total assets		
Proceeds from disposal	(2 800)	-
Less net book value of assets disposed	2 800	176
Total net (loss) from disposal of non-current assets	-	(176)

4.5. Resources provided free of charge

	2022	2021
	\$'000	\$'000
Services provided free of charge - SA Skills Commission	402	-
Total resources provided free of charge	402	-

Services provided free of charge to the SA Skills Commission primarily relate to the provision of office accommodation and once-off implementation costs associated with the establishment of the Commission from 1 July 2021.

Department for Innovation and Skills
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4.6. Other expenses

	2022	2021
	\$'000	\$'000
Asset derecognition	1 699	2 185
Donated assets	441	-
Bad and doubtful debts	236	(75)
Loss on accommodation incentive	81	12
Rent relief	-	279
Other	15	-
Total other expenses	2 472	2 401

Asset derecognition includes work in progress for intangible assets and property, plant and equipment transferred to expenses for items that no longer satisfy the definition of an asset.

Rent relief relates to the sub-lease of accommodation at Lot Fourteen in response to the COVID-19 pandemic for the period 23 March 2020 to 31 March 2021. Rent relief was funded by the Department of Treasury and Finance through the COVID-19 Support Fund (refer note 2.4). Finance lease receivables are presented in note 6.2.

4.7. Payments to Consolidated Account

Proceeds paid / payable to the Consolidated Account of \$2.6 million (2021: \$2.6 million) relate to the sale of land located in the Thebarton Hi-Tech Precinct on 2 August 2021. In 2021, proceeds paid / payable to the Consolidated Account primarily related to the sale of VET Infrastructure to the Department for Education in 2019-20.

Department for Innovation and Skills
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5. Non-financial assets

5.1. Property, plant and equipment

Property, plant and equipment owned by the department with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed with the exception of works of art. Works of art are capitalised irrespective of their value.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in note 10.2.

Plant and equipment includes \$24 000 of fully depreciated plant and equipment still in use.

Impairment

Property, plant and equipment owned by the department has not been assessed for impairment as they are non-cash generating assets that are specialised in nature and held for continual use of their service capacity. Land and buildings are subject to regular revaluation.

Reconciliation of property, plant and equipment

Property, plant and equipment comprises tangible assets owned by the department. The assets presented below do not meet the definition of investment property.

The following table shows the movement of property, plant and equipment during 2021-22:

	Plant and equipment	Buildings, accommodation and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2021	488	5 836	11 460	37	611	18 432
Additions	407	-	-	-	-	407
Asset derecognition	-	(181)	-	-	(611)	(792)
Donated assets	-	(441)	-	-	-	(441)
Assets received free of charge	-	-	-	10	-	10
Depreciation	(241)	(935)	-	-	-	(1 176)
Carrying amount at 30 June 2022	654	4 279	11 460	47	-	16 440
Gross carrying amount						
Gross carrying amount	1 256	17 047	11 460	47	-	29 810
Accumulated depreciation	(602)	(12 768)	-	-	-	(13 370)
Carrying amount at 30 June 2022	654	4 279	11 460	47	-	16 440

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2022

5.1. Property, plant and equipment (continued)

The following table shows the movement of property, plant and equipment during 2020-21:

	Plant and equipment	Buildings, accommodation and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2020	648	6 888	5 460	37	265	13 298
Additions	32	-	-	-	728	760
Capitalisation	-	382	-	-	(382)	-
Asset derecognition	-	(616)	-	-	-	(616)
Acquisition through administrative restructuring	-	-	6 000	-	-	6 000
Depreciation	(192)	(818)	-	-	-	(1 010)
Carrying amount at 30 June 2021	488	5 836	11 460	37	611	18 432
Gross carrying amount						
Gross carrying amount	919	18 214	11 460	37	611	31 241
Accumulated depreciation	(431)	(12 378)	-	-	-	(12 809)
Carrying amount at 30 June 2021	488	5 836	11 460	37	611	18 432

Land of \$6.0 million was transferred to the department from TechInSA on 30 June 2021 (refer note 1.5).

5.2. Leased property, plant and equipment

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

Reconciliation of leased property, plant and equipment

The following table shows the movement of leased property, plant and equipment during 2021-22:

	Right-of-use buildings	Right-of-use vehicles	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2021	10 705	12	10 717
Additions	380	11	391
Disposals	(923)	-	(923)
Depreciation	(1 508)	(11)	(1 519)
Carrying amount at 30 June 2022	8 654	12	8 666
Gross carrying amount			
Gross carrying amount	10 705	13	10 718
Accumulated depreciation	(2 051)	(1)	(2 052)
Carrying amount at 30 June 2022	8 654	12	8 666

Department of Innovation and Skills
Notes to and forming part of the financial statements
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5.2. Leased property, plant and equipment (continued)

The following table shows the movement of leased property, plant and equipment during 2020-21:

	Right-of-use buildings \$'000	Right-of-use vehicles \$'000	Total \$'000
Carrying amount at 1 July 2020	1 119	64	1 183
Additions	466	-	466
Depreciation	(328)	(52)	(380)
Transfers through administrative restructuring	9 448	-	9 448
Carrying amount at 30 June 2021	10 705	12	10 717
Gross carrying amount			
Gross carrying amount	11 247	71	11 318
Accumulated depreciation	(542)	(59)	(601)
Carrying amount at 30 June 2021	10 705	12	10 717

Effective 30 June 2021, right-of-use buildings of \$9.5 million relating to lease agreements for the TechHub and Incubator were transferred to the department from TechInSA (refer note 1.5).

Additions of \$0.4 million (2021: \$0.5 million) relate to the commencement of a new lease with Renewal SA at Lot Fourteen for the Eleanor Harrald Building in 2022 and the McEwin Building in 2021.

Disposals of \$0.9 million (2021: \$nil) were processed to recognise the reduction in right-of-use buildings due to a reduction in the lease term for the McEwin Building at Lot Fourteen (\$0.3 million) and the commencement of new finance sub-lease agreements during 2022 for the Eleanor Harrald Building at Lot Fourteen (\$0.3 million) and Incubator (\$0.3 million).

The department has a limited number of leases:

- as at 30 June 2022, the department has one (2021: five) motor vehicle leases with the South Australian Government Financing Authority. Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60 000km) up to five years (100 000km). No variable lease payments are provided for in the lease agreements and no options exist to renew the leases at the end of their term.
- the department entered into a three year building lease agreement for the St Pauls Creative Centre in September 2019. No contingent rental provisions exist within the lease agreement, and there is an option to renew the lease for an additional two years at the end of the lease term. The lease term is currently assumed to be five years. Sub-leases associated with the St Pauls Creative Centre have been disclosed as operating leases. Income from operating sub-leases is disclosed in note 2.6.
- in September 2019 the department entered into a three year building lease agreement for the Allied Health Building at Lot Fourteen with Renewal SA. No contingent rental provisions exist within the lease agreements, and there is an option to renew the lease for an additional two years at the end of the lease term. The lease term is currently assumed to be three years. The department has also entered into a three year sub-lease from 1 October 2019. The sub-lease is disclosed as a finance lease and the right-of-use asset has been reduced to account for the sub-lease.
- in February 2021 the department entered into an 18 month building lease agreement for the McEwin Building at Lot Fourteen with Renewal SA. No contingent rental provisions exist within the lease agreement, and there is an option to renew the lease for an additional two years at the end of the lease term. The lease term is currently assumed to be 18 months.

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5.2. Leased property, plant and equipment (continued)

- on 30 June 2021 a building lease for the TechHub was transferred to the department from TechInSA. The lease term ends on 2 June 2033, and there is an option to renew the lease for an additional five years at the end of the lease term. The department does not intend to take up the options within the lease, and the lease is currently assumed to end on 30 June 2033. Sub-leases associated with the TechHub have been disclosed as operating leases (refer note 9.2). Income from operating sub-leases in 2022 is disclosed in note 2.6 and was recognised by TechInSA in 2021.
- on 30 June 2021 a building lease with Renewal SA for the Incubator was transferred to the department from TechInSA. The lease term ends on 30 June 2023, and there are four options to renew the lease for an additional five years at the end of lease term. The department does not intend to take up the options within the lease, and the lease is currently assumed to end on 30 June 2023. Three sub-leases associated with the head-lease are disclosed as finance leases and the right-of-use asset has been reduced to account for the sub-leases.
- in August 2021 the department entered into a 23 month building lease agreement for the Eleanor Harrald Building at Lot Fourteen with Renewal SA. No contingent rental provisions exist within the lease agreement, and there is an option to renew the lease for an additional two years at the end of the lease term. The lease term is currently assumed to be 23 months. The department has also entered into a 22 month sub-lease from 20 September 2021. The sub-lease is disclosed as a finance lease and the right-of-use asset has been reduced to account for the sub-lease.

Lease liabilities related to the right-of-use assets and the department's maturity analysis of its lease liabilities are disclosed in note 7.2. Expenses related to right-of-use assets, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to right-of-use assets are disclosed in note 8.2.

Finance lease receivables related to finance sub-leases are disclosed in note 6.2. The department's maturity analysis of its finance lease receivables is disclosed in note 9.2.

Impairment

Leased property, plant and equipment has been assessed for impairment. There was no indication of impairment at 30 June 2022. No impairment loss or reversal of impairment loss was recognised.

5.3. Intangible assets

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

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

Internally developed computer software primarily relates to the department's intangible VET systems. These systems have an average useful life of six years and carrying amount of \$2.8 million.

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5.3. Intangible assets (continued)

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2021-22:

	Intangible software	Intangible work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2021	4 867	2 039	6 906
Additions	-	175	175
Capitalisation	661	(661)	-
Amortisation	(1 822)	-	(1 822)
Asset derecognition	-	(907)	(907)
Carrying amount at 30 June 2022	3 706	646	4 352
Gross carrying amount			
Gross carrying amount	20 711	646	21 357
Accumulated amortisation	(17 005)	-	(17 005)
Carrying amount at 30 June 2022	3 706	646	4 352

The following table shows the movement of intangible assets during 2020-21:

	Intangible software	Intangible work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2020	7 936	2 439	10 375
Additions	-	1 465	1 465
Capitalisation	551	(551)	-
Disposals	(176)	-	(176)
Amortisation	(3 189)	-	(3 189)
Asset derecognition	(255)	(1 314)	(1 569)
Carrying amount at 30 June 2021	4 867	2 039	6 906
Gross carrying amount			
Gross carrying amount	20 795	2 039	22 834
Accumulated amortisation	(15 928)	-	(15 928)
Carrying amount at 30 June 2021	4 867	2 039	6 906

5.4. Non-current assets classified as held for sale

As at 30 June 2022, the department has \$nil (2021: \$2.8 million) of land classified as held for sale.

On 29 July 2020 the former Minister for Innovation and Skills entered into a contract of sale with Leasecorp Group Pty Ltd for the purchase of Lot 2000 located in the Thebarton Hi-Tech Precinct. The sale was settled on 2 August 2021.

Land held for sale is measured at fair value less costs to sell. Details about the department's approach to fair value is set out in note 10.2.

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6. Financial assets

6.1. Cash

	2022	2021
	\$'000	\$'000
Deposits with the Treasurer - Operating Account	118 929	38 899
Accrual Appropriation Excess Funds	8 606	10 409
Section 21 Deposit Account - TechInSA	997	942
Total cash	128 532	50 250

Cash is measured at nominal amounts. Although the department controls the money reported above in the Accrual Appropriation Excess Funds account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

6.2. Receivables

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	382	1 345
From non-government entities	174	98
Less impairment loss on receivables	(8)	(3)
Total trade receivables	548	1 440
Accrued revenues	2 306	3 167
GST input tax recoverable	1 584	1 563
Finance lease receivables	790	712
Prepayments	133	67
Other receivables	47	52
Total current receivables	5 408	7 001
<u>Non-current</u>		
Finance lease receivables	-	438
Total non-current receivables	-	438
Total receivables	5 408	7 439

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement.

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

Refer to note 10.3 for further information on risk management.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes, refer to note 10.3.

The net amount of GST recoverable from the ATO is included as part of receivables.

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6.2. Receivables (continued)

Receivables, prepayments and accrued revenues are non-interest bearing other than finance lease receivables. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Allowance for impairment loss on receivables

	2022	2021
	\$'000	\$'000
Carrying amount at 1 July 2021	(3)	(1 365)
Amounts written off	231	1 287
(Increase) / decrease in the allowance	(236)	75
Carrying amount at 30 June 2022	(8)	(3)

Impairment losses relate to contracts with customers external to SA Government.

Refer to note 10.3 for details regarding credit risk and the methodology for determining impairment.

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7. Liabilities

7.1. Payables

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Accrued expenses and trade payables	19 534	10 977
Employment on-costs	853	900
Total current payables	20 387	11 877
<u>Non-current</u>		
Employment on-costs	629	763
Total non-current payables	629	763
Total payables	21 016	12 640

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

Statutory payables do not arise from contracts, refer to note 10.3.

Employment on-costs

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained unchanged from the 2021 rate of 42% and the average factor for the calculation of employer superannuation cost on-costs has changed to 10.6% (2021: 10.1%). These rates are used in the employment on-cost calculation. The impact on 2022 is immaterial and cannot be reliably estimated for future years.

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7.2. Financial liabilities

All financial liabilities relate to lease liabilities.

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

	2022	2021
	\$'000	\$'000
Within one year	2 321	2 561
Later than one year but no longer than five years	3 518	5 067
Later than five years	5 454	6 284
Total financial liabilities (undiscounted)	11 293	13 912

The department measures financial liabilities including borrowings / debt at amortised cost. Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or the Department of Treasury and Finance incremental borrowing rate.

7.3. Provisions

All provisions relate to workers compensation.

Reconciliation of workers compensation (statutory and non-statutory)

	2022	2021
	\$'000	\$'000
Carrying amount at 1 July 2021	623	489
Reductions resulting from re-measurement or settlement without cost	(250)	-
Increase in provisions recognised	-	134
Decrease in provisions due to transfers on administrative restructure	(29)	-
Carrying amount at 30 June 2022	344	623

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

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

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7.4. Other liabilities

	2022	2021
	\$'000	\$'000
<u>Current</u>		
Accommodation incentive	162	333
Contract liabilities	4	25
Total current other liabilities	166	358
<u>Non-current</u>		
Accommodation incentive	582	1 591
Rental bonds from tenants	66	86
Total non-current other liabilities	648	1 677
Total other liabilities	814	2 035

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

	2022	2021
	\$'000	\$'000
Other liabilities		
Within one year	166	358
Later than one year but no longer than five years	648	1 409
Later than five years	-	268
Total other liabilities (undiscounted)	814	2 035

Accommodation incentive liabilities relate to arrangements with the Department for Infrastructure and Transport for office accommodation. These arrangements do not comprise leases and the accommodation incentives do not comprise financial liabilities under AASB 16 *Leases*. The Department for Infrastructure and Transport has provided a range of incentives relating to the fit-out of accommodation. The benefit of these incentives is spread over the accommodation term so that each year reported accommodation expenses reflect the economic substance of the office accommodation arrangements and related benefits provided.

Rental bonds are recognised as a liability on receipt.

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8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

8.2. Cash flow

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

Reconciliation of net result to cash flows from operating activities

	2022	2021
	\$'000	\$'000
<u>Reconciliation of cash at 30 June 2022</u>		
Cash disclosed in the Statement of Financial Position	128 532	50 250
Balance as per the Statement of Cash Flows	128 532	50 250
<u>Reconciliation of net cash provided by operating activities to net result</u>		
Net cash provided by operating activities	74 891	13 432
<u>Add / (less) non-cash items</u>		
Depreciation and amortisation expense of non-current assets	(4 517)	(4 579)
Amortisation of accommodation incentive	231	348
Net gain on accommodation incentive	867	108
Asset derecognition	(1 699)	(2 185)
Bad and doubtful debts expense	(236)	1 362
Interest expense on lease liabilities	(233)	(22)
Resources received free of charge	920	927
Donated assets	(441)	-
Resources provided free of charge	(1 312)	(927)
Transfer (out) / in for administrative restructure	(631)	10 274
Loss from disposal of non-current assets	-	(176)
<u>Movement in assets and liabilities</u>		
(Decrease) in receivables	(2 958)	(3 897)
(Increase) in payables	(7 181)	(1 199)
Decrease / (increase) in financial liabilities	622	(10 746)
Decrease / (increase) in other liabilities	41	(34)
Decrease / (increase) in provisions	250	(134)
Decrease in employee benefits	2 264	588
Net result	60 878	3 140

Total cash outflows for leases are \$2.5 million (2021: \$0.8 million).

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9. Outlook

9.1. Unrecognised contractual commitments

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

Capital commitments

	2022	2021
	\$'000	\$'000
Within one year	-	3 890
Later than one year but not longer than five years	-	5 911
Total capital commitments	-	9 801

The department has no capital commitments at 30 June 2022. In 2021 capital commitments is primarily related to the Digital Transformation project. Responsibility for this project transferred to the Department of the Premier and Cabinet during 2021-22.

Expenditure commitments

	2022	2021
	\$'000	\$'000
Within one year	26 696	29 192
Later than one year but not longer than five years	31 749	19 797
Later than five years	-	2 592
Total expenditure commitments	58 445	51 581

The department's expenditure commitments are for agreements for Memoranda of Administrative Arrangement with the Department for Infrastructure and Transport for accommodation and agreements with contractors, consultants, information and technology contracts and grant recipients.

Leases entered into which have not yet commenced

The department has not entered into any leases on or prior to 30 June 2022, that have not yet commenced.

9.2. Expected rental income

	2022	2021
	\$'000	\$'000
<u>Operating lease maturity analysis</u>		
Within one year	691	697
Total undiscounted lease payments receivable	691	697
Total operating lease income	691	697

The above table sets out a maturity analysis of operating lease payments receivable, showing the undiscounted lease payments to be received after the reporting date. These amounts are not recognised as assets.

Refer to note 5.2 for information about equipment the department leases out under operating leases.

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9.2. Expected rental income (continued)

	2022	2021
	\$'000	\$'000
<u>Finance lease maturity analysis</u>		
Within one year	790	712
Later than one year but not longer than two years	-	438
Total undiscounted lease payments receivable	790	1 150
Net investment in the lease	790	1 150

The above table sets out a maturity analysis of finance lease payments, showing the undiscounted lease payments to be received after reporting date, reconciled to the net investment in the lease presented as a lease receivable (refer note 6.2).

9.3. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Contingent assets

The department paid subsidies through the apprenticeship programs, with final new enrolments occurring in June 2019. As at 30 June 2022, the department has contingent assets relating to potential recoveries from program participants (employers). The amount is subject to further information being provided to validate the total value of subsidies to be recovered from employers.

Where specific conditions relating to a financial assistance grant are not met, the department may request the amount granted be repaid by the grantee. There are no known contingent assets arising from these present obligations as at 30 June 2022.

Contingent liabilities

As at 30 June 2022, the department has contingent liabilities relating to potential expenditure owing to employers that received subsidies through apprenticeship programs. The amount is subject to further information being provided to validate the total value of subsidies owing to employers.

The Minister for Education, Training and Skills (previously the Minister for Innovation and Skills) has entered an agreement to provide Le Cordon Bleu with an interest free loan of \$7.0 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

9.4. Impact of standards and statements not yet effective

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

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. This standard amends AASB 101 *Presentation of Financial Statements* to clarify the classification of liabilities in the Statement of Financial Position as current and non-current and promote consistency in financial reporting. The amending standard may result in the reclassification of some liabilities from current to non-current or vice versa.

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9.5. COVID-19 pandemic outlook for the department

The COVID-19 pandemic is not expected to significantly impact the operations of the department in 2022-23.

Through its programs and initiatives, the department will continue to provide support to those impacted by the COVID-19 pandemic as required.

The department is not expecting there to be any significant credit losses, grant agreements that cannot be satisfied, contingent assets / liabilities or any significant increase of risks in the internal control environment due to the COVID-19 pandemic.

Refer to note 1.4 for COVID-19 impacts in 2021-22.

9.6. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2022 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2022.

Note disclosure is made about events between 30 June 2022 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2022 and which may have a material impact on the results of subsequent years as set out below.

- As proclaimed on 30 June 2022 and in accordance with section 26 of the *Public Sector Act 2009*, effective from 1 July 2022 the title of the Department for Innovation and Skills is altered to the Department for Industry, Innovation and Science.
- As proclaimed on 30 June 2022 and in accordance with section 9(1) of the *Public Sector Act 2009*, effective from 1 July 2022, Skills Planning and Purchasing, Traineeship and Apprenticeship Services and Analytics and Information Systems will be transferred to the Department for Education.
- As proclaimed on 30 June 2022 and in accordance with section 9(1) of the *Public Sector Act 2009*, effective from 1 July 2022, Industry Capability Network SA and International Education (including StudyAdelaide) will be transferred from the Department for Trade and Investment.

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10. Measurement and risk

10.1. Long service leave liability - measurement

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

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of long service leave liability. The yield on long-term Commonwealth Government bonds has increased to 3.5% (2021: 1.25%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee benefits expense of \$1.1 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

10.2. Fair value

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

Initial recognition

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

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

Revaluation

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

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

Revaluation is undertaken every six years in accordance with APS 116.E. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

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10.2. Fair value (continued)

Fair value hierarchy

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

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

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

During 2022 and 2021, all valuations were categorised into level 3, with the exception of land which was classified as level 2. There were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation techniques.

Land and buildings

The valuation of land and buildings was performed by an independent Certified Practising Valuer from Liquid Pacific Pty Ltd, as at 30 June 2020.

The fair value of land was determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, adjustments were applied to reflect the restriction when determining fair value.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

The valuation used estimates about construction materials that would be required to replace the buildings. Information about current construction costs were derived from a combination of internal records, specialised knowledge, the acquisition / transfer costs and the estimated useful life due to age and condition of the building.

Plant and equipment

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

Works of art

These assets are classified in level 3 as there is no active market. An independent valuation of works of art was performed by Theodore Bruce, an independent Certified Practising Valuer, as at 1 June 2018. Fair value was determined by estimating the current replacement cost based on the limited market information available for similar works of art assets and reproduction materials.

10.3. Financial instruments

Financial risk management

Risk management is managed by the department's Planning, Risk and Performance team. Departmental risk management policies are in accordance with the *SA Government Risk Management Guide* and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

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

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10.3. Financial instruments (continued)

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 7.1 and 7.2 for further information.

Credit risk

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

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

Impairment of financial assets

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

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

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

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

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

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

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	9	1	-
1 - 30 days past due	76	2	1
31 - 60 days past due	11	6	1
61 - 90 days past due	18	12	2
91 - 180 days past due	16	21	4
Loss allowance	130		8

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

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

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10.3. Financial instruments (continued)

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 180 days past due.

There were no receivables written off during the year that are still subject to enforcement activity.

Cash

The department considers that its cash has low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through the South Australian Government Financing Authority and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The department measures all financial instruments at amortised cost.

Receivables and payables

Receivables and payables at amortised cost are \$2.9 million (2021: \$4.7 million) and \$19.0 million (2021: \$10.8 million) respectively.

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges; Auditor-General's Department audit fees. This is in addition to employee related payables, such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Receivable amounts disclosed here exclude prepayments as they are not financial assets. Prepayments are presented in note 6.2.

A maturity analysis of finance lease receivables is presented in note 9.2.

Department for Innovation and Skills
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11. Disclosure of Administered Items

11.1. Disclosure of administered items as at 30 June 2022

The department's administered items are structured to contribute to two main activities:

Student Transport Concessions

Payments provided to the Department for Infrastructure and Transport to support student travel concessions for all VET and higher education students within metropolitan and regional South Australia.

Ministers' Salary

The department was responsible for the disbursement of parliamentary salaries and allowances pursuant to the *Parliamentary Remuneration Act 1990* on behalf of the State Government until 14 March 2022.

Administered income and expenses

	Student Transport		Ministers' Salary		Total	
	Concessions					
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Administered Income</u>						
Appropriations	13 096	16 145	295	368	13 391	16 513
Total administered income	13 096	16 145	295	368	13 391	16 513
<u>Administered Expenses</u>						
Employee benefits expenses	-	-	267	368	267	368
Grants and subsidies	12 511	15 590	-	-	12 511	15 590
Total administered expenses	12 511	15 590	267	368	12 778	15 958
Net result	585	555	28	-	613	555

Administered assets and liabilities

	2022	2021
	\$'000	\$'000
<u>Administered current assets</u>		
Cash	4 963	1 398
Total current assets	4 963	1 398
Total assets	4 963	1 398
<u>Administered current liabilities</u>		
Payables	3 123	171
Total current liabilities	3 123	171
Net assets	1 840	1 227
<u>Administered equity</u>		
Retained earnings	1 840	1 227
Total equity	1 840	1 227

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11.1. Disclosure of administered items as at 30 June 2022 (continued)

Budget performance

The budget performance table compares the department's administered outcomes against budget information presented to Parliament (2021-22 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Original budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000
<u>Administered Income</u>			
Appropriations	13 469	13 391	(78)
Total administered income	13 469	13 391	(78)
<u>Administered Expenses</u>			
Employee benefits expenses	373	267	(106)
Grants and subsidies	13 096	12 511	(585)
Total administered expenses	13 469	12 778	(691)
Net result	-	613	613

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.