

Department for
Innovation and Skills

Financial report
for the year ended
30 June 2019



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To the Chief Executive Department for Innovation and Skills

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 2019.

Opinion

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 2019, its financial performance and its cash flows for year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2019
- a Statement of Administered Financial Position as at 30 June 2019
- a Statement of Administered Cash Flows for the year ended 30 June 2019
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2019
- a Certificate from the Chief Executive and the Director, Finance and Procurement.

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* have been met.

I believe that the audit evidence 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

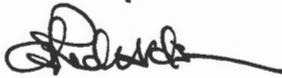
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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
- 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

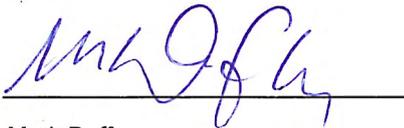
Andrew Richardson
Auditor-General
18 September 2019

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Department for Innovation and Skills:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department; and
- present a true and fair view of the financial position of the Department for Innovation and Skills as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Department for Innovation and Skills for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Mark Duffy
Chief Executive
16 September 2019



Martin Smith
Director, Finance and Procurement
16 September 2019

Department for Innovation and Skills
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Expenses</u>			
Employee benefits expenses	2.3	55 562	76 350
Supplies and services	3.1	79 956	102 980
Depreciation and amortisation	3.2	4 210	10 708
Grants and subsidies	3.3	385 895	559 189
Net loss from disposal of non-current assets	4.5	16	113
Other expenses	3.4	3 217	4 497
Total expenses		528 856	753 837
<u>Income</u>			
Fees and charges	4.2	5 673	7 360
Commonwealth grants and payments	4.3	122	495
Interest		-	15
Resources received free of charge	4.4	526	907
Infrastructure recharge - TAFE SA		53 985	54 168
Other income	4.6	10 156	19 389
Total income		70 462	82 334
Net cost of providing services		(458 394)	(671 503)
<u>Revenues from / (payments to) SA Government</u>			
Revenues from SA Government	4.1	450 342	675 316
Payments to SA Government	4.1	-	(45 118)
Total net revenues from SA Government		450 342	630 198
Net result		(8 052)	(41 305)
<u>Other Comprehensive Income</u>			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus	5.1	-	(158)
Items that will be reclassified subsequently to net result when specific conditions are met			
Changes in financial assets available for sale revaluation reserve	6.3	-	415
Total comprehensive result		(8 052)	(41 048)

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
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Current assets</u>			
Cash	6.1	29 340	54 581
Receivables	6.2	9 266	12 139
Non-current assets classified as held for sale	5.3	452	1 042
Total current assets		39 058	67 762
<u>Non-current assets</u>			
Property, plant and equipment	5.1	32 256	209 081
Intangibles	5.2	9 697	12 166
Investments	6.3	-	6 901
Total non-current assets		41 953	228 148
Total assets		81 011	295 910
<u>Current liabilities</u>			
Payables	7.1	25 912	27 677
Employee benefits	2.4	5 561	7 416
Provisions	7.2	160	245
Other current liabilities	7.3	463	394
Total current liabilities		32 096	35 732
<u>Non-current liabilities</u>			
Payables	7.1	947	1 464
Employee benefits	2.4	10 213	15 595
Provisions	7.2	251	368
Other non-current liabilities	7.3	2 009	724
Total non-current liabilities		13 420	18 151
Total liabilities		45 516	53 883
Net assets		35 495	242 027
<u>Equity</u>			
Contributed capital		32 212	69 874
Retained earnings		3 283	167 585
Asset revaluation surplus		-	271
Financial assets available for sale revaluation reserve		-	4 297
Total equity		35 495	242 027

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 2019

		Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Financial assets available for sale revaluation reserve \$'000	Total equity \$'000
	Note					
Balance at 1 July 2017		45 689	429	209 140	3 882	259 140
Prior period adjustments		-	-	(544)	-	(544)
Restated balance at 1 July 2017		45 689	429	208 596	3 882	258 596
Net result for 2017-18		-	-	4 880	-	4 880
Gain / loss on revaluation of property, plant and equipment during 2017-18	5.1	-	(158)	-	-	(158)
Gain in financial assets available for sale revaluation reserve	6.3	-	-	-	415	415
Total comprehensive result for 2017-18		-	(158)	4 880	415	5 137
Transactions with SA Government as owner						
Contributed capital increases		24 185	-	-	-	24 185
Net assets transferred as a result of an administrative restructure		-	-	294	-	294
Balance at 30 June 2018		69 874	271	213 770	4 297	288 212
Prior period adjustments	4.1	-	-	(46 185)	-	(46 185)
Adjusted balance at 1 July 2018		69 874	271	167 585	4 297	242 027
Net result for 2018-19		-	-	(8 052)	-	(8 052)
Total comprehensive result 2018-19		-	-	(8 052)	-	(8 052)
transfer between equity components		(51 471)	(271)	56 039	(4 297)	-
Transactions with SA Government as owner						
Contributed capital increases		13 809	-	-	-	13 809
Net assets received from an administrative restructure	1.3	-	-	(602)	-	(602)
Net assets transferred as a result of an administrative restructure	1.3	-	-	(211 687)	-	(211 687)
Balance at 30 June 2019		32 212	-	3 283	-	35 495

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 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
<u>Cash flows from operating activities</u>	Note		
<i><u>Cash outflows</u></i>			
Employee benefits payments		(55 570)	(77 724)
Payments for supplies and services		(90 766)	(167 969)
Payments of grants and subsidies		(386 431)	(555 260)
Payments for paid parental leave scheme		(87)	(145)
Other payments		(3 040)	(2 977)
Cash (used in) operations		(535 894)	(804 075)
<i><u>Cash inflows</u></i>			
Fees and charges		6 220	14 306
Receipts from Commonwealth		244	464
Interest received		-	20
GST recovered from the ATO		14 457	40 164
Net receipts from paid parental leave scheme		91	130
Infrastructure recharge from TAFESA		62 129	59 585
Other receipts		2 441	15 019
Cash generated from operations		85 582	129 688
Cash flows from SA Government			
Receipts from SA Government		450 342	675 316
Payments to SA Government		-	(45 118)
Cash generated from SA Government		450 342	630 198
Net cash provided by / (used in) operating activities	8.2	30	(44 189)
<u>Cash flows from investing activities</u>			
<i><u>Cash outflows</u></i>			
Purchase of property, plant and equipment		(10 235)	(49 512)
Cash (used in) investing activities		(10 235)	(49 512)
<i><u>Cash inflows</u></i>			
Proceeds from the sale of property, plant and equipment		-	9 309
Cash generated from investing activities		-	9 309
Net cash (used in) investing activities		(10 235)	(40 203)
<u>Cash flows from financing activities</u>			
<i><u>Cash outflows</u></i>			
Cash transferred as a result of restructuring activities		(29 178)	-
Cash (used in) financing activities		(29 178)	-
<i><u>Cash inflows</u></i>			
Capital contributions from government		13 809	24 185
Cash received from restructuring activities		333	-
Cash generated from financing activities		14 142	24 185
Net cash provided by / (used in) financing activities		(15 036)	24 185
Net (decrease) in cash and cash equivalents		(25 241)	(60 207)
Cash and cash equivalents at the beginning of the period		54 581	114 788
Cash and cash equivalents at the end of the period	6.1	29 340	54 581

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 2019

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Department for Innovation and Skills

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Department for Innovation and Skills

The *Public Sector (Alteration of Title of Department of State Development) Proclamation 2018* (dated 21 June 2018) declared the alteration of the title of the Department of State Development to the Department for Industry and Skills effective 1 July 2018.

The *Public Sector (Alteration of Title of Department for Industry and Skills) Proclamation 2019* (dated 7 March 2019) declared the alteration of the title of the Department for Industry and Skills to the Department for Innovation and Skills effective 1 April 2019.

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

Comparative figures in the financial statements represent the financial position of the former Department of State Development as at 30 June 2018 and the results of its operations and cash flows for the 2017-18 financial year.

The Minister for Innovation and Skills has a 25% interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-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 non-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 their 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.

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.

For the 2018-19 financial statements the department adopted AASB 9 – *Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

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 ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs

The department aims to develop and support economic growth in South Australia. Our vision is to build a greater level of confidence in the South Australian economy contributing to an environment that responds to rapid changes in technology, modern workplaces and global markets.

Building a competitive business environment will attract productive entrepreneurs and investment, which will assist South Australian businesses to grow and employ more people. In partnership with the research and non-government sectors, the department will promote excellence in science and research, enable innovation and creativity, and increase productivity that will support business growth. We aim to help more people make their ideas a reality.

Central to our work will be skilling more South Australians to succeed by enhancing the funded training system, increasing contestability and strengthening the voice of industry in decision making. In particular, we will increase apprenticeships and traineeships and develop more technical and creative skills that will be valued by our future industries.

Targeting our investment in training and supporting sustainable business growth, will ensure South Australians have the opportunity to secure a job today and careers into the future.

Effective from 1 April 2019, the department champions the South Australian Growth Agenda by focussing on skills and innovation to create the right conditions for business success and individual economic participation in the state's economy. The department does this by focussing on the human factors of economic growth: skills, innovation, creativity, science, entrepreneurship and skilled migration.

Programs

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

Aboriginal Affairs and Reconciliation and Arts South Australia transferred to the Department of the Premier and Cabinet effective from 1 July 2018 and Health Industries and International Engagement, Trade, Migration and International Education transferred to the Department for Trade, Tourism and Investment from 1 July 2018.

The programs of the department and their objectives are:

Industry and Innovation

The purpose of the Industry program is to support sustainable economic growth, competitiveness and productivity for the benefit of all South Australians by:

- supporting excellence in science and research
- promoting industry and research collaboration
- enabling entrepreneurship and supporting start-ups
- advancing industrial capabilities for global competitiveness and business growth
- developing and supporting our creative industries

This program includes Industry and Business Growth and Industry Policy and Analytics which transferred to the Department for Trade, Tourism and Investment effective from 1 April 2019 (refer note 1.3).

Effective from 1 April 2019, the Innovation program champions the South Australian Growth Agenda by focussing on skills and innovation to create the right conditions for business success and individual economic participation in the state's economy. The Innovation program does this by focussing on innovation, creativity, science and entrepreneurship.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs (continued)

Skills

Through investment in training, ensure South Australians have the right skills to secure a job today and careers into the future and contribute towards a competitive, dynamic economy by:

- strengthening the voice of industry and aligning the investment of public funds with industry identified workforce development needs and training priorities
- supporting employers to take on apprentices and trainees and assisting the regulation of the apprenticeship and traineeship system
- coordinating the state's vocational education and training (VET) system to ensure it is responsive, contestable, high quality and accessible.

Effective from 1 April 2019, the Skills program champions the South Australian Growth Agenda by focussing on skills and innovation to create the right conditions for business success and individual economic participation in the state's economy. This program includes Case Management and Regions which transferred to the Department for Trade, Tourism and Investment effective from 1 April 2019 (refer note 1.3).

Migration

The purpose of this program is to implement strategies and programs that attract skilled and business migrants to South Australia by integrating migration policy into the department's focus on the human factors required to support the South Australian Growth Agenda. This program transferred from the Department for Trade, Tourism and Investment effective from 1 April 2019 (refer note 1.3).

Aboriginal Affairs and Reconciliation

The purpose of this program is to empower Aboriginal people to have a stronger voice in decision making across government and within communities, and provide leadership in the promotion of effective governance arrangements. The department provided whole of government policy advice and leadership, supports engagement with Aboriginal stakeholders through the provision of culturally appropriate advice to government, facilitates the protection and preservation of Aboriginal heritage and culture, and supports the state's Aboriginal land holding authorities. This program transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Arts South Australia

The purpose of this program is to ensure the state recognises and capitalises on artistic, cultural and economic opportunities arising from the diverse arts and cultural organisations, practitioners, events and physical assets in the state by developing programs that build on cultural heritage and creativity, and providing financial support to the creative industries. This program transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Health Industries

The purpose of this program is to increase investment and employment in South Australia's health and biomedical sector to achieve the government's vision for the state to become a globally recognised leader in health research, ageing and related services and products. This program transferred to the Department for Trade, Tourism and Investment effective from 1 July 2018.

International Engagement, Trade, Migration and International Education

The purpose of this program is to develop and implement strategies and programs that facilitate international exports, the growth of the international education sector and maximise the benefits of skilled and business migration. This program transferred to the Department for Trade, Tourism and Investment effective from 1 July 2018.

The tables on the following pages presents expenses, income, assets and liabilities attributable to each program.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

	Industry and Innovation		Skills		Migration	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Expenses						
Employee benefits expenses	13 640	12 690	40 872	32 569	1 050	-
Supplies and services	7 168	10 616	72 245	71 986	543	-
Depreciation and amortisation	150	160	4 053	3 401	7	-
Grants and subsidies	51 659	39 777	330 983	332 697	6	-
Net loss from disposal of non-current assets	-	16	16	45	-	-
Other expenses	19	152	3 197	3 562	1	-
Total expenses	72 636	63 411	451 366	444 260	1 607	-
Income						
Fees and Charges	1 294	989	3 992	1 131	387	-
Commonwealth grants and payments	-	-	122	138	-	-
Interest	-	-	-	1	-	-
Resources received free of charge	129	123	387	335	10	-
Infrastructure recharge - TAFE SA	-	-	53 985	54 168	-	-
Other income	7 917	1 634	2 226	2 484	13	-
Total income	9 340	2 746	60 712	58 257	410	-
Net cost of providing services	(63 296)	(60 665)	(390 654)	(386 003)	(1 197)	-
Revenues from / (payments to) SA Government						
Revenues from SA Government	-	-	39 233	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(63 296)	(60 665)	(351 421)	(386 003)	(1 197)	-

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

	Aboriginal Affairs and Reconciliation		Arts South Australia		Health Industries	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Expenses						
Employee benefits expenses	-	7 840	-	9 255	-	2 201
Supplies and services	-	3 027	-	8 221	-	949
Depreciation and amortisation	-	102	-	6 263	-	121
Grants and subsidies	-	6 539	-	145 099	-	29
Net loss from disposal of non-current assets	-	10	-	25	-	3
Other expenses	-	95	-	536	-	25
Total expenses	-	17 613	-	169 399	-	3 328
Income						
Fees and Charges	-	240	-	3 470	-	62
Commonwealth grants and payments	-	-	-	-	-	-
Interest	-	14	-	-	-	-
Resources received free of charge	-	76	-	242	-	21
Infrastructure recharge - TAFE SA	-	-	-	-	-	-
Other income	-	1 169	-	10 862	-	35
Total income	-	1 499	-	14 574	-	118
Net cost of providing services	-	(16 114)	-	(154 825)	-	(3 210)
Revenues from / (payments to) SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	-	(16 114)	-	(154 825)	-	(3 210)

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

	International Engagement, Trade, Migration and International Education		General / Unattributed		Activity Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Expenses						
Employee benefits expenses	-	11 795	-	-	55 562	76 350
Supplies and services	-	8 181	-	-	79 956	102 980
Depreciation and amortisation	-	661	-	-	4 210	10 708
Grants and subsidies	-	7 211	3 247	27 837	385 895	559 189
Net loss from disposal of non-current and other assets	-	14	-	-	16	113
Other expenses	-	127	-	-	3 217	4 497
Total expenses	-	27 989	3 247	27 837	528 856	753 837
Income						
Fees and Charges	-	1 468	-	-	5 673	7 360
Commonwealth grants and payments	-	357	-	-	122	495
Interest	-	-	-	-	-	15
Resources received free of charge	-	110	-	-	526	907
Infrastructure recharge - TAFE SA	-	-	-	-	53 985	54 168
Other income	-	1 358	-	1 847	10 156	19 389
Total income	-	3 293	-	1 847	70 462	82 334
Net cost of providing services	-	(24 696)	(3 247)	(25 990)	(458 394)	(671 503)
Revenues from / (payments to) SA Government						
Revenues from SA Government	-	-	411 109	675 316	450 342	675 316
Payments to SA Government	-	-	-	(45 118)	-	(45 118)
Net result	-	(24 696)	407 862	604 208	(8 052)	(41 305)

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

	Industry and Innovation		Skills		Migration	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets						
Cash	4 080	3 498	25 183	22 257	77	-
Receivables	1 228	327	7 984	6 946	54	-
Non-current assets classified as held for sale	-	-	452	550	-	-
Property, plant and equipment	1 149	816	31 053	17 347	54	-
Intangibles	345	404	9 336	8 600	16	-
Investments	-	-	-	-	-	-
Total assets	6 802	5 045	74 008	55 700	201	-
Liabilities						
Payables	3 712	2 579	23 065	18 070	82	-
Employee benefits	3 872	3 759	11 604	9 647	298	-
Provisions	101	78	302	202	8	-
Other liabilities	342	125	2 122	877	8	-
Total liabilities	8 027	6 541	37 093	28 796	396	-

Department for Innovation and Skills
Notes to and forming part of the financial statements
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	Aboriginal Affairs and					
	Reconciliation		Arts South Australia		Health Industries	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash	-	929	-	26 288	-	185
Receivables	-	179	-	4 280	-	14
Non-current assets classified as held for sale	-	-	-	492	-	-
Property, plant and equipment	-	520	-	186 410	-	617
Intangibles	-	258	-	927	-	306
Investments	-	-	-	-	-	-
Total assets	-	1 886	-	218 397	-	1 122
Liabilities						
Payables	-	716	-	6 503	-	135
Employee benefits	-	2 322	-	3 137	-	652
Provisions	-	48	-	198	-	14
Other liabilities	-	35	-	19	-	7
Total liabilities	-	3 121	-	9 857	-	808

Department for Innovation and Skills
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	International Engagement, Trade, Migration and International Education		Activity Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets				
Cash	-	1 424	29 340	54 581
Receivables	-	393	9 266	12 139
Non-current assets classified as held for sale	-	-	452	1 042
Property, plant and equipment	-	3 371	32 256	209 081
Intangibles	-	1 671	9 697	12 166
Investments	-	6 901	-	6 901
Total assets	-	13 760	81 011	295 910
Liabilities				
Payables	-	1 138	26 859	29 141
Employee benefits	-	3 494	15 774	23 011
Provisions	-	73	411	613
Other liabilities	-	55	2 472	1 118
Total liabilities	-	4 760	45 516	53 883

Department for Innovation and Skills
Notes to and forming part of the financial statements
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1.3. Changes to the department

The *Public Sector (Reorganisation of Public Sector Operations No.2) Notice 2018* (dated 21 June 2018) proclaimed that effective from 1 July 2018, resources and functions of International Engagement, Trade and Immigration, Health Industries SA and one employee from Strategic Economics will be transferred into the Department for Trade, Tourism and Investment.

The *Public Sector (Reorganisation of Public Sector Operations No.3) Notice 2018* (dated 28 June 2018) proclaimed that effective from 1 July 2018, identified corporate employees will be transferred into the Department for Trade, Tourism and Investment. In addition, the responsibility of the office for the Minister for Trade, Tourism and Investment was transferred to the Department for Trade, Tourism and Investment.

Transferred out

On transfer of Health Industries SA, International Engagement, Trade and Immigration, Minister Ridgway's office and corporate staff, the department recognised the following assets and liabilities:

	<u>\$'000</u>
Cash	1 955
Receivables	46
Property, plant and equipment	395
Investments	6 901
Total assets	<u>9 297</u>
Payables	320
Employee benefits	2 874
Provisions	67
Other liabilities	410
Total liabilities	<u>3 671</u>
Total net assets transferred	<u>(5 626)</u>

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations No. 3) Notice 2018* (dated 28 June 2018) proclaimed that effective from 1 July 2018, identified corporate employees will be transferred into the Department for Energy and Mining.

Transferred out

On transfer of four corporate employees the department recognised the following assets and liabilities:

	<u>\$'000</u>
Cash	8
Receivables	<u>10</u>
Total assets	<u>18</u>
Payables	26
Employee benefits	<u>100</u>
Total liabilities	<u>126</u>
Total net assets transferred	<u>108</u>

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations) Notice 2018 (dated 14 June 2018)* proclaimed that effective from 1 July 2018, resources and functions of Aboriginal Affairs and Reconciliation and Arts South Australia will be transferred to the Department of the Premier and Cabinet. This included the transfer of the Aboriginal Heritage Fund.

The *Public Sector (Reorganisation of Public Sector Operations No.3) Notice 2018 (dated 28 June 2018)* proclaimed that effective from 1 July 2018, identified corporate employees will be transferred to the Department of the Premier and Cabinet.

Transferred out

On transfer of the Aboriginal Heritage Fund, Aboriginal Affairs and Reconciliation, Corporate function, Arts SA the department recognised the following assets and liabilities:

	Aboriginal Heritage Fund \$'000	Aboriginal Affairs and Reconciliation \$'000	Corporate \$'000	Arts SA \$'000	Total \$'000
Cash	1 130	-	-	26 085	27 215
Receivables	2	44	-	4 220	4 266
Non-current assets classified as held for sale	-	-	-	492	492
Property, plant and equipment	-	672	-	186 073	186 745
Intangibles	-	176	-	760	936
Total assets	1 132	892	-	217 630	219 654
Payables	-	708	22	6 339	7 069
Employee benefits	-	1 547	196	2 410	4 153
Provisions	-	27	7	183	217
Other liabilities	-	-	-	10	10
Total liabilities	-	2 282	225	8 942	11 449
Total net assets transferred	(1 132)	1 390	225	(208 688)	(208 205)

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
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1.3. Changes to the department (continued)

The Chief Executive of the Department for Innovation and Skills (dated 29 November 2018) approved the transfer of three employees from the corporate finance function to the Department for Trade, Tourism and Investment effective from 1 January 2019.

Transferred out

On transfer of three employees of the corporate finance function the department recognised the following liabilities:

	<u>\$'000</u>
Payables	16
Employee benefits	<u>143</u>
Total liabilities	<u>159</u>
Total net assets transferred	<u>159</u>

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations - External Engagement) Notice 2019* (dated 28 March 2019) proclaimed that effective 1 April 2019, resources and functions of Industry and Business Growth, Case Management and Regions and Industry, Policy and Analytics will be transferred to the Department for Trade, Tourism and Investment.

The Chief Executive of the Department for Innovation and Skills (dated 14 June 2019) approved the transfer of identified corporate employees to the Department for Trade, Tourism and Investment effective from 1 April 2019.

Transferred out

On transfer of the employees for Industry and Business Growth, Case Management and Regions, Industry, Policy and Analytics and corporate services, the department recognised the following liabilities:

	Industry and Business Growth \$'000	Case Management and Regions \$'000	Industry Policy and Analytics \$'000	Corporate \$'000	Total \$'000
Payables	470	87	11	16	584
Employee benefits	353	658	95	160	1 266
Other liabilities	-	27	-	-	27
Total liabilities	823	772	106	176	1 877
Total net assets transferred	823	772	106	176	1 877

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
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1.3. Changes to the department (continued)

The Chief Executive of the Department of the Premier and Cabinet (dated 13 June 2019) approved the transfer of resources, assets and liabilities of St. Paul's Function Centre and the Music Development Office effective from 2 July 2018.

Transferred in

On transfer of the St. Paul's Function Centre and the Music Development Office the department recognised the following assets and liabilities:

	<u>\$'000</u>
Cash	333
Receivables	7
Property, plant and equipment	160
Total assets	<u>500</u>
Payables	355
Employee benefits	62
Provisions	10
Total liabilities	<u>427</u>
Total net assets transferred	<u>73</u>

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
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1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations – External Engagement Notice 2019* (dated 28 March 2019) proclaimed effective from 1 April 2019, resources and functions of Immigration SA will be transferred from the Department for Trade, Tourism and Investment.

Transferred in

Total income and expenses attributable to Immigration SA for 2018-19 were:

	Department for Trade, Tourism and Investment July 2018 to March 2019 \$'000	Department for Innovation and Skills April 2019 to June 2019 \$'000	TOTAL \$'000
Fees and charges	1 158	287	1 445
Other income	5	-	5
Total income	1 163	287	1 450
Employee benefits expenses	1 594	528	2 122
Supplies and services	388	319	707
Total expenses	1 982	847	2 829
Net result	(819)	(560)	(1 379)

The following liabilities for Immigration SA were transferred to the department:

	<u>\$'000</u>
Payables	73
Employee benefits	481
Other liabilities	121
Total liabilities	675
Total net assets transferred	(675)

Net assets assumed by the department as a result of the administrative restructure were recognised at their carrying amount.

Department for Innovation and Skills
Notes to and forming part of the financial statements
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1.4. Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2018-19 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.

Statement of Comprehensive Income	Note	Original	Adjusted	Original	Actual	Variance
		Portfolio budget 2019	for OIA and SBC 2019	DIS budget 2019		
		\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits expenses		46 483	2 453	44 030	55 562	11 532
Supplies and services		73 025	839	72 186	79 956	7 770
Depreciation and amortisation		3 759	152	3 607	4 210	603
Grants and subsidies		399 991	(3 096)	403 087	385 895	(17 192)
Net loss from disposal of non-current assets		-	-	-	16	16
Other expenses		5 379	-	5 379	3 217	(2 162)
Total expenses		528 637	348	528 289	528 856	567
Income						
Fees and charges		595	-	595	5 673	5 078
Commonwealth grants and payments		-	-	-	122	122
Resources received free of charge		-	-	-	526	526
Infrastructure recharge - TAFE SA		53 676	-	53 676	53 985	309
Other income		1 730	198	1 532	10 156	8 624
Total income		56 001	198	55 803	70 462	14 659
Net cost of providing services		(472 636)	(150)	(472 486)	(458 394)	14 092
Revenues from / (payments to) SA						
Government						
Revenues from SA Government		451 738	-	451 738	450 342	(1 396)
Total net revenues from SA Government		451 738	-	451 738	450 342	(1 396)
Total comprehensive result		(20 898)	(150)	(20 748)	(8 052)	12 696

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance (continued)

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.

Note	Original Portfolio for OIA and budget 2019 \$'000	Adjusted SBC DIS 2019 \$'000	Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
	Investing Expenditure Summary				
Total existing projects	2 221	-	2 221	1 752	(469)
Total annual programs (a)	15 195	-	15 195	11 240	(3 955)
Total investing expenditure	17 416	-	17 416	12 992	(4 424)

Investing expenditure

(a) Expenditure on annual programs is \$4.0 million lower than original budget primarily relating to project delays and reclassification between operating and investing (\$2.6 million).

1.5. Significant transactions with government related entities

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

- approximately 94% of lease payments relate to the lease of VET Infrastructure from Renewal SA, whilst the balance of 6% relates to accommodation supplied by the Department of Planning, Transport and Infrastructure.
- grant payments of \$258.8 million were made to TAFE SA.
- revenue from Infrastructure recharge of \$54 million was received from TAFE SA.
- service level agreement fees totalling \$5.1 million were received from the Department for Energy and Mining (\$2.1 million), the Department for Trade, Tourism and Investment (\$2.5 million) and the Department of the Premier and Cabinet (\$0.5 million).
- once off funding of \$6.0 million was received from the Department of Treasury and Finance's Economic and Business Growth Fund to support the Screen Industry Fund. The department provided this funding to the South Australian Film Corporation to increase the Screen Production Investment Fund which is used to support local and international production in the state.
- total grant payments to Arts and Cultural statutory authorities were \$14.9 million.

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

The department's boards, committees and employees support the delivery of the department's programs to build a greater level of confidence in the South Australian economy. Effective from 1 April 2019, the department's resources support the South Australian Growth Agenda by focusing on skills and innovation to create the right conditions for business success and individual economic participation in the state's economy.

2.1. Key management personnel

Key management personnel of the department include the Minister, the Chief Executive Officer and six members of the executive team who have responsibility for the strategic direction and management of the department.

The total compensation in 2018 includes the Chief Executive, nine members of the executive team and the former Deputy Chief Executive (until December 2017).

Total compensation for key management personnel was \$1.8 million in 2018-19 and \$3.1 million in 2017-18.

Post-employment benefits relate to superannuation.

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

	2019	2018
	\$'000	\$'000
<u>Compensation</u>		
Salaries and other short term employee benefits	1 669	2 833
Post-employment benefits	170	265
Total	1 839	3 098

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 2019

2.2. Board and committee members

Members during the 2019 financial year were:

Training and Skills Commission

M Boyce (Chair)
A Nieuwenhuis (Deputy Chair)
E Cohen (appointed January 2019)
A Curtis (appointed January 2019)
S De Bruyn (appointed January 2019)
A Downs (appointed January 2019)
J Godwin (appointed January 2019)
S Griffiths (appointed January 2019)
A Keough (appointed January 2019)
S Neville (appointed January 2019)
M O'Leary (resigned December 2018)
M Paterson (appointed January 2019)
A Penney (appointed January 2019)
L Pivovarov (appointed July 2018, resigned December 2018)
R Potter (appointed January 2019)
D Rossi (appointed January 2019)
S Shearer (appointed January 2019)
J Walker (appointed January 2019)
A Watt (appointed January 2019)
M Wauchope (appointed January 2019)
A Williams (appointed January 2019)

Risk and Performance Committee

C Dunsford (Chair)
J Hill
S Adlaf *
J Cirson * (appointed September 2018)
N Chandler * (appointed December 2018)
J King * (appointed September 2018, resigned December 2018)
G Giannopoulos * (resigned December 2018)
M Richardson * (term expired September 2018)

Entrepreneurship Advisory Board

J Whalley ^ (Chair, appointed November 2018)
A Andreacchio ^ (appointed November 2018)
S Butler ^ (appointed November 2018)
G Freney ^ (appointed November 2018)
M Koo ^ (appointed November 2018)
F Nardini ^ (appointed November 2018)
J Paradiso ^ (appointed November 2018)

* In accordance with the 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 number of members whose remuneration received or receivable falls within the following bands is:

	2019	2018
\$1 - \$19 999	18	25
\$20 000 - \$39 999	4	13
\$40 000 - \$59 999	1	3
\$60 000 - \$79 999	-	1
\$100 000 - \$119 999	-	1
Total number of paid members	23	43

The total remuneration received or receivable by members was \$0.3 million (2018: \$0.8 million). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

The total number of paid board members in 2018 includes fourteen that transferred to the Department of the Premier and Cabinet effective from 1 July 2018 and seven from the Health Industries South Australia Advisory Board which was dissolved on 30 June 2018.

Department for Innovation and Skills
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2.3. Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	36 927	58 174
Targeted voluntary separation packages	5 029	518
Long service leave	2 405	1 348
Annual leave	3 908	5 142
Skills and experience retention leave	258	331
Employment on-costs - superannuation	4 143	6 766
Employment on-costs - other	2 496	3 619
Board and committee fees	319	721
Workers compensation	77	(269)
Total employee benefits expenses	55 562	76 350

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.

The reduction in employee benefits expenses predominantly relates to the transfer of employees to the Department of the Premier and Cabinet and the Department for Trade, Tourism and Investment effective from 1 July 2018 (refer note 1.3).

Department for Innovation and Skills
Notes to and forming part of the financial statements
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2.3. Employee benefits expenses (continued)

Executive remuneration

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

	2019 Number	2018 Number
\$149 000 to \$151 000 *	N/A	1
\$151 001 to \$171 000 ^ Δ	5	10
\$171 001 to \$191 000 Δ	3	9
\$191 001 to \$211 000 ^ Δ	3	12
\$211 001 to \$231 000 Δ	3	2
\$231 001 to \$251 000 Δ	2	7
\$251 001 to \$271 000 ^ Δ	3	3
\$271 001 to \$291 000 ^	2	3
\$291 001 to \$311 000 ^	2	2
\$311 001 to \$331 000 ^	4	1
\$331 001 to \$351 000 ^	2	-
\$351 001 to \$371 000 ^ Δ	1	1
\$411 001 to \$431 000	-	1
\$431 001 to \$451 000	1	-
\$471 001 to \$491 000	-	1
Total number of employees	31	53

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18

Δ This band includes employees that have received TVSP and (or) termination payments in 2017-18.

^ This band includes employees that have received TVSP and (or) termination payments in 2018-19.

The total remuneration received by those employees for the year was \$7.8 million (\$11.7 million).

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

The total number of employees in 2018 includes seven employees that transferred to the Department of the Premier and Cabinet, seven employees that transferred to the Department for Trade, Tourism and Investment effective 1 July 2018, and three employees that transferred to the Department for Trade, Tourism and Investment effective 1 April 2019. The total number of employees in 2019 includes one employee that transferred to the Department for Trade, Tourism and Investment effective 1 April 2019.

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 57 (2018: 6).

	2019 \$'000	2018 \$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	5 029	518
Leave paid to separated employees	1 754	295
Employment on-costs (payroll tax and Shared Services SA processing fees)	190	35
Recovery from the Department of Treasury and Finance	(4 928)	-
Net cost to the department	2 045	848

Department for Innovation and Skills
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2.4. Employee benefits liability

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Accrued salaries and wages	1 470	1 436
Annual leave	2 856	4 767
Long service leave	939	763
Skills and experience retention leave	296	450
Total current employee benefits	5 561	7 416
<u>Non-current</u>		
Long service leave	10 213	15 595
Total non-current employee benefits	10 213	15 595
Total employee benefits	15 774	23 011

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.

Where the annual leave liability and skills and experience retention leave liability is expected to be payable within 12 months, the liability is measured at the undiscounted amount expected to be paid. Where annual leave liability and skills and experience retention leave liability are expected to be payable later than 12 months, the liability is measured at present value.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

Department for Innovation and Skills
Notes to and forming part of the financial statements
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3. Expenses

The department's expenses are predominantly composed of grants and subsidy expenses to TAFE SA, private training organisations, and grant recipients under innovation initiatives. Other significant expenses include lease payments to Renewal SA for TAFE SA properties.

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Operating lease payments	59 578	61 649
Contractors	5 411	6 622
Communications and information technology	4 577	8 765
Accommodation and service costs	3 952	7 755
Marketing	2 034	2 225
Office administration expenses	1 807	6 454
Travel and related expenses	792	2 860
Staff related expenses	758	1 614
Shared service fees ⁽¹⁾	676	1 028
Consultancies (refer below)	379	2 215
Accounting and audit fees *	139	420
Service recoveries	92	306
Overseas trade representation ⁽²⁾	-	1 372
Energy supply fuel and lubricants	-	8
Lease incentive amortisation	(239)	(313)
Total supplies and services	79 956	102 980

* Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.1 million (2018: \$0.3 million). No other services were provided by the Auditor-General's Department.

⁽¹⁾ Resources provided free of charge were \$0.5 million (2018: \$0.9 million), and were expensed at fair value (refer to note 4.4).

⁽²⁾ Represents payments made to Austrade relating to activities promoting South Australia. Expenditure transferred to the Department for Trade, Tourism and Investment effective 1 July 2018.

Operating leases payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

There were no operating lease contingent rents or sublease payments recognised as an expense in the period.

Department for Innovation and Skills
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3.1. Supplies and services (continued)

Consultants

The number of consultancies and the dollar amount paid / payable (included in supplies and services expense) to consultants that fell within the following bands:

	2019 Number	2019 \$'000	2018 Number	2018 \$'000
Below \$10 000	-	-	7	23
\$10 000 or above	9	379	21	2 192
Total	9	379	28	2 215

3.2. Depreciation and amortisation

	2019 \$'000	2018 \$'000
Intangibles / software	2 762	2 688
Buildings and leasehold improvements	1 381	7 764
Plant and equipment	67	256
Total depreciation and amortisation	4 210	10 708

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.

Lease incentives in the form of leasehold 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 and non-current assets held for sale are not depreciated.

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.

Useful life

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

Class of asset	Useful life (years)
Buildings	25-80
Leasehold improvements	Life of lease
Plant and equipment	2-60
Intangibles / software	3-10

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

Department for Innovation and Skills
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3.3. Grants and subsidies

	2019	2018
	\$'000	\$'000
TAFE SA	258 789	246 213
Skills and Employment - VET subsidies	47 589	35 595
Industry and Innovation	31 586	39 850
Skills and Employment - Other	24 072	36 628
Arts and Cultural	19 954	145 034
Small Business Commissioner	1 859	1 847
Industry Advocate	1 388	853
Other	658	440
Investment Attraction South Australia	-	25 137
Transfers to administered items	-	13 974
International Engagement	-	7 131
Aboriginal Affairs and Reconciliation	-	6 487
Total grants and subsidies	385 895	559 189

In 2019, the department provided TAFE SA with funding of \$258.8 million (2018: \$246.2 million) relating primarily to VET subsidies and structural support of \$253.8 million (2018: \$232.6 million) and capital grant funding of \$5.0 million (2018: \$4.3 million). There were no payments for direct TVSP support in 2019 (2018: \$9.3 million).

Responsibility for all Arts and Cultural grants and subsidies transferred to the Department of the Premier and Cabinet effective from 1 July 2018, however the responsibility for several grant programs was transferred back from the Department of the Premier and Cabinet effective 2 July 2019. These programs are provided in the table below.

Further details of the Arts and Cultural grant recipients are as follows:

	2019	2018
	\$'000	\$'000
South Australian Film Corporation (including Screen Industry Fund)	13 292	5 828
Other recipients	3 194	1 614
JamFactory Contemporary Craft and Design Incorporated	1 839	1 765
Adelaide Film Festival	1 629	2 235
Arts industry assistance	-	7 757
Arts project assistance	-	4 155
Libraries Board of South Australia	-	36 021
Adelaide Festival Centre Trust	-	24 907
Art Gallery Board	-	13 356
Museum Board	-	12 069
Adelaide Festival Corporation	-	9 059
History Trust of South Australia	-	6 529
Country Arts SA	-	5 324
Adelaide Symphony Orchestra	-	2 863
State Theatre Company of South Australia	-	2 660
Adelaide Fringe	-	2 510
State Opera of South Australia	-	1 589
The Australian Children's Performing Arts Company	-	1 434
Australian Dance Theatre	-	1 305
Carrick Hill Trust	-	1 168
Tandanya	-	886
Total arts and cultural grants	19 954	145 034

Department for Innovation and Skills
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3.4. Other expenses

	2019	2018
	\$'000	\$'000
Land tax equivalents	3 040	2 977
Donated assets	50	1 429
Bad and doubtful debts	(63)	41
Asset derecognition	190	-
Revaluation decrement	-	26
Impairment loss	-	24
Total other expenses	3 217	4 497

Land tax equivalents relate to payments made to the Renewal SA to cover land tax and local government rates equivalent expenses relating to TAFE SA VET Infrastructure.

Donated assets relate to the transfer of \$1.0 million of Remote Area Energy Supply assets from Aboriginal Affairs and Reconciliation to the Department of the Premier and Cabinet and \$0.4 million for the donation of Her Majesty's Theatre redevelopment costs to the Adelaide Festival Centre Trust in 2018.

Department for Innovation and Skills
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4. Income

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

4.1. Net revenues from SA Government

	2019 \$'000	2018 \$'000
<u>Revenues from SA Government</u>		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	412 297	658 864
Appropriations transferred to administered items (Student Transport Concessions) pursuant to section 5 of the <i>Appropriation Act</i>	(15 984)	-
Appropriations from the Governor's Appropriation Fund pursuant to the <i>Public Finance and Audit Act</i>	9 358	-
Appropriations under other Acts	5 438	16 452
Commonwealth grants received via Treasury and Finance	39 233	-
Total revenues from SA Government	450 342	675 316
<u>Payments to SA Government</u>		
Return of surplus cash pursuant to cash alignment policy	-	44 882
Other payments to the Consolidated Account	-	236
Total payments to SA Government	-	45 118
Net revenues from SA Government	450 342	630 198

Appropriations

Appropriations are recognised on receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the department and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

Total revenues from Government consist of \$450.3 million (2018: \$675.3 million) for capital and operational funding. 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 \$9.4 million (2018: \$nil) pursuant to the *Public Finance and Audit Act 1987* and the transfer of Student Transport Concessions to the department's administered items under section 5 of the *Appropriation Act 2018*. Operational funding also included \$39.2 million received under the National Partnership agreement for the Skilling Australians Fund.

In addition, appropriation of \$5.4 million was received pursuant to Treasurer's contingency for TVSP reimbursements including \$0.5 million for TechInSA TVSP reimbursements. Contingency appropriation in 2018 included \$9.3 million for TAFE SA TVSP reimbursements, \$6.1 million for Adelaide Festival Centre supplementation, \$0.5 million for the 2017 TAFE Act Enterprise Bargaining Agreement, \$0.4 million for the South Australian Modern Public Sector Enterprise Agreement and \$0.1 million for the Our Energy Plan - Renewal Technology Fund.

Return of surplus cash pursuant to cash alignment policy

Prior period adjustments of \$44.9 million have been disclosed to restate balances reported in 2018 in the Statement of Comprehensive Income and Statement of Financial Position pursuant to the Department of Treasury and Finance cash alignment policy. As at 30 June 2018, the cash balance for the former Department of State Development was correctly disclosed within the Treasurer's Statements.

Department for Innovation and Skills
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4.2. Fees and charges

	2019	2018
	\$'000	\$'000
Service level agreement fees	5 259	2 335
Immigration application fees	287	1 036
Other	127	874
Arts industry related fees	-	3 115
Total fees and charges	5 673	7 360

The increase in service level agreement fees primarily relates to additional corporate support provided to other SA Government departments.

Fees and charges for Arts industry related fees were transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

4.3. Commonwealth grants and payments

	2019	2018
	\$'000	\$'000
Grants		
Regional Employment Facilitator Trial	72	-
Science, Technology, Engineering and Mathematics (STEM)	50	138
Tradestart	-	357
Total Commonwealth grants and payments	122	495

The department had no grants with conditions of expenditure still to be met at 30 June 2019.

4.4. Resources received free of charge

	2019	2018
	\$'000	\$'000
Services received free of charge - Shared Services SA	526	895
Goods received free of charge	-	12
Total resources received free of charge	526	907

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4.5. Net loss from disposal of non-current and other assets

	2019	2018
	\$'000	\$'000
<u>Land and buildings:</u>		
Proceeds from disposal	-	8 462
Less carrying amount of assets disposed	-	(8 476)
Net loss from disposal of land and buildings	-	(14)
<u>Plant and equipment:</u>		
Less carrying amount of assets disposed	(16)	(99)
Net loss from disposal of plant and equipment	(16)	(99)
<u>Total property, plant and equipment:</u>		
Total proceeds from disposal	-	8,462
Less total carrying amount of assets disposed	(16)	(8 575)
Total net loss from disposal of assets	(16)	(113)

4.6. Other income

	2019	2018
	\$'000	\$'000
Economic Business Growth Fund	6 000	-
Recoveries	3 073	6 273
Community Development Fund	850	1 250
Sponsorship revenues	118	4 071
Other income	115	2 687
Rental Income	-	5 108
Total other income	10 156	19 389

Once off funding of \$6.0 million from the Economic Business Growth Fund was provided to support the screen industry. The department provided this funding to the South Australian Film Corporation to increase the Screen Production Investment Fund (refer note 3.3).

Rental income collected by Arts South Australia transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Department for Innovation and Skills
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5. Non-financial assets

The department manages the Skills investment program which supports activities to deliver training to South Australians. In addition, the department is responsible for annual investing projects for VET infrastructure. Responsibility for TAFE VET Infrastructure will transfer to TAFE SA in 2019-20 (refer note 10.4).

5.1. Property, plant and equipment

	2019 \$'000	2018 \$'000
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	772	1 588
Accumulated depreciation at the end of the period	(209)	(477)
Total plant and equipment	563	1 111
<u>Buildings and leasehold improvements</u>		
Buildings and leasehold improvements at fair value	20 146	176 287
Accumulated depreciation at the end of the period	(3 760)	(25 459)
Total buildings and leasehold improvements	16 386	150 828
<u>Land</u>		
Land at fair value	4 960	37 855
Total land	4 960	37 855
<u>Works of art</u>		
Works of art at fair value	37	4 142
Total works of art	37	4 142
<u>Capital works in progress</u>		
Works in progress at cost	10 310	15 145
Total capital works in progress	10 310	15 145
Total property, plant and equipment	32 256	209 081

Property, plant and equipment 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 11.2.

Property, plant and equipment relating to TAFE SA VET infrastructure including buildings and leasehold improvements, land and capital works in progress will be transferred to TAFE SA in 2019-20 (refer note 10.4).

Department for Innovation and Skills
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5.1. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment assets during 2018-19:

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	1 111	150 828	37 855	4 142	15 145	209 081
Additions	587	-	-	-	11 174	11 761
Capitalisation	-	3 728	-	-	(3 728)	-
Disposals	(16)	-	-	-	-	(16)
Asset derecognition	(92)	-	-	-	-	(92)
Donated assets	(50)	-	-	-	-	(50)
Depreciation / amortisation	(67)	(1 381)	-	-	-	(1 448)
(Disposal) through administrative restructuring	(913)	(136 946)	(32 895)	(4 105)	(12 281)	(187 140)
Acquisition through administrative restructuring	3	157	-	-	-	160
Carrying amount at 30 June 2019	563	16 386	4 960	37	10 310	32 256

The following table shows the movement of property, plant and equipment assets during 2017-18:

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2017	1 212	105 036	37 908	4 314	18 418	166 888
Additions	172	-	-	-	51 718	51 890
Capitalisation	-	54 573	-	-	(54 573)	-
Disposals	(17)	-	(35)	-	-	(52)
Impairment loss	-	(24)	-	-	-	(24)
Donated assets	-	(993)	(18)	-	(418)	(1 429)
Revaluation decrement equity	-	-	-	(158)	-	(158)
Revaluation decrement expense	-	-	-	(26)	-	(26)
Depreciation / amortisation	(256)	(7 764)	-	-	-	(8 020)
Assets received free of charge	-	-	-	12	-	12
Carrying amount at 30 June 2018	1 111	150 828	37 855	4 142	15 145	209 081

Department for Innovation and Skills
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5.2. Intangible assets

	2019	2018
	\$'000	\$'000
<u>Computer software</u>		
Internally developed computer software	19 507	18 726
Accumulated amortisation	(9 904)	(7 171)
Other computer software	366	366
Other accumulated amortisation	(366)	(366)
Total computer software	9 603	11 555
Intangible work in progress	94	611
Total intangible work in progress	94	611
Total intangible assets	9 697	12 166

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

Internally developed computer software predominantly relates to the department's intangible VET systems. These systems have an average useful life of six years and carrying amount of \$9 million.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2018-19:

	Intangible software	Intangible work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	11 555	611	12 166
Additions	-	1 229	1 229
Capitalisation	1 572	(1 572)	-
Amortisation	(2 762)	-	(2 762)
Net assets transferred as a result of an administrative restructure	(762)	(174)	(936)
Carrying amount at 30 June 2019	9 603	94	9 697

Department for Innovation and Skills
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5.2. Intangible assets (continued)

The following table shows the movement of intangible assets during 2017-18:

	Intangible software	Intangible work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2017	12 523	654	13 177
Additions	-	3 329	3 329
Capitalisation	1 815	(1 815)	-
Disposals	(95)	-	(95)
Amortisation	(2 688)	-	(2 688)
Transfer to expenses	-	(254)	(254)
Carrying amount at 30 June 2018	11 555	1 914	13 469
Prior period adjustment	-	(1 303)	(1 303)
Restated carrying amount at 30 June 2018	11 555	611	12 166

5.3. Non-current assets classified as held for sale

	2019	2018
	\$'000	\$'000
Land and buildings	452	1 042
Total non-current assets classified as held for sale	452	1 042

The TAFE SA Naracoorte campus remains held for sale at 30 June 2019 with settlement expected to occur in early 2019-20.

Department for Innovation and Skills
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6. Financial assets

6.1. Cash

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer – Operating Account	29 340	54 545
Deposits at call - overseas office	-	36
Total cash	29 340	54 581

6.2. Receivables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
<u>Trade receivables</u>		
From government entities	799	3 199
From non-government entities	1 663	1 969
Less allowance for doubtful debts	(1 418)	(1 482)
Total trade receivables	1 044	3 686
Prepayments	299	4 645
GST input tax recoverable	-	3 392
Accrued revenues	7 855	249
Other receivables	68	167
Total current receivables	9 266	12 139

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

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

Refer to note 11.3 for further information on risk management.

Impairment of receivables

	2019	2018
	\$'000	\$'000
Carrying amount at 1 July 2018	(1 482)	(1 493)
(Increase) / decrease in the allowance	64	(33)
Amounts written off	-	23
Amounts recovered during the year	-	21
Carrying amount at 30 June 2019	(1 418)	(1 482)

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

Department for Innovation and Skills
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6.3. Investments

	2019	2018
	\$'000	\$'000
Contributed capital in subsidiary company	-	400
Share of retained profit	0%	100%
Retained profits attributable to subsidiary company		
Balance at 1 July 2018	6 901	6 486
Reduction recognised as a result of restructure activities	(6 901)	-
Change in financial assets available for sale revaluation reserve	-	415
Total investments at 30 June 2019	-	6 901

Scope Global Pty Ltd

Investments in Scope Global Pty Ltd were transferred to the Department for Trade, Tourism and Investment from 1 July 2018.

Department for Innovation and Skills
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Accrued expenses and trade payables	21 968	26 026
GST payable	2 861	-
Employment on-costs	1 083	1 651
Total current payables	25 912	27 677
<u>Non-current</u>		
Employment on-costs	947	1 464
Total non-current payables	947	1 464
Total payables	26 859	29 141

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

Employment on-costs

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

The department makes contributions 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 2018 rate 41% and the average factor for the calculation of employer superannuation cost on-costs has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The impact on 2019 and future years cannot be reliably estimated.

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7.2. Provisions

	2019 \$'000	2018 \$'000
<u>Current</u>		
Provision for workers compensation	160	245
Total current provisions	160	245
<u>Non-current</u>		
Provision for workers compensation	251	368
Total non-current provisions	251	368
Total provisions	411	613
<i>Movement in provisions</i>		
Carrying amount at 1 July 2018	613	1 049
Increase in provisions recognised as a result of restructure activities	10	-
(Decrease) in provisions recognised as a result of restructure activities	(284)	-
Increase / (decrease) in provisions recognised	72	(436)
Carrying amount at 30 June 2019	411	613

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 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The department is responsible for the payment of workers compensation claims.

7.3. Other liabilities

	2019 \$'000	2018 \$'000
<u>Current</u>		
Lease incentive	295	313
Unearned revenue	168	81
Total current other liabilities	463	394
<u>Non-current</u>		
Lease incentive	2 009	724
Total non-current other liabilities	2 009	724
Total other liabilities	2 472	1 118

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

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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.

For information about equity contributions and prior period adjustments (refer note 4.1).

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.

Cash flow reconciliation

	2019	2018
	\$'000	\$'000
<u>Reconciliation of cash and cash equivalents at 30 June 2018</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	29 340	54 581
Balance as per the Statement of Cash Flows	<u>29 340</u>	<u>54 581</u>
<u>Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services</u>		
Net cash provided by / (used) in operating activities	30	(44 189)
Less revenues from SA Government	(450 342)	(675 316)
Add payments to SA Government	-	45 118
<u>Add / less non-cash items</u>		
Depreciation and amortisation expense of non-current assets	(4 210)	(10 708)
Impairment of non-current assets	-	(24)
Amortisation of lease incentive	239	313
Assets de-recognised / written off	(190)	-
Bad and doubtful debts expense	63	(41)
Resources received free of charge	526	907
(Decrements) on revaluation of non-current assets	-	(26)
Other asset movements	-	(254)
Donated Assets	(50)	(1 429)
GST on proceeds from sale of property, plant and equipment and other assets	-	846
Resources provided free of charge	(526)	(895)
Prior Period adjustments	-	(1 303)
Transfer in for administrative restructure	1 093	-
Transfer out for administrative restructure	(12 957)	(294)
Loss from disposal and write down of non-current and other assets	(16)	(113)
<u>Movement in assets and liabilities</u>		
Increase / (decrease) in receivables	455	(1 669)
(Increase) / decrease in payables	139	16 318
(Increase) / decrease in other liabilities	(87)	99
(Increase) / decrease in provisions	202	436
(Increase) / decrease in employee benefits	7 237	721
Net cost of providing services	<u>(458 394)</u>	<u>(671 503)</u>

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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statement)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- removal of the additional requirement to report a statement of equity for administered items.
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the department adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior years, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, AASB 9 *Financial Instruments*, was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

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9.2. AASB 9 Financial Instruments (continued)

On 1 July 2018, the department has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

This model generally results in earlier recognition of credit losses than the previous one.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department has adopted the simplified approach under AASB 9 *Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. The adoption of AASB 9 has not had a significant effect on the loss allowance for trade receivables external to Government.

There are no additional impairment provisions for State, Territory or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

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10. Outlook

10.1. Unrecognised contractual commitments

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

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

Capital commitments

	2019	2018
	\$'000	\$'000
Within one year	1 084	16 323
Later than one year but not later than five years	-	5 300
Total capital commitments	1 084	21 623

Capital commitments as at 30 June 2019 relate to VET infrastructure projects for TAFE SA campuses which include digital efficiency works and cooling plant installation at the Adelaide Campus. Responsibility for these commitments will transfer to TAFE SA in 2019-20 (refer note 10.4). The reduction in capital commitments primarily relates to the transfer of responsibility for Adelaide Festival Centre projects to the Department of the Premier and Cabinet effective from 1 July 2018.

Expenditure commitments

	2019	2018
	\$'000	\$'000
Within one year	62 307	49 391
Later than one year but not later than five years	38 676	65 637
Later than five years	841	-
Total expenditure commitments	101 824	115 028

Amounts disclosed include commitments arising from agreements with contractors, consultants, information and communication technology contracts and grant recipients.

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10.1. Unrecognised contractual commitments (continued)

Operating lease commitments

	2019 \$'000	2018 \$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	18 171	63 772
Later than one year but not later than five years	17 065	251 048
Later than five years	13 053	570 146
Total operating lease commitments	48 289	884 966
Representing:		
Cancellable operating leases	136	1 548
Non-cancellable operating leases	48 153	883 418
Total operating lease commitments	48 289	884 966

	2019 \$'000	2018 \$'000
<u>Department as lessor</u>		
Within one year	10 388	60 756
Later than one year but not later than five years	-	251 454
Later than five years	-	568 319
Total operating lease commitments	10 388	880 529
Representing:		
Non-cancellable operating leases	10 388	880 529
Total operating lease commitments	10 388	880 529

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure – Building Management Accommodation and Property Services. The leases are non-cancellable with remaining terms of up to nine years. This includes the lease of TAFE SA properties from Renewal SA which are sub-leased by the department to TAFE SA. As announced in the 2019-20 State Budget, these properties are expected to transfer to TAFE SA during 2019-20 (refer note 10.4). An effective date of 1 October 2019 has been assumed. The reduction in the residual lease term from up to 13 years down to three months significantly reduces the overall operating lease commitments to the department as both lessee and lessor.

Operating lease commitments are further reduced due to the transfer of Arts South Australia accommodation to the Department of the Premier and Cabinet effective from 1 July 2018.

Motor vehicles are leased from the South Australian Government Financing Authority through their agent LeasePlan Australia, with lease periods of up to three years.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

10.2. 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

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 2019.

Contingent liabilities

The Minister for Innovation and Skills has entered an agreement to provide Le Cordon Bleu with an interest free loan of \$7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

10.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for the 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the department are outlined below.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The department will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the department.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

10.3. Impact of standards and statements not yet effective (continued)

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition to AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities*. These requirements include that the department will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated.
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that department will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

The department will adopt AASB 16 – *Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 *Leases* replaces AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives and Interpretation*, and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the department has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

	as at 1 July 2019 \$'000
Assets	
Right-of-use assets	29 268
Liabilities	
Lease liabilities	31 572
Other liabilities (lease incentive liabilities)	(2 304)
Net impact on equity	-

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Depreciation and amortisation	3 885
Supplies and services	(4 899)
Borrowing costs	559
Net impact on net cost of providing services	(455)

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure – Building Management Accommodation and Property Services. The leases are non-cancellable with remaining terms of up to 9 years. The department also has a number of short-term operating leases which are not impacted by the introduction of AASB 16. This includes the lease of TAFE SA properties from Renewal SA which are sub-leased by the department to TAFE SA. As announced in the 2019-20 State Budget, these properties are expected to transfer to TAFE SA during 2019-20 (refer note 10.4). An effective date of 1 October 2019 has been assumed.

Motor vehicles are leased from the South Australian Government Financing Authority through their agent LeasePlan Australia, with lease periods of up to three years.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* set out key requirements that the department must adopt for the transition from AASB 117 *Leases* to AASB 16 *Leases*. These requirements include that the department will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying assets.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

The departments assets and liabilities will increase through the implementation of AASB 16 as previously recognised operating leases move onto the balance sheet. It is expected that the net cost of providing services will reduce as rental expenses are replaced with depreciation and interest expenses under the new standard.

10.4. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June 2019 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2019 and which may have a material impact on the results of subsequent years as set out below.

- As proclaimed on 6 June 2019 and in accordance with section 9(1) of the *Public Sector Act 2009*, effective from 1 July 2019 the Office of the Small Business Commissioner (and the Retail Shop Leases Fund) will be transferred to the Attorney-General's Department.
- As announced in the 2019-20 state budget, the ownership of key TAFE SA properties will be transferred from Renewal SA to TAFE SA in 2019-20. The transfer of these key properties will provide TAFE SA with greater control over the strategic direction of its educational infrastructure and enable the cessation of leasing arrangements between the department and Renewal SA, the termination of sub-leases with TAFE SA and the transfer of budget responsibility for VET property maintenance and investment activities.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11. Measurement and risk

11.1. 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.

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 decreased from 2018 2.5% to 2019 1.25%.

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

The net financial effect of the changes in the current financial year is an increase in the long service liability of \$1.0 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.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and the salary inflation rate at 3% for annual leave and skills and experience retention leave liability.

As a result, there is no net financial effect resulting from changes in the salary inflation rate.

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

11.2. 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 and 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 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.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair Value (continued)

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

Fair value hierarchy

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 2019 and 2018, the department had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation techniques.

Fair value classification – non-financial assets at 30 June 2019

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>				
Land	5.1	4 960	-	4 960
Plant and equipment	5.1	-	563	563
Buildings and leasehold improvements	5.1	-	16 386	16 386
Works of art	5.1	-	37	37
Total recurring fair value measurements		4 960	16 986	21 946
<u>Non-recurring fair value measurements</u>				
Land and buildings held for sale	5.3	452	-	452
Total non-recurring fair value measurements		452	-	452
Total		5 412	16 986	22 398

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Fair value classification – non-financial assets at 30 June 2018

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>				
Land	5.1	26 618	11 237	37 855
Plant and equipment	5.1	-	1 111	1 111
Buildings and leasehold improvements	5.1	-	150 828	150 828
Works of art	5.1	4 053	89	4 142
Total recurring fair value measurements		30 671	163 265	193 936
<u>Non-recurring fair value measurements</u>				
Land and buildings held for sale	5.3	1 042	-	1 042
Total non-recurring fair value measurements		1 042	-	1 042
Total		31 713	163 265	194 978

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 2014.

Fair value of land has been 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 are 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.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2019

The following table is a reconciliation of fair value measurement using significant unobservable inputs (Level 3).

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2018	1 111	150 828	11 237	89	163 265
Acquisitions	587	-	-	-	587
Capitalised subsequent expenditure	-	3 728	-	-	3 728
Disposals	(16)	-	-	-	(16)
Donated assets	(50)	-	-	-	(50)
Asset derecognition	(92)	-	-	-	(92)
(Disposal) through administrative restructure	(913)	(136 946)	(11 237)	(52)	(149 148)
Acquisition through administrative restructure	3	157	-	-	160
Closing balance at 30 June 2019	630	17 767	-	37	18 434

**Losses for the period recognised in net
result:**

Depreciation and amortisation	(67)	(1 381)	-	-	(1 448)
Total losses recognised in net result	(67)	(1 381)	-	-	(1 448)
Closing balance at 30 June 2019	563	16 386	-	37	16 986

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2018

The following table is a reconciliation of fair value measurement using significant unobservable inputs (Level 3).

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	1 212	105 036	11 255	103	117 606
Acquisitions	172	-	-	-	172
Capitalised subsequent expenditure	-	54 573	-	-	54 573
Disposals	(17)	-	-	-	(17)
Donated assets	-	(993)	(18)	-	(1 011)
Assets received free of charge	-	-	-	12	12
Closing balance at 30 June 2018	1 367	158 616	11 237	115	171 335
<u>Losses for the period recognised in net result:</u>					
Revaluation decrement	(256)	(7 764)	-	-	(8 020)
Impairment losses	-	(24)	-	-	(24)
Depreciation and amortisation	-	-	-	(26)	(26)
Total losses recognised in net result	(256)	(7 788)	-	(26)	(8 070)
Carrying amount at 30 June 2018	1 111	150 828	11 237	89	163 265

11.3. Financial instruments

Financial risk management

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

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.

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 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.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

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. 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.

It should be noted that the department has two outstanding debts for loan payments. A loss percentage of 100% has been applied to the gross carrying amount for these items.

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)	78	0.4	-
1 - 30 days past due	9	2.8	-
31 - 60 days past due	10	7.1	1
61 - 90 days past due	3	11.0	-
91 - 180 days past due	28	15.3	4
More than 180 days past due	556	80.0	445
Loss allowance	684		450
More than 180 days past due - loans	968	100.0	968
Total loss allowance			1 418

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.

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.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

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

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

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired.

The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

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 (SAFA) 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 applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

The carrying amounts are detailed below for each of the following categories of financial assets and liabilities:

- Held-to-maturity investments;
- Loan and receivables; and
- Financial liabilities measured at cost.

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer to notes 6.2 and 7.1)
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer to note 6.3).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

The department measures all financial instruments at amortised costs.

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	2018 Carrying amount / fair value \$'000	2019 Contractual maturities		
				Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	6.1	29 340	54 581	29 340	-	-
Financial assets at amortised cost						
Receivables	6.2	8 967	4 102	8 967	-	-
Investments	6.3	-	6 901	-	-	-
Total financial assets		38 307	65 584	38 307	-	-
Financial liabilities						
Financial liabilities at amortised cost						
Payables	7.1	21 831	25 728	21 831	-	-
Total financial liabilities		21 831	25 728	21 831	-	-

Receivables and payables

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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

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

**Administered Financial Statements
for the year ended
30 June 2019**

Department for Innovation and Skills
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
<u>Administered Expenses</u>		
Employee benefits expenses	359	660
Supplies and services	-	295
Grants and subsidies	15 718	23 903
Other expenses	-	6 167
Total administered expenses	16 077	31 025
<u>Administered Income</u>		
Revenues from SA Government	16 374	28 551
Interest	-	462
Other revenues	-	71
Total administered income	16 374	29 084
Net result	297	(1 941)
Net result and total comprehensive result	297	(1 941)

Department for Innovation and Skills
Statement of Administered Financial Position
as at 30 June 2019

	2019	2018
	\$'000	\$'000
<u>Administered current assets</u>		
Cash	421	34 552
Receivables	6	49
Total current assets	<u>427</u>	<u>34 601</u>
Total assets	<u>427</u>	<u>34 601</u>
<u>Administered current liabilities</u>		
Payables	222	754
Total current liabilities	<u>222</u>	<u>754</u>
Total liabilities	<u>222</u>	<u>754</u>
Net assets	<u>205</u>	<u>33 847</u>
<u>Administered equity</u>		
Retained earnings	205	33 847
Total equity	<u>205</u>	<u>33 847</u>

Department for Innovation and Skills
Statement of Administered Cash Flows
for the year ended 30 June 2019

	2019	2018
	(Outflows)	(Outflows)
	Inflows	Inflows
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
<u>Cash (outflows)</u>		
Employee benefits payments	(359)	(661)
Supplies and services	-	(244)
Grants and subsidies	(15 497)	(24 869)
Other payments	-	(6 167)
Cash used in operations	(15 856)	(31 941)
<u>Cash inflows</u>		
Receipts from government	16 374	28 551
Interest receipts	-	594
Other receipts	-	72
Cash generated from operations	16 374	29 217
Net cash provided by / (used in) operations	518	(2 724)
<u>Cash flows from financing activities</u>		
<u>Cash (outflows)</u>		
Payments on restructure	(34 649)	-
Cash used in financing activities	(34 649)	-
Net cash (used in) financing activities	(34 649)	-
Net decrease in cash	(34 131)	(2 724)
Cash at the beginning of the period	34 552	37 276
Cash at the end of the period	421	34 552

Department for Innovation and Skills
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2019

	Student Transport Concessions		Aboriginal Affairs and Reconciliation		Bank of Tokyo Fund	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Administered Expenses</u>						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	240	-	-
Grants and subsidies	15 718	13 974	-	6 432	-	-
Grants and subsidies transferred to controlled	-	-	-	-	-	-
Other expenses	-	-	-	2	-	-
Total administered expenses	15 718	13 974	-	6 674	-	-
<u>Administered Income</u>						
Revenues from SA Government	15 984	13 974	-	6 647	-	-
Interest	-	-	-	461	-	1
Other revenues	-	-	-	71	-	-
Total administered income	15 984	13 974	-	7 179	-	1
Net result	266	-	-	505	-	1

	Stolen Generations Reparations Scheme		Small Business Commissioner	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Administered Expenses</u>				
Employee benefits expenses	-	-	-	-
Supplies and services	-	55	-	-
Grants and subsidies	-	1 650	-	-
Grants and subsidies transferred to controlled	-	-	-	1 847
Other expenses	-	6 165	-	-
Total administered expenses	-	7 870	-	1 847
<u>Administered Income</u>				
Revenues from SA Government	-	5 420	-	1 847
Interest	-	-	-	-
Other revenues	-	-	-	-
Total administered income	-	5 420	-	1 847
Net result	-	(2 450)	-	-

Department for Innovation and Skills
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2019

	Ministers' salaries		Total	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Administered Expenses</u>				
Employee benefits expenses	359	660	359	660
Supplies and services	-	-	-	295
Grants and subsidies	-	-	15 718	22 056
Grants and subsidies transferred to controlled	-	-	-	1 847
Other expenses	-	-	-	6 167
Total administered expenses	359	660	16 077	31 025
<u>Administered Income</u>				
Revenues from SA Government	390	663	16 374	28 551
Interest	-	-	-	462
Other revenues	-	-	-	71
Total administered income	390	663	16 374	29 084
Net result	31	3	297	(1 941)

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1 Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.1. The department applies the same accounting policies to the administered financial statements as set out in the notes to the department's financial statements.

A2 Objectives / activities of the department's administered items

In 2018-19 the department's administered items are structured to contribute to one main activity:

Student Transport Concessions

Payments provided to the Department of Planning, Transport and Infrastructure to support student travel concessions for all VET and higher education students within metropolitan and regional South Australia. This activity was effective from 1 July 2017.

In 2017-18 the department's administered items were structured to contribute to four main activities, three of these activities were transferred to the Department of the Premier and Cabinet effective from 1 July 2018:

Aboriginal Affairs and Reconciliation

The Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Taskforce is funded through appropriation from the Department of Treasury and Finance for the coordination and delivery of diversionary programs across the APY Land communities. The department also administers Commonwealth Government funding for projects on the APY Lands and other Aboriginal communities. This activity was transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Bank of Tokyo Fund

Funds held by the department for the purpose of supporting cultural and social exchange between South Australia and Japan. This activity was transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Stolen Generations Reparations Scheme

The South Australian Government has established the Stolen Generations Reparations Scheme to recognise the grief, pain and loss experienced by Aboriginal communities, families and individuals; and to also support a range of proposals that can assist in the healing process. The Scheme includes provision for up to \$6 million in ex-gratia payments to be made to individual members of the Stolen Generations. This activity was transferred to the Department of the Premier and Cabinet effective from 1 July 2018.

Small Business Commissioner

Appropriation funding for the Office of the Small Business Commissioner is paid by the Department of Treasury and Finance to the department. The funding is then provided to the Office of the Small Business Commissioner which is a separate reporting entity. The amounts transferred to the Office of the Small Business Commissioner represent appropriation funding only and not the entire budget for the operations.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A3 Changes to the department's administered items

The *Public Sector (Reorganisation of Public Sector Operations) Notice 2018* (dated 14 June 2018) proclaimed that effective from 1 July 2018 resources, and functions of Aboriginal Affairs and Reconciliation and Arts South Australia will be transferred to the Department of the Premier and Cabinet.

That resulted in the transfer of the following administered items:

- Aboriginal Affairs and Reconciliation
- Bank of Tokyo
- Stolen Generations Reparations Scheme

Aboriginal Affairs and Reconciliation includes the APY lands – Additional Services, Commonwealth Essential Services and Aboriginal Communities – Additional Services.

Transferred out

The following assets and liabilities were transferred to the Department of the Premier and Cabinet:

	APY Land- additional services \$'000	Commonwealth Essential Services \$'000	Aboriginal Communities -additional services \$'000	Bank of Tokyo \$'000	Stolen Generations Reparations Scheme \$'000	Total \$'000
Assets						
Cash	(18 807)	(913)	(16 717)	(93)	1 881	(34 649)
Receivables	(29)	(1)	(19)	-	-	(49)
Total assets	(18 836)	(914)	(16 736)	(93)	1 881	(34 698)
Liabilities						
Payables	754	-	-	-	-	754
Total liabilities	754	-	-	-	-	754
Total net assets transferred	(18 082)	(914)	(16 736)	(93)	1 881	(33 944)

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Innovation and Skills
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A4 Budget performance

Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

	Note	Original budget ⁽¹⁾ 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Statement of Comprehensive Income				
<u>Administered Expenses</u>				
Employee benefits		358	359	(1)
Grants and subsidies	a	-	15 718	(15 718)
Total administered expenses		358	16 077	(15 719)
<u>Administered Income</u>				
Revenues from SA Government	b	358	16 374	(16 016)
Total administered income		358	16 374	(16 016)
Net result		-	297	(297)
Total comprehensive result		-	297	(297)

⁽¹⁾ These budgeted amounts have not been subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2018-19 Budget Papers, Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes.

- a The original budget for Student Transport Concessions of \$16.0 million was held in the department's controlled accounts and was transferred to administered items during 2018-19.
- b Appropriation for Student Transport Concessions of \$16.0 million was transferred from the department's controlled accounts to administered items during 2018-19.